

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001**

**SESSION LAW 2001-430  
HOUSE BILL 571**

AN ACT TO SIMPLIFY THE COLLECTION OF TELECOMMUNICATIONS TAXES.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-164.3 is amended by adding the following new subdivisions in the correct alphabetical order to read:

**"§ 105-164.3. Definitions.**

The following definitions apply in this Article, except when the context clearly indicates a different meaning:

- ...  
(8b) Mobile telecommunications service. – A radio communication service carried on between mobile stations or receivers and land stations and by mobile stations communicating among themselves and includes all of the following:
  - a. Both one-way and two-way radio communication services.
  - b. A mobile service that provides a regularly interacting group of base, mobile, portable, and associated control and relay stations for private one-way or two-way land mobile radio communications by eligible users over designated areas of operation.
  - c. Any service for which a federal license is required in a personal communications service.
  
- ...  
(11a) Prepaid telephone calling arrangement. – A right that meets all of the following requirements:
  - a. Authorizes the exclusive purchase of telecommunications service.
  - b. Must be paid for in advance.
  - c. Enables the origination of calls by means of an access number, authorization code, or another similar means, regardless of whether the access number or authorization code is manually or electronically dialed.
  - d. Is sold in units or dollars whose number or dollar value declines with use and is known on a continuous basis.
  
- ...  
(16b) Service address. – The location of the telecommunications equipment from which a customer originates or receives telecommunications service. In the case of mobile telecommunications service, maritime systems, third-number calls, calling card calls, and other similar services for which the location of the equipment cannot be determined as part of the billing process, the telecommunications service provider may determine the location of the equipment based upon the customer's telephone number, the mailing address to which the bills are sent, or a street address provided by the customer if the street address is within the licensed service area of the service provider. In

the case of telecommunications service paid through a payment mechanism that does not relate to the location of the equipment, such as a bank, travel, debit, or credit card, the service address is the address of the central office as determined by the area code and the first three digits of the seven-digit originating telephone number.

...  
(21a) Telecommunications service. – The transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points, by or through any electronic, radio, satellite, optical, microwave, or other medium, regardless of the protocol used for the transmission, conveyance, or routing. The term includes mobile telecommunications service and vertical services. Vertical services are switch-based services offered in connection with a telecommunications service, such as call forwarding services, caller ID services, and three-way calling services."

**SECTION 2.** G.S. 105-164.3(25) is repealed.

**SECTION 3.** G.S. 105-164.4(a)(4a) reads as rewritten:

"(4a) ~~The rate of three percent (3%) applies to the gross receipts derived by a utility from sales of electricity or local telecommunications service as defined by G.S. 105-120(e), electricity, other than sales of electricity subject to tax under another subdivision in this section. Gross receipts from sales of local telecommunications service do not include receipts from service provided by means of public coin-operated pay telephone instruments and paid for by coin. A person who operates a utility sells electricity is considered a retailer under this Article."~~

**SECTION 4.** G.S. 105-164.4(a)(4c) reads as rewritten:

"(4c) ~~The rate of six and one-half percent (6 1/2%)~~ four and one-half percent (4.5%) applies to the gross receipts derived from providing ~~to~~ telecommunications services or private telecommunications services as defined by G.S. 105-120(e) that both originate from and terminate in the State and are not subject to the privilege tax under G.S. 105-120-service. A person who provides telecommunications service is considered a retailer under this Article. Telecommunications service is taxed in accordance with G.S. 105-164.4B. Any business entity that provides these services is considered a retailer under this Article. This subdivision does not apply to telephone membership corporations as described in Chapter 117 of the General Statutes."

**SECTION 5.** G.S. 105-164.4(a) is amended by adding a new subdivision to

read:

"(4d) The sale or recharge of prepaid telephone calling arrangements is taxable at the general rate of tax. The tax applies regardless of whether tangible personal property, such as a card or a telephone, is transferred. Prepaid telephone calling arrangements taxed under this subdivision are not subject to tax as a telecommunications service.

Prepaid telephone calling arrangements are taxable at the point of sale instead of at the point of use. If the sale or recharge of a prepaid telephone calling arrangement does not take place at a retailer's place of business, the sale or recharge is considered to have taken place at one of the following:

- a. The customer's shipping address, if an item of tangible personal property is shipped to the customer as part of the transaction.
- b. The customer's billing address or, for mobile telecommunications service, the customer's service address, if

no tangible personal property is shipped to the customer as part of the transaction."

