

2023 FINANCE LAW CHANGES

See full summary documents for additional detail

Access to Healthcare Options.

SL 2023-7 (H76)

Part I of the act does the following:

- Provides Medicaid coverage through NC Health Works to adults aged 18-64 with incomes up to 133% of the federal poverty level, beginning on the later of (i) the date the Current Operations Appropriations Act for the 2023-2024 fiscal year becomes law or (ii) the federally-approved start date.
- Provides increased Medicaid reimbursements to hospitals through the Healthcare Access and Stabilization Program (HASP) upon federal approval of a request developed and submitted by the Department of Health and Human Services (DHHS).
- Increases hospital assessments to provide funding for the NC Health Works coverage and the HASP program.

Part II of the act enacts various workforce development measures to promote employment among Medicaid enrollees.

Part III of the act removes psychiatric beds and facilities, chemical dependency treatment beds and facilities, ambulatory surgical centers in large counties, MRI machines in large counties, certain home care agency treatment for minors, and the first \$3 million worth of replacement and diagnostic center equipment from certificate of need review.

This act has various effective dates. Please see the full summary for more details

Revenue Laws Technical, Clarifying, and Administrative Changes.

SL 2023-12 (S174)

S.L. 2023-12 makes various technical, clarifying, and administrative changes to the revenue laws as recommended by the Department of Revenue.

This act has various effective dates. Please see the full summary for more detail.

Sports Wagering/Horse Racing Wagering.

SL 2023-42 (H347)

S.L. 2023-42, effective January 8, 2024, does the following:

- Authorizes, regulates, and taxes sports wagering in North Carolina. The Lottery Commission is responsible for issuing licenses to involved parties and regulating sports wagering in North Carolina. Section 11.18 of S.L. 2023-134 amended these provisions.
- Authorizes and regulates pari-mutuel wagering on horse racing in North Carolina. The Lottery Commission is responsible for issuing licenses to involved parties and regulating pari-mutuel wagering in North Carolina.
- Authorizes live horse racing in North Carolina. The Lottery Commission is responsible for regulation of horse racing.
- Creates and provides funding for the North Carolina Major Events, Games, and Attractions Fund, which is administered by the Department of Commerce to provide grants for local governments or nonprofit entities working with local governments to attract major entertainment, musical, political, sporting, and theatrical events to the State to stimulate economic activity and create jobs. Section 11.18 of S.L. 2023-134 amended these provisions.

Reimburse Late Audit Costs with Sales Tax Rev.

SL 2023-59 (S299)

S.L. 2023-59 authorizes the Local Government Commission to withhold a county or municipality's sales tax distribution if the county or municipality fails to submit an annual audit report. The amount withheld is equivalent to 150% of the cost of the required audit.

This bill was vetoed by the Governor on June 19, 2023, and that veto was overridden by the General Assembly on June 27, 2023. Section 1 of the act becomes effective January 1, 2024, and applies to audits for fiscal years ending on or after June 30, 2023. The remainder of the act became effective June 27, 2023.

Include Income From the Sale of Honey in Gross Income for Purposes of Present Use Value Taxation – North Carolina Farm Act of 2023.

SL 2023-63 (S582), Sec. 1

Section 1 of S.L. 2023-63 allows income from the sale of honey to be considered gross income for the purposes of present use value taxation.

This bill was vetoed by the Governor on June 23, 2023, and that veto was overridden by the General Assembly on June 27, 2023.

This section became effective for taxes imposed for taxable years beginning on or after July 1, 2023.

Exempt Compost from Sales Tax for Qualifying Farmers – North Carolina Farm Act of 2023.

SL 2023-63 (S582), Sec. 1.4

Section 1.4 of S.L. 2023-63 exempts compost from sales and use tax when purchased by a qualifying farmer for use primarily in farming operations.

This bill was vetoed by the Governor on June 23, 2023, and that veto was overridden by the General Assembly on June 27, 2023.

This section became effective October 1, 2023.

Self-Liquidating Projects/Property Transfers.

SL 2023-66 (H364)

S.L. 2023-66 does the following:

- Authorizes constituent institutions of The University of North Carolina (UNC) to finance and acquire or construct certain capital improvement projects reviewed and approved by the Board of Governors of UNC on February 23, 2023. 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
- Authorizes the transfer of personal property between constituent institutions of UNC with the approval of the President of UNC.

This act became effective June 30, 2023.

Authorize Counties to Provide Capital Funds to Charter Schools – Charter School Omnibus.

