

Tax Law Changes Effective July 1, 2014

- Eliminate of Sales Tax Holidays
 - Back to School
 - ✓ Clothing with a sales price of \$100 or less; school instruction material with a sales price of \$300 or less; computers with a sales price of \$3,500 or less; computer supplies with a sales price of \$250 or less; sport equipments with a sales price of \$50 or less
 - ✓ Enacted in 2001; applies to sales made during the first weekend in August
 - ✓ \$14.7 million in FY14-15
 - Certain Energy Star Products
 - ✓ Clothes washers, freezers and refrigerators, central air conditions and room air conditioners, air-source heat pumps, ceiling fans, dehumidifiers, programmable thermostats
 - ✓ Enacted in 2008; applies to sales made during the first weekend in November
 - ✓ \$1.6 million in FY14-15
- Elimination of sales tax exemption for bread, rolls, and buns sold at a bakery thrift store
 - A bakery thrift store is a retail outlet of a bakery that sells at wholesale over 90% of the items it makes and sells at the retail outlet day-old bread returned to it by retailers
 - Enacted in 2007
 - \$3.9 million in FY14-15
- Cap on sales tax refund a nonprofit entity may receive at \$45 million annually
 - \$31.7 million from State refund; \$13.3 million from local refund
 - Would need to purchase \$666 million of goods to pay sales tax of more than \$45 million
- Impose income applicability to qualify for sales tax farm exemption certificate
 - Annual gross income from farming operations of \$10,000
 - \$16.5 million for FY14-15
 - More than 40,000 farm exemption certificates currently outstanding
 - More than 52,000 farms in NC according to the 2007 USDA Census of Agriculture¹
 - Issues to Address
 - ✓ Verification of outstanding farm exemption certificates or re-application for exemption certificate?
 - ✓ Administration of income verification? Change previous calendar year to previous taxable year? Specify IRS schedule F?
 - ✓ Should exemption certificate be renewable? How many years?
 - ✓ Provisions for new farmers?
 - ✓ Provisions for agricultural operations that may not produce income annually, such as cattle breeders and timber operations?

¹ Defined as a farming operation that can generate \$1,000 in annual sales. 2012 USDA Census of Agriculture expected to be released on February 20, 2014.