**SECTION 6.** Part 2 of Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-164.4B. Tax on telecommunications.**

(a) General. – The gross receipts derived from providing telecommunications service in this State are taxed at the rate set in G.S. 105-164.4(a)(4c). Mobile telecommunications service is provided in this State if the customer's service address is in this State and the call originates or terminates in this State.

(b) Included in Gross Receipts. – Gross receipts derived from telecommunications service include the following:

- (1) Receipts from local, intrastate, interstate, toll, private, and mobile telecommunications service.
- (2) Charges for directory assistance, directory listing that is not yellow-page classified listing, call forwarding, call waiting, three-way calling, caller ID, and other similar services.
- (3) Customer access line charges billed to subscribers for access to the intrastate or interstate interexchange network.
- (4) Charges billed to a pay telephone provider who uses the telecommunications service to provide pay telephone service.

(c) Excluded From Gross Receipts. – Gross receipts derived from telecommunications service do not include any of the following:

- (1) Charges for telecommunications services that are a component part of or are integrated into a telecommunications service that is resold. Examples of services that are resold include carrier charges for access to an intrastate or interstate interexchange network, interconnection charges paid by a provider of mobile telecommunications service, and charges for the sale of unbundled network elements. An unbundled network element is a network element, as defined in 47 U.S.C. § 153(29), to which access is provided on an unbundled basis pursuant to 47 U.S.C. § 251(c)(3).
- (2) Telecommunications services that are resold as part of a prepaid telephone calling arrangement.
- (3) 911 charges imposed under G.S. 62A-4 or G.S. 62A-23 and remitted to the Emergency Telephone System Fund under G.S. 62A-7 or the Wireless Fund under G.S. 62A-24.
- (4) Allowable surcharges imposed to recoup assessments for the Universal Service Fund.
- (5) Receipts of a pay telephone provider from the sale of pay telephone service.
- (6) Charges for commercial, cable, mobile, broadcast, or satellite video or audio service unless the service provides two-way communication, other than the customer's interactive communication in connection with the customer's selection or use of the video or audio service.
- (7) Paging service, unless the service provides two-way communication.
- (8) Charges for telephone service made by a hotel, motel, or another entity whose gross receipts are taxable under G.S. 105-164.4(a)(3) when the charges are incidental to the occupancy of the entity's accommodations.
- (9) Receipts from the sale, installation, maintenance, or repair of tangible personal property.
- (10) Directory advertising and yellow-page classified listings.
- (11) Voicemail services.
- (12) Information services. – An information service is a service that can generate, acquire, store, transform, process, retrieve, use, or make

available information through a communications service. Examples of an information service include an electronic publishing service and a web hosting service.

(13) Internet access service, electronic mail service, electronic bulletin board service, or similar on-line services.

(14) Billing and collection services.

(15) Charges for bad checks or late payments.

(d) Bundled Services. – When a taxable telecommunications service is bundled with a service that is not taxable, the tax applies to the gross receipts from the taxable service in the bundle as follows:

(1) If the service provider offers all the services in the bundle on an unbundled basis, tax is due on the unbundled price of the taxable service, less the discount resulting from the bundling. The discount for a service as the result of bundling is the proportionate price decrease of the service, determined on the basis of the total unbundled price of all the services in the bundle compared to the bundled price of the services.

(2) If the service provider does not offer one or more of the services in the bundle on an unbundled basis, tax is due on the taxable service based on a reasonable allocation of revenue to that service. If the service provider maintains an account for revenue from a taxable service, the service provider's allocation of revenue to that service for the purpose of determining the tax due on the service must reflect its accounting allocation of revenue to that service.

(e) Interstate Private Line. – The gross receipts derived from interstate private telecommunications service are taxable as follows:

(1) One hundred percent (100%) of the charge imposed at each channel termination point in this State.

(2) One hundred percent (100%) of the charge imposed for the total channel mileage between each channel termination point in this State.

(3) Fifty percent (50%) of the charge imposed for the total channel mileage between the first channel termination point in this State and the nearest channel termination point outside this State.

(f) Call Center Cap. – The gross receipts tax on interstate telecommunications service that originates outside this State, terminates in this State, and is provided to a call center that has a direct pay certificate issued by the Department under G.S. 105-164.27A may not exceed fifty thousand dollars (\$50,000) a calendar year. This cap applies separately to each legal entity.