SL 2023-107 (H219), Sec. 6

Section 6 of S.L. 2023-107 allows counties to use property taxes to provide direct appropriations for capital funds to charter schools that can be used for real property, building construction and renovation, and furnishings and equipment. Counties receive a security interest if charters used the funds to acquire or improve property, which the county can subordinate to other liens, and release if the charter paid back the capital funds provided. Counties can also lease real property to charters. If a charter is dissolved, any assets purchased with county capital funds is deemed the property of the contributing county or counties.

This bill was vetoed by the Governor on July 21, 2023, and that veto was overridden by the General Assembly on August 16, 2023. This section of the act became effective August 16, 2023, and applies beginning with the 2023-2024 school year.

Preemption of Certain Local Government Actions – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 5.9

Section 5.9 of S.L. 2023-134 provides that the North Carolina Wage and Hour Act supersedes and preempts any ordinance, regulation, or policy of a unit of local government or other political subdivision of the State that imposes requirements upon employers pertaining to compensation, including wage levels, hours of labor, payment of wages, benefits, leave, or well-being of minors in the workforce. This does not apply to: a local government regulating, compensating, or controlling its own employees, certain economic development incentives, a requirement of federal community development block grants, and programs established under the statute dealing with community development programs and activities.

This section also restricts counties and cities from adopting ordinances and rules to: (i) restrict, tax, charge a fee, prohibit, or otherwise regulate the use, disposition, or sale of an auxiliary container (e.g. bags, containers, bottles, merchandise containers, etc.), and (ii) regulate the use of shopping carts, including the imposition of a fee or fine on a business for failure to take possession of a shopping cart that was removed from the premises of the business. This section allows counties and cities to operate recycling programs, composting programs, and solid waste disposal programs and to regulate the use of auxiliary containers on property owned or maintained by the county or city. This section became effective July 1, 2023.

Ensuring Certain Medicaid Receipts – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 9E.7

Section 9E.7 of S.L. 2023-134 changes the calculation of the modernized hospital assessments under Part 2 of Article 7B of Chapter 108A of the General Statutes for one taxable quarter to allow the Department of Health and Human Services (DHHS) to collect an additional \$43 million in hospital assessments. This additional assessment amount offsets \$43 million in Medicaid disproportionate share adjustment receipts that were anticipated for the 2022-2023 fiscal year but that were not collected as a result of the retroactive implementation of the healthcare access and stabilization program (HASP) which is a new initiative providing increased Medicaid reimbursements to hospitals participating in Medicaid managed care. This section of the act allows DHHS to use the additional hospital assessment receipts in the same manner as was allowed for the disproportional share adjustment receipts that are being offset.

The effective date of this section of the act is the later of the following dates: (i) the first day of the next assessment quarter after this act becomes law or (ii) the first day of the next assessment quarter after the Centers for Medicare and Medicaid Services (CMS) approves HASP hospital reimbursements for the 2022 2023 fiscal year that are greater than \$400 million. Based on the timing of these conditions being met, this section became effective January 1, 2024.

Agency Requested Changes / Division of Health Benefits – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 9E.23

Section 9E.23 of S.L. 2023-134 makes technical, clarifying, and conforming updates to various laws relating to Medicaid as requested by the Department of Health and Human Services. See full summary for effective dates.

Selectsite Readiness Program – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 11.12

Section 11.12 of S.L. 2023-134 establishes the Selectsite Readiness Program to be administered by the Economic Development Partnership of North Carolina.

This section became effective July 1, 2023.

Sports Wagering Technical Corrections – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 11.18

Section 11.18 of S.L. 2023-134 makes changes to S.L. 2023-42 (Sports Wagering/Horse Racing Wagering), most notably, the following:

- Requires a prospective interactive sports wagering operator applicant to have a written designation agreement with a professional sports team, a motorsports facility, a facility that hosts a professional golf tournament annually, or certain sports governing bodies to be eligible for licensure.
- Authorizes an indoor venue that does not meet the definition of "sports facility" but hosts sporting events and is designed to host 22,000 or more live spectators to be an eligible location for grant funding from the North Carolina Major Events, Games, and Attractions Fund.

This act has various effective dates. Please see the full summary for more details.

