

2022 FINANCE LAW CHANGES

See full summary documents for additional detail

H83 - Revenue Laws Technical, Clarifying, & Administrative Changes. (SL 2022-13)

S.L. 2022-13 makes various technical, clarifying, and administrative changes to the revenue laws as recommended by the Department of Revenue.

H103 - 2022 Appropriations Act.

Sec. 9D.10: Medicaid Hospital Assessment Technical Adjustments. (SL 2022-74)

Section 9D.10 of S.L. 2022-74 amends statutes (G.S. 108A-146.12 and G.S. 108A-146.13) enacted in Section 9D.13A(c) of S.L. 2021-180 to make technical adjustments to the modernized hospital assessments, as follows:

- Reduces the amount of assessment collected from hospitals through the postpartum component to account for the portion of the added postpartum costs that will be collected through the other components of the modernized hospital assessments. Because the postpartum coverage and the postpartum component took effect April 1, 2022, and this section becomes effective October 1, 2022, this section provides for a reconciliation of the April and July quarters in the quarter beginning October 1, 2022.
- Adjusts the historical subcomponent of the modernized hospital assessments related to the recent change of ownership of Vidant Beaufort hospital that was reported to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice.

This section becomes effective October 1, 2022, and applies to modernized hospital assessments imposed on or after that date.

H103 - 2022 Appropriations Act. Sec. 23.1: OSBM/Report to Oversight Committee on New Positions. (SL 2022-74)

Section 23.1 of S.L. 2022-74 requires the Office of State Budget and Management to report quarterly to the Joint Legislative Oversight Committee on General Government (Committee) and the Fiscal Research Division of the General Assembly on the number of new positions established by a State agency under the purview of the Committee and approved by the Director of the Budget. Pursuant to G.S. 143C-2-1, the Governor is the Director of the Budget.

The report must include all of the following: (i) the justification for each position established, (ii) the position title and duties of each position, (iii) the salary for each position, and (iv) the source of funds used to establish each position.

This section became effective July 1, 2022.

**H103 - 2022 Appropriations Act.
Part 42: Finance. (SL 2022-74)**

Part XLII of S.L. 2022-74 makes the following tax-related changes:

- Section 42.1 – Expands the individual income tax exclusion of military retirement pay to include retirement pay for service in all uniformed services. The exclusion enacted in Section 42.1A of S.L. 2021-180 applied only to members of the Armed Forces; this provision extends the exclusion to retirees of the commissioned corps of the National Oceanic and Atmospheric Administration (NOAA) and the U.S. Public Health Service. This provision became effective for taxable years beginning on or after January 1, 2022.
- Section 42.2 – Exempts from sales and use tax purchases by interstate air and ground couriers of certain equipment, including conveyor systems, and related parts and accessories, purchased for use at package sorting facilities. Minimum investment and employment thresholds must be met to be eligible for and to maintain the exemption. This provision became effective July 1, 2022, and applies to purchases made on or after that date.
- Section 42.3 – Transfers a portion of the sales and use tax proceeds, ranging from 2%-6% over three years, to the Highway Fund and Highway Trust Fund for transportation needs. This provision became effective July 1, 2022.
- Section 42.4 – Shifts from annual to quarterly the motor fuel tax refund available for the offhighway use of motor fuel. This provision becomes effective January 1, 2023, and applies to purchases of motor fuel on or after that date.

H103 - 2022 Appropriations Act. Sec. 42.1: Expand Income Tax Exclusion of Military Retirement Pay to NOAA and U.S. Public Health Service Retirees. (SL 2022-74)

Section 42.1 of S.L. 2022-74 expands the individual income tax exclusion of military retirement pay to include retirement pay for service in all uniformed services. The exclusion enacted in Section 42.1A of S.L. 2021-180 applied to members of only the Armed Forces; this provision extends the exclusion to retirees of the commissioned corps of the National Oceanic and Atmospheric Administration (NOAA) and the U.S. Public Health Service.

This section became effective for taxable years beginning on or after January 1, 2022.