(g) Credit. – A taxpayer who pays a tax legally imposed by another state on a telecommunications service taxable under this section is allowed a credit against the tax imposed in this section.

(h) Definitions. – The following definitions apply in this section:

(1) Call center. – Defined in G.S. 105-164.27A.

(2) Interstate telecommunications service. – Telecommunications service that originates or terminates in this State, but does not both originate and terminate in this State, and is charged to a service address in this State.

(3) Intrastate telecommunications service. – Telecommunications service that both originates and terminates in this State.

(4) Local telecommunications service. – Telecommunications service that provides access to a local telephone network and enables a user to communicate with substantially everyone who has a telephone or radiotelephone station that is part of the local telephone network.

(5) Mobile telecommunications service. – Defined in G.S. 105-164.3.

- (6) Private telecommunications service. – Telecommunications service that entitles a subscriber of the service to exclusive or priority use of a communications channel or group of channels.
- (7) Service address. – Defined in G.S. 105-164.3.
- (8) Telecommunications service. – Defined in G.S. 105-164.3.
- (9) Toll telecommunications service. – Any of the following:
  - a. A service for which there is a toll charge that varies in amount with the distance or elapsed transmission time of each individual communication.
  - b. A service that entitles the subscriber, upon payment of a periodic charge, determined as a flat amount or on the basis of total elapsed transmission time, to an unlimited number of communications to or from all or a substantial portion of those who have a telephone or radiotelephone station in an area outside the local telephone network."

**SECTION 7.** G.S. 105-164.16(c) reads as rewritten:

"(c) ~~Utility Services. Electricity and Telecommunications.~~ – A return for taxes levied under G.S. 105-164.4(a)(4a) and G.S. 105-164.4(a)(4c) is due ~~quarterly or monthly as specified in this subsection. A utility that is allowed to pay tax under G.S. 105-120 on a quarterly basis shall file a quarterly return. All other utilities shall file a monthly return. A quarterly return is due by the last day of the month following the quarter covered by the return. A monthly.~~ The monthly return is due by the last day of the month following the month in which the taxes accrue, except the return for taxes that accrue in May. A return for taxes that accrue in May is due by June 25.

A ~~utility-retailer~~ that is required to file a monthly return may file an estimated return for the first month, the second month, or both the first and second months in a quarter. A ~~utility-retailer~~ is not subject to interest on or penalties for an underpayment submitted with an estimated monthly return if the ~~utility-retailer~~ timely pays at least ninety-five percent (95%) of the amount due with a monthly return and includes the underpayment with the ~~company's~~ ~~retailer's~~ return for the third month in the same quarter."

**SECTION 8.** G.S. 105-164.20 reads as rewritten:

**"§ 105-164.20. Cash or accrual basis of reporting.**

Any ~~retailer, except a utility-retailer who sells electricity or telecommunications service,~~ may report sales on either the cash or accrual basis of accounting upon making application to the Secretary for permission to use the basis selected. Permission granted by the Secretary to report on a selected basis continues in effect until revoked by the Secretary or the taxpayer receives permission from the Secretary to change the basis selected. A ~~utility-retailer who sells electricity or telecommunications service~~ must report its sales on an accrual basis. A sale ~~by a utility of electricity or intrastate telephone-telecommunications service~~ is considered to accrue when the ~~utility-retailer~~ bills its customer for the sale."

**SECTION 9.** G.S. 105-164.27A reads as rewritten:

**"§ 105-164.27A. Direct pay certificate-permit.**

(a) ~~Requirements. Tangible Personal Property.~~ – A direct pay permit for tangible personal property authorizes its holder to purchase any tangible personal property without paying tax to the seller and authorizes the seller to not collect any tax on a sale to the permit holder. A person who purchases tangible personal property under a direct pay permit issued under this subsection is liable for use tax due on the purchase. The tax is payable when the property is placed in use. A direct pay permit issued under this subsection does not apply to taxes imposed under G.S. 105-164.4(a)(1f) or G.S. 105-164.4(a)(4a).

A person who purchases tangible personal property whose tax status cannot be determined at the time of the purchase because of one of the reasons listed below may apply to the Secretary for a ~~direct pay certificate~~ direct pay certificate-permit for tangible personal property:

- (1) The place of business where the property will be used is not known at the time of the purchase and a different tax consequence applies depending on where the property is used.
- (2) The manner in which the property will be used is not known at the time of the purchase and one or more of the potential uses is taxable but others are not taxable.