Tobacco Farm Life Museum Special Fund – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 14.3

Section 14.3 of S.L. 2023-134 directs the Department of Natural and Cultural Resources (DNCR) to assume ownership and administration of the Tobacco Farm Life Museum in Johnston County from the Tobacco Farm Life Museum, Inc. and creates the Tobacco Farm Life Museum Fund within the DNCR to pay costs associated with the operation, interpretation, development, expansion, preservation, and maintenance of the Tobacco Farm Life Museum. Of the funds appropriated to the DNCR General Fund, \$375,000 in the 2023-2024 fiscal year and \$350,000 in the 2024-2025 fiscal year must be used for the operation, administration, and new positions

staffing the Tobacco Farm Life Museum. The section also repeals laws (Article 51, Chapter 143) requiring the DNCR to establish and otherwise manage tobacco museums in Rockingham County and in Nash or Edgecombe County.

The section that repeals statutes requiring the DNCR to establish and manage tobacco museums became effective October 3, 2023.

The remainder of the section becomes effective only if the Tobacco Farm Life Museum transfers and conveys all of its assets to the State.

Reporting Requirements – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 29.1

Section 29.1 of S.L. 2023-134 makes changes to the reporting requirements of the North Carolina Housing Finance Agency by allowing multiple reports to be consolidated into one comprehensive report and outlining other information that must be included in that comprehensive report. The report is required to be submitted to the House Finance Committee, the Senate Finance Committee, and the Joint Legislative Oversight Committee on General Government on or before February 15 of each year. The section further repeals certain other reporting requirements of the North Carolina Housing Finance Agency.

This section became effective July 1, 2023 and applies to reports due on or after that date.

Housing Finance Agency - Increase Project Caps for Workforce Housing Loan Program – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 29.2

Section 29.2 of S.L. 2023-134 increases the amount a taxpayer can receive as a loan under the Workforce Housing Loan Program. The Workforce Housing Loan Program finances loans to construct or substantially rehabilitate affordable rental housing in combination with federal low-income housing tax credits. Loans are capped based on the income designation of the county in which the low-income housing development is located, as designated by the North Carolina Housing Finance Agency. Loans to eligible taxpayers are subject to the following limits:

- Low-income county: \$3 million (increased from \$2 million)
- Moderate-income county: \$2 million (increased from \$1.5 million)
- High-income county: \$500,000 (increased from \$250,000)

This section became effective July 1, 2023.

Housing Finance Agency - Workforce Housing Loan Program – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 29.3

Section 29.3 of S.L. 2023-134 allows a taxpayer who was allocated a low-income housing tax credit for a low-income housing development located in a low-income county before October 3, 2023, to be eligible for a loan under the Workforce Housing Loan Program. The taxpayer must provide evidence that the loan funds are necessary to address inflationary costs associated with the low-income housing development. These funds would be in addition to other sources of funding for the development project included in the taxpayer's initial loan application.

This section became effective July 1, 2023.

Department of Revenue Administrative Costs for Collecting Prepaid Wireless Telecommunications Service Charges – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 34.3

Section 34.3 of S.L. 2023-134 increases the amount the Department of Revenue (DOR) can retain from the total 911 service charges for prepaid wireless telecommunications service remitted to DOR. DOR is authorized to retain up to \$750,000 per year (was \$500,000) to cover costs associated with collecting the charges.

This section became effective July 1, 2023.

Increase Fees for Lobbyists and Lobbyist Principals – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 35.1

Section 35.1 of S.L. 2023-134 raises the registration fees that lobbyists and lobbyist principals must pay from \$250 to \$500. This section of the act became effective July 1, 2023.

Bond Referendum Transparency – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 36.3

Section 36.3 of S.L. 2023-134 amends the ballot language required for a general obligation bond referendum to add the following:

- The estimated cumulative cost over the life of the bond, using the highest interest rate charged for similar debt.
- The amount of property tax liability increase to service the cumulative cost over the life of the bond, stated for each \$100,000 of property tax value.

Section 36.3 also requires that the ballot language explicitly state that additional property taxes can be levied on property located in the unit of local government to repay the debt.

This section became effective December 31, 2023, and applies to bond referendums conducted on or after that date.

Ferry Maintenance Report – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 41.11B

Section 41.11B of S.L. 2023-134 requires the Ferry Division of the Department of Transportation to report on the use of funds appropriated for marine and facilities maintenance for each year of the 2023-2025 fiscal biennium, including (i) the projects on which the funds were used, (ii) the amount of funds used for each project, (iii) whether the work on the project was performed by a contractor or by the Ferry Division, and (iv) the name of the contracting company for all work performed by a contractor. The report must be submitted to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division on June 30, 2024, and June 30, 2025.

This section became effective July 1, 2023.