H103 - 2022 Appropriations Act. Sec. 42.2: Sales Tax Exemption for Interstate Air and Ground Couriers. (SL 2022-74)

Section 42.2 of S.L. 2022-74 exempts from sales and use tax purchases by interstate air and ground couriers of certain equipment, including conveyor systems, and related parts and accessories, purchased for use at package sorting facilities. Minimum investment and employment thresholds must be met to be eligible for and to maintain the exemption.

This section became effective July 1, 2022, and applies to purchases made on or after that date.

H103 - 2022 Appropriations Act. Sec. 42.3: Use Sales Tax Revenues for Transportation Needs. (SL 2022-74)

Section 42.3 of S.L. 2022-74 transfers a portion of the sales and use tax proceeds, which are otherwise deposited into the General Fund, to the Highway Fund and Highway Trust Fund for transportation needs. The amount transferred ranges from 2%-6% over three years.

This section became effective July 1, 2022.

H103 - 2022 Appropriations Act. Sec. 42.4: Quarterly Motor Fuel Tax Refund for Off-Highway Use. (SL 2022-74)

Section 42.4 of S.L. 2022-74 shifts from annual to quarterly the motor fuel tax refund available for the offhighway use of motor fuel.

This section becomes effective January 1, 2023, and applies to purchases of motor fuel on or after that date.

H674 - Require DNA Various Convict'ns/Other Matters. (SL 2022-50)

S.L. 2022-50 does the following:

- Adds additional offenses to the list of offenses requiring submission of a DNA sample after a conviction or a finding of not guilty by reason of insanity. This section becomes effective December 1, 2022, and applies to convictions or findings of not guilty by reason of insanity on or after that date.
- Clarifies that medical facilities and medical professionals cannot bill sexual assault victims for forensic medical examinations and updates certain definitions. This section becomes effective October 1, 2022, and applies to forensic medical examinations completed on or after that date.
- Authorizes a county board of commissioners to designate the county finance officer or the county manager to refund the deed stamp tax.
- Requires that the register of deeds maintains a separately kept backup storage system, that is restorable from any point, for the purposes of disaster recovery, for the index of registered instruments that the register of deeds is required to maintain.

Except as otherwise provided, this act became effective July 7, 2022.

**H674 - Require DNA Various Convictions/Other Matters.
Sec. 2.1: Deed Stamp Tax Refunds. (SL 2022-50)**

Section 2.1 of S.L. 2022-50 authorizes a county board of commissioners to designate the county finance officer or the county manager to refund the deed stamp tax.

Section 2.1 of S.L. 2022-50 became effective July 7, 2022.

H792 - Barbers/Electrolysis Boards/Merger. (SL 2022-72)

S.L. 2022-72 does the following:

- Amends the statutes pertaining to the practice of barbering and electrolysis as follows:
 - o Merges the existing State Board of Barber Examiners and the Board of Electrolysis Examiners into a single board to be known as the North Carolina Board of Barber and Electrolysis Examiners (Board). The terms of the newly created Board begin on January 1, 2023.
 - o Authorizes mobile barbershops.
 - o Revises barber school requirements.
 - o Establishes an electrolysis apprenticeship program.
 - o Modifies certain fee provisions.
- Increases the annual Job Development Investment Grant for any business headquarters in the State by 20% if the business meets certain requirements, such as relocating its out-of-

state manufacturing operation to a development tier 1 or tier 2 area.

- Makes a technical correction to the effective date of language in S.L. 2022-73.

Section 1 and Section 2 of this act become effective January 1, 2023, and apply to applications for licensure, examination, and renewal submitted on or after that date. The remainder of this act became effective July 8, 2022.

H1068 - UNC Non-Appropriated Capital Projects. (SL 2022-15)

S.L. 2022-15 authorizes the financing and construction of listed capital improvement projects by the constituent institutions of The University of North Carolina. The projects will be financed through revenue bonds, special obligation bonds, and other funds available to the institutions, excluding tuition and appropriations from the General Fund. This act also makes a series of changes related to capital improvement projects included in the 2021 Appropriations Act.

This act became effective June 29, 2022.