~~(b) Procedure. — An application for a direct pay certificate Secretary and contain the information required by the Secretary. The Secretary may grant the application if the Secretary finds that the applicant complies with the sales and use tax laws and that the applicant's compliance burden will be greatly reduced by use of the certificate.~~

~~(c) Effect. — A direct pay certificate authorizes its holder to purchase any tangible personal property without paying tax to the seller and authorizes the seller to not collect any tax on a sale to the certificate holder. A person who purchases tangible personal property under a direct pay certificate is liable for use tax due on the purchase. The tax is payable when the property is placed in use. A direct pay certificate does not apply to taxes imposed under G.S. 105-164.4(a)(1f) or G.S. 105-164.4(a)(4a).~~

(b) Telecommunications Service. — A direct pay permit for telecommunications service authorizes its holder to purchase telecommunications service without paying tax to the seller and authorizes the seller to not collect any tax on a sale to the permit holder. A person who purchases telecommunications service under a direct pay permit must file a return and pay the tax due monthly to the Secretary. A direct pay permit issued under this subsection does not apply to any tax other than the tax on telecommunications service.

A call center that purchases interstate telecommunications service that originates outside this State and terminates in this State may apply to the Secretary for a direct pay permit for telecommunications service. A call center is a business that is primarily engaged in providing support services to customers by telephone to support products or services of the business. A business is primarily engaged in providing support services by telephone if at least sixty percent (60%) of its calls are incoming.

(c) Application. — An application for a direct pay permit must be made on a form provided by the Secretary and contain the information required by the Secretary. The Secretary may grant the application if the Secretary finds that the applicant complies with the sales and use tax laws and that the applicant's compliance burden will be greatly reduced by use of the permit.

(d) Revocation. — A direct pay certificate-permit is valid until the holder returns it to the Secretary or it is revoked by the Secretary-the Secretary revokes it. The Secretary may revoke a direct pay certificate-permit if the holder of the certificate-permit does not file a sales and use tax return on time, does not pay sales and use on time, or otherwise fails to comply with the sales and use tax laws."

**SECTION 10.** Part 8 of Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-164.44F. Distribution of part of telecommunications taxes to cities.**

(a) Amount. — The Secretary must distribute to the cities part of the taxes imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must make the distribution within 75 days after the end of each calendar quarter. The amount the Secretary must distribute is twenty-four and four-tenths percent (24.4%) of the net proceeds of the taxes collected during the quarter, minus two million six hundred twenty thousand nine hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the annual amount by which the distribution to cities of the gross receipts franchise tax on telephone companies, imposed by former G.S. 105-120, was required to be reduced beginning in fiscal year 1995-96 as a result of the 'freeze deduction.' The Secretary must distribute the specified percentage of the proceeds, less the 'freeze deduction' among the cities in accordance with this section.

(b) Share of Cities Incorporated on or After January 1, 2001. — The share of a city incorporated on or after January 1, 2001, is its per capita share of the amount to be

distributed to all cities incorporated on or after this date. This amount is the proportion of the total to be distributed under this section that is the same as the proportion of the population of cities incorporated on or after January 1, 2001, compared to the population of all cities. In making the distribution under this subsection, the Secretary must use the most recent annual population estimates certified to the Secretary by the State Planning Officer.

(c) Share of Cities Incorporated Before January 1, 2001. – The share of a city incorporated before January 1, 2001, is its proportionate share of the amount to be distributed to all cities incorporated before this date. A city's proportionate share for a quarter is based on the amount of telephone gross receipts franchise taxes attributed to the city under G.S. 105-116.1 for the same quarter that was the last quarter in which taxes were imposed on telephone companies under repealed G.S. 105-120. The amount to be distributed to all cities incorporated before January 1, 2001, is the amount determined under subsection (a) of this section, minus the amount distributed under subsection (b) of this section.

The following changes apply when a city incorporated before January 1, 2001, alters its corporate structure. When a change described in subdivision (2) or (3) occurs, the resulting cities are considered to be cities incorporated before January 1, 2001, and the distribution method set out in this subsection rather than the method set out in subsection (b) of this section applies:

- (1) If a city dissolves and is no longer incorporated, the proportional shares of the remaining cities incorporated before January 1, 2001, must be recalculated to adjust for the dissolution of that city.
- (2) If two or more cities merge or otherwise consolidate, their proportional shares are combined.
- (3) If a city divides into two or more cities, the proportional share of the city that divides is allocated among the new cities on a per capita basis.

