

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 1549

Short Title: EITC/Sales Tax on Machinery.

(Public)

Sponsors: Representatives Michaux; Insko, Miller, and Weiss.

Referred to: Finance.

June 6, 2002

A BILL TO BE ENTITLED

1 AN ACT TO REMOVE THE CAP ON THE SALES TAX APPLICABLE TO SALES
2 OF CERTAIN MACHINERY; TO RAISE THE SALES TAX RATE
3 APPLICABLE TO SALES OF CERTAIN MACHINERY; AND TO CREATE AN
4 EARNED INCOME TAX CREDIT.
5

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** G.S. 105-164.4(a)(1d) reads as rewritten:

8 "(a) A privilege tax is imposed on a retailer at the following percentage rates of
9 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is
10 four and one-half percent (4 1/2%).

11 ...

12 (1d) The rate of ~~one percent (1%)~~ two percent (2%) applies to the sales price
13 of the articles listed in G.S. 105-164.4A. ~~The maximum tax is eighty~~
14 ~~dollars (\$80.00) per article.~~ As used in G.S. 105-164.4A and G.S.
15 105-187.51, the term "accessories" does not include electricity.

16 a. through k. Recodified as § 105-164.4A by Session Laws
17 1999-360, s. 3(a), effective August 4, 1999."

18 **SECTION 2.** Part 2 of Article 4 of Chapter 105 of the General Statutes is
19 amended by adding a new section to read:

20 "**§ 105-151.29. Earned income tax credit.**

21 (a) Credit. – An individual who claims for the taxable year an earned income tax
22 credit under section 32 of the Code is allowed a credit against the tax imposed by this
23 Part equal to ten percent (10%) of the amount of credit the individual qualified for under
24 section 32 of the Code. A nonresident or part-year resident who claims the credit
25 allowed by this section must reduce the amount of the credit by multiplying it by the
26 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

27 (b) Credit Refundable. – If the credit allowed by this section exceeds the amount
28 of tax imposed by this Part for the taxable year reduced by the sum of all credits
29 allowable, the Secretary must refund the excess to the taxpayer. The refundable excess

1 is governed by the provisions governing a refund of an overpayment by the taxpayer of
2 the tax imposed in this Part. Section 3507 of the Code, Advance Payment of Earned
3 Income Credit, does not apply to the credit allowed by this section. In computing the
4 amount of tax against which multiple credits are allowed, nonrefundable credits are
5 subtracted before refundable credits."

6 **SECTION 3.** It is the intent of the General Assembly that the Department of
7 Revenue make diligent efforts to notify taxpayers eligible for the State-earned income
8 tax credit and provide information to the eligible taxpayers on how to obtain the credit.

9 **SECTION 4.** Section 1 becomes effective July 1, 2002, and applies to sales
10 made on or after that date. Section 1 is repealed effective for sales made on or after July
11 1, 2005. Section 2 is effective for taxable years beginning on or after January 1, 2002.
12 The remainder of this act is effective when it becomes law.