

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001**

**S**

**1**

**SENATE BILL 1088**

Short Title: Tax Restructuring Act of 2001. (Public)

Sponsors: Senators Clodfelter; Ballance, Dannelly, Gulley, Hartsell, Kinnaird,  
Lucas, Martin of Guilford, Miller, and Reeves.

Referred to: Finance.

April 5, 2001

1 A BILL TO BE ENTITLED  
2 AN ACT TO CREATE AN EARNED INCOME TAX CREDIT, PHASE OUT THE  
3 REMAINING SALES TAX ON FOOD, REDUCE THE MARRIAGE TAX  
4 PENALTY, EXPAND THE PROPERTY TAX HOMESTEAD EXEMPTION,  
5 PROVIDE ADDITIONAL SALES TAX REVENUE FOR LOCAL  
6 GOVERNMENTS, AUTHORIZE ADDITIONAL REVENUE OPTIONS FOR  
7 LOCAL GOVERNMENTS, AND REPEAL CERTAIN REIMBURSEMENTS FOR  
8 REPEALED TAXES.

9 The General Assembly of North Carolina enacts:

10 **TABLE OF CONTENTS**

11 PART 1. TITLE  
12 PART 2. EARNED INCOME TAX CREDIT  
13 PART 3. REDUCE MARRIAGE TAX PENALTY  
14 PART 4. PHASE OUT FOOD TAX  
15 PART 5. EXPAND HOMESTEAD PROPERTY TAX EXEMPTION  
16 PART 6. SALES TAX FOR LOCAL GOVERNMENTS  
17 PART 7. LOCAL OPTION MEALS TAX  
18 PART 8. LOCAL OPTION OCCUPANCY TAX  
19 PART 9. LOCAL OPTION VEHICLE TAG TAX  
20 PART 10. LOCAL OPTION EXCISE TAX ON CONVEYANCES  
21 PART 11. LOCAL GOVERNMENT REIMBURSEMENTS  
22 PART 12. EFFECTIVE DATES

23

24 **PART 1. TITLE**

25 **SECTION 1.** This act is the Tax Restructuring Act of 2001.

26 **PART 2. EARNED INCOME TAX CREDIT**

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

3 **"§ 105-151.29. Earned income tax credit.**

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

10          (b) Credit Refundable. – If the credit allowed by this section exceeds the amount  
11 of tax imposed by this Part for the taxable year reduced by the sum of all credits  
12 allowable, the Secretary must refund the excess to the taxpayer. The refundable excess  
13 is governed by the provisions governing a refund of an overpayment by the taxpayer of  
14 the tax imposed in this Part. Section 3507 of the Code, Advance Payment of Earned  
15 Income Credit, does not apply to the credit allowed by this section. In computing the  
16 amount of tax against which multiple credits are allowed, nonrefundable credits are  
17 subtracted before refundable credits."

18 **PART 3.     REDUCE MARRIAGE TAX PENALTY**

19           **SECTION 3.** G.S. 105-134.6(c)(3) and (4) read as rewritten:

20          "(c) Additions. – The following additions to taxable income shall be made in  
21 calculating North Carolina taxable income, to the extent each item is not included in  
22 taxable income:

23           . . .  
24           (3) Any amount deducted from gross income under section 164 of the  
25 Code as state, local, or foreign income tax to the extent that the  
26 taxpayer's total itemized deductions deducted under the Code for the  
27 taxable year exceed the standard deduction allowable to the taxpayer  
28 under the Code reduced by the amount by which the taxpayer's  
29 allowable standard deduction has been increased under section  
30 63(e)(4) of the Code, the taxpayer is required to add to taxable income  
31 under subdivision (4) of this subsection.