(d) Ineligible Cities. – An ineligible city is disregarded for all purposes under this section. A city incorporated on or after January 1, 2000, is not eligible for a distribution under this section unless it meets both of the following requirements:

- (1) It is eligible to receive funds under G.S. 136-41.2.
- (2) A majority of the mileage of its streets are open to the public."

**SECTION 11.** G.S. 105-116.1 reads as rewritten:

**"§ 105-116.1. Distribution of gross receipts taxes to cities.**

(a) Definitions. – The following definitions apply in this section:

- (1) Freeze deduction. – The amount by which the percentage distribution amount of a city was required to be reduced in fiscal year 1995-96 in determining the amount to distribute to the city.
- (2) Percentage distribution amount. – Three and nine hundredths percent (3.09%) of the gross receipts derived by an electric power company ~~and a telephone company~~ from sales within a city that are taxable under ~~G.S. 105-116 or G.S. 105-120.~~ G.S. 105-116.

(b) Distribution. – The Secretary must distribute to the cities part of the taxes collected under this Article on electric power ~~companies and telephone companies~~. Each city's share for a calendar quarter is the percentage distribution amount for that city for that quarter minus one-fourth of the city's hold-back amount and one-fourth of the city's proportionate share of the annual cost to the Department of administering the distribution. The Secretary must make the distribution within 75 days after the end of each calendar quarter.

(c) Limited Hold-Harmless Adjustment. – The hold-back amount for a city that, in the 1995-96 fiscal year, received from gross receipts taxes on electric power companies and natural gas companies less than ninety-five percent (95%) of the amount it received in the 1990-91 fiscal year but at least sixty percent (60%) of the amount it received in the 1990-91 fiscal year is the amount determined by the following calculation:

- (1) Adjust the city's 1995-96 distribution by adding the city's freeze deduction attributable to receipts from electric power companies and natural gas companies to the amount distributed to the city for that year.
- (2) Compare the adjusted 1995-96 amount with the city's 1990-91 distribution.
- (3) If the adjusted 1995-96 amount is less than or equal to the city's 1990-91 distribution, the hold-back amount for the city is zero.
- (4) If the adjusted 1995-96 amount is more than the city's 1990-91 distribution, the hold-back amount for the city is the city's freeze deduction attributable to receipts from electric power companies and natural gas companies minus the difference between the city's 1990-91 distribution and the city's 1995-96 distribution.

(c1) Additional Limited Hold-Harmless Adjustment. – The hold-back amount for a city that, in the 1995-96 fiscal year, received from gross receipts taxes on electric power companies and natural gas companies less than sixty percent (60%) of the amount it received in the 1990-91 fiscal year is the amount determined by the following calculation:

- (1) Adjust the city's 1999-2000 distribution by adding the city's freeze deduction attributable to receipts from electric power companies and natural gas companies to the amount distributed to the city for that year.
- (2) Compare the adjusted 1999-2000 amount with the city's 1990-91 distribution.
- (3) If the adjusted 1999-2000 amount is less than or equal to the city's 1990-91 distribution, the hold-back amount for the city is zero.
- (4) If the adjusted 1999-2000 amount is more than the city's 1990-91 distribution, the hold-back amount for the city is the city's freeze deduction attributable to receipts from electric power companies and natural gas companies minus the difference between the city's 1990-91 distribution and the city's 1999-2000 distribution.

(d) Allocation of Hold-Harmless Adjustment. – The hold-back amount for a city that, in the 1995-96 fiscal year, received from gross receipts taxes on electric power companies and natural gas companies at least ninety-five percent (95%) of the amount it received in the 1990-91 fiscal year is the amount determined by the following calculation:

- (1) Determine the amount by which the freeze deduction attributable to receipts from electric power companies and natural gas companies is reduced for all cities whose hold-back amount is determined under subsections (c) and (c1) of this section. This amount is the total hold-harmless adjustment.
- (2) Determine the amount of gross receipts taxes that would be distributed for the quarter to cities whose hold-back amount is determined under this subsection if these cities received their percentage distribution amount minus one-fourth of their freeze ~~deduction~~ deduction attributable to receipts from electric power companies and natural gas companies.
- (3) For each city included in the calculation in subdivision (2) of this subsection, determine that city's percentage share of the amount determined under that subdivision.
- (4) Add to the city's freeze deduction attributable to receipts from electric power companies and natural gas companies an amount equal to the city's percentage share under subdivision (3) of this subsection multiplied by the total hold-harmless adjustment.



