

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1564\*

Short Title: Vehicle Rental Security Deposit.

(Public)

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Sponsors: Representative Dockham.

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Referred to: Commerce, if favorable, Finance.

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May 28, 1998

A BILL TO BE ENTITLED

AN ACT TO EXEMPT CERTAIN LEASED VEHICLE SECURITY DEPOSITS FROM  
HIGHWAY USE TAX.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-187.5 reads as rewritten:

**"§ 105-187.5. Alternate tax for those who rent or lease motor vehicles.**

(a) Election. – A retailer who is engaged in the business of leasing or renting motor vehicles may elect not to pay the tax imposed by this Article at the rate set in G.S. 105-187.3 when applying for a certificate of title for a motor vehicle purchased by the retailer for lease or rental. A retailer who makes this election shall pay a tax on the gross receipts of the lease or rental of the vehicle. Like the tax imposed by G.S. 105-187.3, this alternate tax is a tax on the privilege of using the highways of this State. The tax is imposed on a retailer, but is to be added to the lease or rental price of a motor vehicle and thereby be paid by the person who leases or rents the vehicle.

(b) Rate. – The tax rate on the gross receipts from the short-term lease or rental of a motor vehicle is eight percent (8%) and the tax rate on the gross receipts from the long-term lease or rental of a motor vehicle is three percent (3%). ~~Gross receipts does not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment on the lease or rental price.~~ The maximum tax in G.S. 105-187.3(a) applies to a continuous lease or rental of a motor vehicle to the same person.

1 (c) Method. – A retailer who elects to pay tax on the gross receipts of the lease or  
2 rental of a motor vehicle shall make this election when applying for a certificate of title  
3 for the vehicle. To make the election, the retailer shall complete a form provided by the  
4 Division giving information needed to collect the alternate tax based on gross receipts.  
5 Once made, an election is irrevocable.

6 (d) Administration. – The Division shall notify the Secretary of Revenue of a  
7 retailer who makes the election under this section. A retailer who makes this election  
8 shall report and remit to the Secretary the tax on the gross receipts of the lease or rental of  
9 the motor vehicle. The Secretary shall administer the tax imposed by this section on gross  
10 receipts in the same manner as the tax levied under G.S. 105-164.4(a)(2). The  
11 administrative provisions and powers of the Secretary that apply to the tax levied under  
12 G.S. 105-164.4(a)(2) apply to the tax imposed by this section. In addition, the Division  
13 may request the Secretary to audit a retailer who elects to pay tax on gross receipts under  
14 this section. When the Secretary conducts an audit at the request of the Division, the  
15 Division shall reimburse the Secretary for the cost of the audit, as determined by the  
16 Secretary. In conducting an audit of a retailer under this section, the Secretary may audit  
17 any sales of motor vehicles made by the retailer.

18 (e) Gross Receipts. – Gross receipts do not include any of the following, if  
19 separately stated on the lease or rental documents:

20 (1) The amount of any allowance given for a motor vehicle taken in trade as  
21 a partial payment on the lease or rental price.

22 (2) The amount of any security deposit received on a long-term lease or  
23 rental, until the person who leases or rents the vehicle loses the right to  
24 have the deposit refunded or credited."

25 Section 2. This act becomes effective July 1, 1998.