Increase Electric and Hybrid Vehicle Fees – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 41.14D

Section 41.14D of S.L. 2023-134 increases the additional registration fee for electric vehicles and creates a new additional registration fee for plug-in hybrid vehicles.

This section becomes effective January 1, 2024, and applies to vehicles registered on or after that date.

Authorize the Division of Motor Vehicles to Implement Transaction Fees on Electronic Payments – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 41.14E

Section 41.14E of S.L. 2023-134 requires the Division of Motor Vehicles (DMV), Department of Transportation, to develop a plan for adding a fee to transactions where it accepts electronic payment to offset any service charge DMV pays for electronic payment service and to submit the plan to the chairs of the Joint Legislative Transportation Oversight Committee, the chairs of the House and Senate Transportation Appropriations Committees, and the Fiscal Research Division by January 1, 2024. This section also authorizes DMV to charge a transaction fee of up to 2% of the electronic payment beginning July 1, 2024.

The directive to DMV became effective October 3, 2023. The provision authorizing DMV to add a transaction fee of up to 2% for electronic payments becomes effective July 1, 2024.

2023 Appropriations Act.

SL 2023-134 (H259)

Part 42 of S.L. 2023-134 (2023 Appropriations Act) includes the following tax-related changes:

- Personal income tax changes that include accelerating the currently scheduled rate reductions for 2024, 2025, and 2026 with successive rate reductions of .5% if General Fund revenues hit certain triggers in certain fiscal years with a floor of 2.49%. (Section 42.1)
- Business tax changes that include:
 - Capping the franchise tax at \$500 for the first one million dollars of a C Corporation's tax base. (Section 42.6A)
 - Repealing the State privilege tax on professionals, effective for taxable years beginning on or after July 1, 2024. (Section 42.7)
 - Allowing certain trusts and corporations to be partners of a taxed partnership. (Section 42.21)
- Sales tax changes that include:
 - Prospectively exempting from sales tax goods and services, other than alcoholic beverages, sold by a provider of continuing care to its independent living residents. The exemption would not apply to sales of alcoholic beverages, and a provider of continuing care must pay sales and use tax on the purchase price of an item that would be exempt under this provision. (Section 42.10)
 - Extending the sunsets on exemptions and refunds for professional motorsports teams. (Section 42.11)
 - Aligning the sales tax exemption for parts and accessories used in the repair and maintenance of certain aircraft with the existing sales tax exemption for labor on the same aircraft. (Section 42.12)
 - Extending by 5 years the sunset on the exemption for aviation gasoline and jet fuel for use in commercial aircraft. (Section 42.13)
 - Expanding the exemption on fuels and consumables used by boats engaged in the transportation of freight on the ocean to also include transport in intracoastal waterways, sounds, or rivers (currently limited to oceangoing vessels on the high seas). (Section 42.14)
 - Exempting breast pumps, including repair and replacement parts, and breast pump collection and storage supplies. (Section 42.16)
 - Excise tax change that modifies the way in which snuff is taxed from being cost-based to weight-based and an expansion of the tax base to include alternative nicotine products. (Section 42.18)
 - Creation of a new excise tax applicable to the gross receipts derived from each ride using a for-hire ground transportation service provider, such as Uber, Lyft, or a taxi service,

effective July 1, 2025. The rate will be 1.5% for exclusive ride service and 1% for shared ride service. The proceeds of the tax will be credited to the Highway Fund. (Section 42.19)

- Prohibiting a regional transportation authority from levying the short-term car rental tax in a county that has withdrawn from the authority. This provision applies only to Surry County. (Section 42.20)
- Clarification of the motor fuel tax formula. (Section 42.22)
- Property tax exclusion for real and personal property located at a legacy airport, effective for taxable years beginning on or after July 1, 2024. (Section 42.23)

Personal Income Tax Rate Reductions – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.1

Section 42.1 of S.L. 2023-134 accelerates the currently scheduled personal income tax rate reductions for 2024, 2025, and 2026 with successive rate reductions of .5% if General Fund revenues hit certain triggers in certain fiscal years with a floor of 2.49%.

This section became effective October 3, 2023.

Cap the Franchise Tax on First One Million Dollars of C Corp Tax Base – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.6A

Section 42.6A of S.L. 2023-134 caps the franchise tax at a maximum of \$500 for the first one million dollars of a C Corporation's tax base.

This section is effective for taxable years beginning on or after January 1, 2025, and applicable to the calculation of franchise tax reported on the 2024 and later corporate income tax return.