S265 - Bond Info Transparency/LGC Toolkit II. (SL 2022-53)

S.L. 2022-53 does the following:

- Requires units to provide a statement of disclosures that contain the estimated interest costs of the bond issuance, estimated property tax rate changes, if any, needed to service the proposed debt, and a calculation of the two-thirds bonds capacity of the unit for the current fiscal year (Sections 1-4).
- Requires units to file interim reports with the Local Government Commission (LGC) for events that will or may have a material, adverse effect on the financial health, operations, or internal controls of the unit (Section 5).
- Limits the amount of debt a unit on the most recently published Unit Assistance List could incur without LGC approval (Section 6). [2022] Finance Page 5 9/23/2022 7:07 p.m.
- Repeals a provision requiring the State Health Plan to charge interest on late premiums to local governments and charter schools as the provision is not cost-effective to administer (Section 7).
- Requires notice to the LGC of the creation of any new public authority or unit that is subject to the Local Government Budget and Fiscal Control Act (Section 8).
- Increases the fidelity bond requirements for finance officers to protect the assets of local governments and public authorities (Section 9). This section becomes effective January 1, 2023.
- Authorizes charter schools to participate in the State Treasurer's Ancillary Governmental Participant Investment Program (AGPIP) (Section 9.5).

Except as otherwise provided, this act became effective July 7, 2022, and applies to bonds issued under bond orders introduced on or after October 1, 2022, and to contracts entered into on or after October 1, 2022.

S347 - Captive Insurance Amendments. (SL 2022-7)

S.L. 2022-7 makes a number of technical and substantive changes to the laws governing captive insurance companies in the State. This act has various effective dates. Please see the full summary for more detail.

S347 - Captive Insurance Amendments.

Sec. 5: Captive Insurance Company Tax Changes. (SL 2022-7)

Section 5 of S.L. 2022-7 makes the following tax-related changes regarding captive insurance companies:

- Provides that two or more captive insurance companies under common ownership and control will be taxed as separate companies if they are either a protected cell captive insurance company or a special purpose captive insurance company with a cell or series structure. It also specifies the aggregate amount of tax payable by a special purpose captive insurance company with a cell or series structure with more than 10 cells or series. This provision is effective for premium taxes imposed for taxable years beginning on or after January 1, 2022.
- Provides that if a licensed captive insurance company formed and licensed in another jurisdiction redomesticates to North Carolina with the approval of the Commissioner prior to December 31, 2022, it is exempt from premium taxes otherwise due for the remainder of the year in which redomestication occurs and for the calendar year following its redomestication. This provision is effective for premium taxes imposed for taxable years beginning on or after January 1, 2021, and expires for taxable years beginning on or after January 1, 2024.

S388 - Qualifying Farmer Zoo Sales Tax Exemption. (SL 2022-45)

S.L. 2022-45 does the following three things:

- Allows qualifying farmers that also have zoo operations to purchase items for the zoo under their qualifying farmer sales tax exemption certificate, effective for items purchased on or after January 1, 2023. (Part I)
- Creates a new sales tax exemption for certain items purchased by a wildlife manager for wildlife management activities, effective for items purchased on or after October 1, 2022. (Part II)
- Modifies and expands the property tax classification for wildlife conservation land, effective for taxes imposed for taxable years beginning on or after July 1, 2022. Property classified as wildlife conservation land is assessed and taxed at a value lower than its fair market value. (Part III)

Except as otherwise provided, this act became effective July 7, 2022.

S762 North Carolina Farm Act of 2022.

Sec. 4: Preserve Conservation Easements After Property Tax Foreclosures. (S.L. 2022-- 55)

Section 4 of S.L. 2022-- 55) 55 provides that conservation agreements survive real property tax foreclosure sales.

This section became effective July 8, 2022.

S762 North Carolina Farm Act of 2022.

Sec. 6: Specify That Commercial Production or Growing of Animals for Purposes of Present Use Value Taxation Includes Boarding Horses. (S.L. 2022-- 55)

Section 6 of S.L. 2022-- 55) 55 provides that boarding horses qualifies as the commercial production or growing of animals for purposes of the present use value property tax program.

This section became effective for taxes imposed for taxable years beginning on or after July 1, 2022.