32           (4) The~~In the case of married individuals who file a joint return, the~~  
33 amount by which the taxpayer's standard deduction under the Code  
34 exceeds six thousand dollars (\$6,000). In the case of a married  
35 individual filing a separate return, the amount by which the taxpayer's  
36 standard deduction under the Code exceeds three thousand dollars  
37 (\$3,000). In the case of all other taxpayers, the amount by which the  
38 taxpayer's standard deduction has been increased for inflation under  
39 section 63(c)(4)(A) of the Code."

40 **PART 4.     PHASE OUT FOOD TAX**

41           **SECTION 4.(a)** Effective for sales made on or after October 1, 2001, and  
42 before October 1, 2002, G.S. 105-483 reads as rewritten:

43 **"§ 105-483. Levy and collection of additional taxes.**

1 Any county subject to this Article may levy one-half percent (1/2%) local sales and  
2 use taxes in addition to any other State and local sales and use taxes levied pursuant to  
3 law. Except as provided in this Article, the adoption, levy, collection, distribution,  
4 administration, and repeal of these additional taxes shall be in accordance with Article  
5 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this  
6 Article, references to "this Article" mean Article 40 of this Chapter. The exemption for  
7 building materials in G.S. 105-468.1 does not apply to taxes levied under this Article. A  
8 tax levied under this Article does not apply to sales of food exempt from the tax levied  
9 in Article 5 of this Chapter."

10 **SECTION 4.(b)** Effective for sales made on or after October 1, 2001, and  
11 before October 1, 2002, G.S. 105-498 reads as rewritten:

12 **§ 105-498. Levy and collection of additional taxes.**

13 Any county subject to this Article may levy one-half percent (1/2%) local sales and  
14 use taxes in addition to any other State and local sales and use taxes levied pursuant to  
15 law. Except as provided in this Article, the adoption, levy, collection, distribution,  
16 administration, and repeal of these additional taxes shall be in accordance with Article  
17 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this  
18 Article, references to "this Article" mean Article 42 of this Chapter. The exemption for  
19 building materials in G.S. 105-468.1 does not apply to taxes levied under this Article. A  
20 tax levied under this Article does not apply to sales of food exempt from the tax levied  
21 in Article 5 of this Chapter."

22 **SECTION 4.(c)** G.S. 105-164.13(38) reads as rewritten:

23 "(38) Any of the following:

- 24 a. Food and other items that may be lawfully purchased under the  
25 Food Stamp Program, 7 U.S.C. § 51, ~~and supplemental~~ whether  
26 or not actually purchased under that Program.
- 27 b. Supplemental foods lawfully purchased with a food instrument  
28 issued under the Special Supplemental Food Program, 42  
29 U.S.C. § ~~1786, and supplemental~~ 1786.
- 30 c. Supplemental foods purchased for direct distribution by the  
31 Special Supplemental Food Program."

32 **SECTION 4.(d)** G.S. 105-164.13B is repealed.

33 **SECTION 4.(e)** G.S. 105-465 reads as rewritten:

34 **"§ 105-465. County election as to adoption of local sales and use tax.**

35 The board of elections of any county, upon the written request of the board of county  
36 commissioners, or upon receipt of a petition signed by qualified voters of the county  
37 equal in number to at least fifteen percent (15%) of the total number of votes cast in the  
38 county, at the last preceding election for the office of Governor, shall call a special  
39 election for the purpose of submitting to the voters of the county the question of  
40 whether a one percent (1%) sales and use tax will be levied.

41 The special election shall be held under the same rules applicable to the election of  
42 members of the General Assembly. No new registration of voters shall be required. All  
43 qualified voters in the county who are properly registered not later than 21 days  
44 (excluding Saturdays and Sundays) prior to the election shall be entitled to vote at the

1 election. The county board of elections shall give at least 20 days' public notice prior to  
2 the closing of the registration books for the special election.

3 The county board of elections shall prepare ballots for the special election. The  
4 question presented on the ballot shall be 'FOR one percent (1%) local sales and use tax  
5 on items subject to State sales and use tax at the general State ~~rate and on food~~"rate" or  
6 'AGAINST one percent (1%) local sales and use tax on items subject to State sales and  
7 use tax at the general State ~~rate and on food~~':rate'.