Repeal State Privilege Tax on Professionals – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.7

Section 42.7 of S.L. 2023-134 repeals the State privilege tax on professionals, effective for taxable years beginning on or after July 1, 2024.

Sales Tax Exemption for Continuing Care Retirement Communities – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.10

Section 42.10 of S.L. 2023-134 prospectively exempts from sales tax goods and services, other than alcoholic beverages, sold by a provider of continuing care to its independent living residents. The exemption does not apply to sales of alcoholic beverages, and a provider of continuing care must pay sales and use tax on the purchase price of an item that is exempt under this provision.

This section became effective for goods and services sold on or after November 1, 2023.

Extend Sunset on Exemptions and Refunds for Professional Motorsports – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.11

Section 42.11 of S.L. 2023-134 extends the sunsets on exemptions and refunds for professional motorsports teams.

This section became effective October 3, 2023.

Expand Aviation Sales Tax Exemption So That Parts and Accessories Exemption Aligns with Labor Exemption for Same Type of Aircraft – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.12

Section 42.12 of S.L. 2023-134 aligns the sales tax exemption for parts and accessories used in the repair and maintenance of certain aircraft with the existing sales tax exemption for labor on the same aircraft.

Extend Sunset for Aviation Gasoline and Jet Fuel for Use in Commercial Aircraft – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.13

Section 42.13 of S.L. 2023-134 extends by five years the sunset on the exemption for aviation gasoline and jet fuel for use in commercial aircraft.

This section became effective October 3, 2023.

Expand Sales Tax Exemption for Fuel and Consumables Used by Boats Transporting Freight on Inland and Intracoastal Waterways – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.14

Section 42.14 of S.L. 2023-134 expands the exemption on fuels and consumables used by boats engaged in the transportation of freight on the ocean to also include transport in intracoastal waterways, sounds, or rivers. The current exemption is limited only to oceangoing vessels on the high seas.

Exempt Breast Pumps, Breast Pump Collection and Storage Supplies, and Repair and Replacement Parts – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.16

Section 42.16 of S.L. 2023-134 exempts breast pumps, including repair and replacement parts, and breast pump collection and storage supplies from sales tax.

This section became effective for sales occurring on or after November 1, 2023.

Change Method of Taxing Snuff from Cost-Based to Weight-Based and Expand Base to Include Alternative Nicotine Products – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.18

Section 42.18 of S.L. 2023-134 modifies the way in which snuff is taxed from being cost-based to weight-based, and it expands the tax base to include alternative nicotine products.

This section becomes effective July 1, 2025, for sales or purchases occurring on or after that date.

Enact New Transportation Commerce Tax – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.19

Section 42.19 of S.L. 2023-134 creates a new excise tax applicable to the gross receipts derived from each ride using a for-hire ground transportation service provider, such as Uber, Lyft, or a taxi service. The rate is 1.5% for exclusive ride service and 1% for shared ride service. The proceeds of the tax are credited to the Highway Fund.

This section becomes effective July 1, 2025, and applies to for-hire ground transport services occurring on or after that date.

Prohibit Regional Transportation Authorities from Levying Short-Term Car Rental Tax in a County that has Withdrawn from Authority – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.20

Section 42.20 of S.L. 2023-134 prohibits a regional transportation authority from levying the short-term car rental tax in a county that has withdrawn from the authority. This provision applies only to Surry County.

This section became effective November 1, 2023, and applies to the gross receipts derived from short-term leases or rentals billed on or after that date.

**Allow Certain Trusts and Corporations to be Partners of a Taxed Partnership
– 2023 Appropriations Act.**

SL 2023-134 (H259), Sec. 42.21

Section 42.21 of S.L. 2023-134 allows certain trusts and corporations to be partners of a taxed partnership.

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

Property Tax Exclusion for Property Located at a Legacy Airport – 2023 Appropriations Act.

SL 2023-134 (H259), Sec. 42.23

Section 42.23 of S.L. 2023-134 creates a property tax exclusion for real and personal property located at a legacy airport.

This section becomes effective for taxable years beginning on or after July 1, 2024.

Prohibit Counties and Cities from Regulating Certain Online Marketplaces – Regulatory Reform Act of 2023.

SL 2023-137 (H600), Sec. 27

Section 27 of S.L. 2023-137 prohibits counties or cities from regulating the operation of an online marketplace; or requiring an online marketplace to provide personally identifiable information of users, unless pursuant to a subpoena or court order.

This bill was vetoed by the Governor on October 2, 2023, and that veto was overridden by the General Assembly on October 10, 2023. This section became effective on October 10, 2023.