

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

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BILL DRAFT 2025-DFxfz-4A [v.2]

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)  
03/17/2026 09:26:02 AM

Short Title: Hospital Sales Tax Refund Mods.

(Public)

Sponsors:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REDUCE THE AGGREGATE ANNUAL STATE AND LOCAL SALES TAX REFUND AMOUNTS APPLICABLE TO NONPROFIT ENTITIES AND TO LIMIT THE APPLICATION OF THE AGGREGATE ANNUAL STATE AND LOCAL SALES TAX REFUND AMOUNTS FOR A NONPROFIT HOSPITAL, PUBLIC HOSPITAL, OR HOSPITAL AUTHORITY TO THE ENTITY AS A WHOLE.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** G.S. 105-164.14 reads as rewritten:

"§ 105-164.14. **Certain refunds authorized.**

...

(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of items for use in carrying on the work of the nonprofit entity. Sales and use tax liability indirectly incurred by a nonprofit entity through reimbursement to an authorized person of the entity for the purchase of tangible personal property and services for use in carrying on the work of the nonprofit entity is considered a direct purchase by the entity. Sales and use tax liability indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity. The refund allowed under this subsection does not apply to purchases of electricity, telecommunications service, ancillary service, piped natural gas, video programming, or a prepaid meal plan. A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund for the first six months of a calendar year is due the following October 15; a request for a refund for the second six months of a calendar year is due the following April 15. The aggregate annual refund amount allowed an entity under this subsection for the State's fiscal year may not exceed ten million dollars (\$10,000,000). ~~thirty-one million seven hundred thousand dollars (\$31,700,000).~~

The refunds allowed under this subsection do not apply to an entity that is owned and controlled by the United States or to an entity that is owned or controlled by the State and is not listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying out its work. The following nonprofit entities are allowed a refund under this subsection:



\* 2 0 2 5 - D F X F Z - 4 A - V - 2 \*

1 (1) Hospitals not operated for profit, including hospitals and medical  
 2 accommodations operated by an authority or other public hospital described  
 3 in Article 2 of Chapter 131E of the General Statutes. For purposes of the  
 4 aggregate annual refund amount allowed under this subdivision and under  
 5 G.S. 105-467, the following conditions apply:

6 a. A nonprofit hospital system and all of its affiliates that are eligible for  
 7 a refund under this subsection are treated as one entity.

8 b. A hospital authority or a public hospital and all of its related facilities  
 9 or component units, as applicable, that are eligible for a refund under  
 10 this subsection are treated as one entity. For purposes of this  
 11 sub-subdivision, the term "related facilities" means all facilities  
 12 owned, maintained, or operated by a public hospital or a public  
 13 hospital authority, and the term "component unit" is as defined in  
 14 G.S. 116-350.

15 ...

16 ...."

17 **SECTION 1.(b)** G.S. 105-467 reads as rewritten:

18 "**§ 105-467. Scope of sales tax.**

19 ...

20 (b) Exemptions and Refunds. – The State exemptions and exclusions contained in Article  
 21 5 of Subchapter I of this Chapter, except for the exemption for food in G.S. 105-164.13B, apply  
 22 to the local sales and use tax authorized to be levied and imposed under this Article. The State  
 23 refund provisions contained in G.S. 105-164.14 and G.S. 105-164.14A apply to the local sales  
 24 and use tax authorized to be levied and imposed under this Article. A refund of an excessive or  
 25 erroneous State sales tax collection allowed under G.S. 105-164.11 and a refund of State sales  
 26 tax paid on a rescinded sale or cancelled service contract under G.S. 105-164.11A apply to the  
 27 local sales and use tax authorized to be levied and imposed under this Article. The aggregate  
 28 annual local refund amount allowed an entity under G.S. 105-164.14(b) for the State's fiscal year  
 29 may not exceed four million two hundred thousand dollars (\$4,200,000).~~thirteen million three~~  
 30 ~~hundred thousand dollars (\$13,300,000).~~

31 Except as provided in this subsection, a taxing county may not allow an exemption, exclusion,  
 32 or refund that is not allowed under the State sales and use tax. A local school administrative unit  
 33 and a joint agency created by interlocal agreement among local school administrative units  
 34 pursuant to G.S. 160A-462 to jointly purchase food service-related materials, supplies, and  
 35 equipment on their behalf is allowed an annual refund of sales and use taxes paid by it under this  
 36 Article on direct purchases of items. Sales and use tax liability indirectly incurred by the entity  
 37 as part of a real property contract for real property that is owned or leased by the entity and is a  
 38 capital improvement for use by the entity is considered a sales or use tax liability incurred on  
 39 direct purchases by the entity for the purpose of this subsection. The refund allowed under this  
 40 subsection does not apply to purchases of electricity, telecommunications service, ancillary  
 41 service, piped natural gas, video programming, or a prepaid meal plan. A request for a refund is  
 42 due in the same time and manner as provided in G.S. 105-164.14(c). Refunds applied for more  
 43 than three years after the due date are barred.

44 ...."

45 **SECTION 2.** This act is effective July 1, 2026, and applies to requests for a refund  
 46 submitted on or after that date.