8 The county board of elections shall fix the date of the special election, except that  
9 the special election shall not be held on the date or within 60 days of any biennial  
10 election for county officers, nor within one year from the date of the last preceding  
11 special election under this section."

12 **SECTION 4.(f)** G.S. 105-467 reads as rewritten:

13 **"§ 105-467. Scope of sales tax.**

14 (a) Scope. -- The sales tax that may be imposed under this Article is limited to a  
15 tax at the rate of one percent (1%) of the ~~following~~ items listed in this subsection. The  
16 sales tax authorized by this Article does not apply to sales that are taxable by the State  
17 under G.S. 105-164.4 but are not specifically included in this subsection.

- 18 (1) The sales price of tangible personal property subject to the general rate  
19 of sales tax imposed by the State under G.S. 105-164.4(a)(1) and  
20 (a)(4b).
- 21 (2) The gross receipts derived from the lease or rental of tangible personal  
22 property when the lease or rental of the property is subject to the  
23 general rate of sales tax imposed by the State under G.S.  
24 105-164.4(a)(2).
- 25 (3) The gross receipts derived from the rental of any room or other  
26 accommodations subject to the general rate of sales tax imposed by the  
27 State under G.S. 105-164.4(a)(3).
- 28 (4) The gross receipts derived from services rendered by laundries, dry  
29 cleaners, and other businesses subject to the general rate of sales tax  
30 imposed by the State under G.S. 105-164.4(a)(4).
- 31 (5) ~~The sales price of food that is not otherwise exempt from tax pursuant~~  
32 ~~to G.S. 105-164.13 but would be exempt from the State sales and use~~  
33 ~~tax pursuant to G.S. 105-164.13 if it were purchased under the Food~~  
34 ~~Stamp Program, 7 U.S.C. § 51.~~

35 ~~The sales tax authorized by this Article does not apply to sales that are taxable by the~~  
36 ~~State under G.S. 105-164.4 but are not specifically included in this section.~~

37 (b) Exemptions, Exclusions, and Refunds. -- The State exemptions and  
38 exclusions contained in G.S. 105-164.13 and the State refund provisions contained in  
39 G.S. 105-164.14 apply to the local sales and use tax authorized to be levied and imposed  
40 under this Article. A taxing county may not allow an exemption, exclusion, or refund  
41 that is not allowed under the State sales and use tax.

42 (c) Situs. -- The local sales tax authorized to be imposed and levied under this  
43 Article applies to taxable transactions by retailers whose place of business is located

1 within the taxing county. For the purpose of this Article, the situs of a transaction is the  
2 location of the retailer's place of business."

3 **SECTION 4.(g)** Section 4(5) of Chapter 1096 of the 1967 Session Laws is  
4 repealed.

5 **PART 5. EXPAND HOMESTEAD PROPERTY TAX EXEMPTION**

6 **SECTION 5.(a)** G.S. 105-277.1 reads as rewritten:

7 "**§ 105-277.1. Property ~~classified for taxation at reduced valuation.~~ tax homestead**  
8 **exclusion.**

9 (a) Exclusion. – ~~The following class of property~~ A permanent residence owned  
10 and occupied by a qualifying owner is designated a special class of property under  
11 Article V, Sec. 2(2) of the North Carolina Constitution and shall be assessed for taxation  
12 in accordance with this section. The first twenty thousand dollars (\$20,000) in appraised  
13 value of a permanent residence owned and occupied by a qualifying owner is excluded  
14 from taxation. Section 2(2) of Article V of the North Carolina Constitution and is  
15 taxable in accordance with this section. The amount of the appraised value of the  
16 residence equal to the exclusion amount for the county in which the residence is located  
17 is excluded from taxation. The exclusion amount for each county is the greater of  
18 twenty-five thousand dollars (\$25,000) or an amount equal to one-half of the median  
19 appraised value of owner-occupied single-family homes in the county, determined as of  
20 the effective date of the most recent horizontal adjustment or reappraisal of real  
21 property. A qualifying owner is an owner who meets all of the following requirements  
22 as of January 1 preceding the taxable year for which the benefit is claimed:

- 23 (1) Is at least 65 years of age or totally and permanently disabled.  
24 (2) Has an income for the preceding calendar year of not more than the  
25 income eligibility limit for the county. ~~fifteen thousand dollars~~  
26 (\$15,000).  
27 (3) Is a North Carolina resident.