(e) Disqualification. – No municipality may receive any funds under this section if it was incorporated with an effective date of on or after January 1, 2000, and is disqualified from receiving funds under G.S. 136-41.2. No municipality may receive any funds under this section, incorporated with an effective date on or after January 1, 2000, unless a majority of the mileage of its streets are open to the public. The previous sentence becomes effective with respect to distribution of funds on or after July 1, 1999."

**SECTION 12.** G.S. 105-120 is repealed.

**SECTION 13.** G.S. 105-467 is amended by adding a new subdivision to read:

"(6) The sales price of prepaid telephone calling arrangements taxed as tangible personal property under G.S. 105-164.4(a)(4d)."

**SECTION 14.** The first paragraph of Section 4 of Chapter 1096 of the 1967 Session Laws, as amended, is amended as follows:

- (1) By deleting the word "and" before subdivision (5).
- (2) By changing the period at the end of subdivision (5) to a semicolon and adding the word "and".
- (3) By adding a new subdivision to read:

"(6) The sales price of prepaid telephone calling arrangements taxed as tangible personal property under G.S. 105-164.4(a)(4d)."

**SECTION 15.** The Department of Revenue must report to the Revenue Laws Study Committee by October 1, 2003, on the amounts collected under this act and on the distributions made to local governments, including the amounts received by them from the sales and use tax on prepaid calling arrangements. On or before October 1, 2007, the Department must report to the Revenue Laws Study Committee any recommendations it has, if any, to adjust the distributions made to local governments. The Department must consult with the North Carolina League of Municipalities in developing its recommendations.

**SECTION 16.** G.S. 153A-152 reads as rewritten:

"§ 153A-152. **Privilege license taxes.**

(a) Authority. – A county may levy privilege license taxes on trades, occupations, professions, businesses, and franchises to the extent authorized by Article 2 of Chapter 105 of the General Statutes and any other acts of the General Assembly. A county may levy privilege license taxes to the extent formerly authorized by the following sections of Article 2 of Chapter 105 of the General Statutes before they were repealed:

G.S. 105-50	Pawnbrokers.
G.S. 105-53	Peddlers, itinerant merchants, and specialty market operators.
G.S. 105-55	Installing elevators and automatic sprinkler systems.
G.S. 105-58	Fortune tellers, palmists, etc.
G.S. 105-65	Music machines.
G.S. 105-66.1	Electronic video games.
G.S. 105-80	Firearms dealers and dealers in other weapons.
G.S. 105-89	Automobiles, wholesale supply dealers and service stations.
G.S. 105-89.1	Motorcycle dealers.
G.S. 105-90	Emigrant and employment agents.
G.S. 105-102.5	General business license.

(b) Telecommunications Restriction. – A county may not impose a license, franchise, or privilege tax on a company taxed under G.S. 105-164.4(a)(4c)."

**SECTION 17.** G.S. 160A-211 is amended by adding a new subsection to read:

"(d) Telecommunications Restriction. – A city may not impose a license, franchise, or privilege tax on a company taxed under G.S. 105-164.4(a)(4c)."

**SECTION 18.** Pursuant to G.S. 62-31 and G.S. 62-32, the Utilities Commission must lower the rate set for local telecommunications service to reflect the

repeal of G.S. 105-120 and the resulting liability of local telecommunications companies for the tax imposed under G.S. 105-122.

**SECTION 19.** The Revenue Laws Study Committee shall recommend to the 2002 Regular Session of the 2001 General Assembly any changes necessary to this act to conform with the federal Mobile Telecommunications Sourcing Act.

**SECTION 20.** This act becomes effective January 1, 2002, and applies to taxable services reflected on bills dated on or after January 1, 2002.

In the General Assembly read three times and ratified this the 25<sup>th</sup> day of September, 2001.

s/ Beverly E. Perdue  
President of the Senate

s/ James B. Black  
Speaker of the House of Representatives

s/ Michael F. Easley  
Governor

Approved 3:00 p.m. this 6<sup>th</sup> day of October, 2001