28 (a1) Temporary Absence. – An otherwise qualifying owner does not lose the  
29 benefit of this exclusion because of a temporary absence from his or her permanent  
30 residence for reasons of health, or because of an extended absence while confined to a  
31 rest home or nursing home, so long as the residence is unoccupied or occupied by the  
32 owner's spouse or other dependent.

33 (a2) Income Eligibility Limit. – The income eligibility limit is the greater of the  
34 index amount or fifty percent (50%) of the median household income for the county in  
35 which the residence is located. Until July 1, 2003, the index amount is twenty-five  
36 thousand dollars (\$25,000). For taxable years beginning on or after July 1, 2003, the  
37 index amount is the amount for the preceding year increased by the same percentage of  
38 this amount as the percentage by which the federal government increased the benefits  
39 under Titles II and XVI of the Social Security Act during the calendar year preceding  
40 the year in which the determination of a new index amount is made, rounded to the  
41 nearest one hundred dollars (\$100.00).

42 On or before July 1 of each year, the Department of Revenue must determine the  
43 income eligibility limit to be in effect in each county for the taxable year beginning the  
44 following July 1 and must notify the assessor of each county of the amount to be in

1 effect for that taxable year. To determine median household income, the Department  
2 must use the latest available data published by a State or federal agency generally  
3 recognized as having expertise concerning the data.

4 (b) Definitions. ~~—When used in this section, the following definitions shall~~  
5 ~~apply.~~ The following definitions apply in this section:

6 (1) Code. — The Internal Revenue Code, as defined in G.S. 105-228.90.

7 (1a) Income. — Adjusted gross income, as defined in section 62 of the Code,  
8 plus all other moneys received from every source other than gifts or  
9 inheritances received from a spouse, lineal ancestor, or lineal  
10 descendant. For married applicants residing with their spouses, the  
11 income of both spouses must be included, whether or not the property  
12 is in both names.

13 (1b) Owner. — A person who holds legal or equitable title, whether  
14 individually, as a tenant by the entirety, a joint tenant, or a tenant in  
15 common, or as the holder of a life estate or an estate for the life of  
16 another. A manufactured home jointly owned by husband and wife is  
17 considered property held by the entirety.

18 (2) Repealed by Session Laws 1993, c. 360, s. 1.

19 (2a) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 982, s. 20.

20 (3) Permanent residence. — A person's legal residence. It includes the  
21 dwelling, the dwelling site, not to exceed one acre, and related  
22 improvements. The dwelling may be a single family residence, a unit  
23 in a multi-family residential complex, or a manufactured home.

24 (4) Totally and permanently disabled. — A person is totally and  
25 permanently disabled if the person has a physical or mental  
26 impairment that substantially precludes him or her from obtaining  
27 gainful employment and appears reasonably certain to continue  
28 without substantial improvement throughout his or her life.

29 (c) Application. — An application for the exclusion provided by this section  
30 should be filed during the regular listing period, but may be filed and must be accepted  
31 at any time up to and through April 15 preceding the tax year for which the exclusion is  
32 claimed. When property is owned by two or more persons other than husband and wife  
33 and one or more of them qualifies for this exclusion, each owner shall apply separately  
34 for his or her proportionate share of the exclusion.

35 (1) Elderly Applicants. — Persons 65 years of age or older may apply for  
36 this exclusion by entering the appropriate information on a form made  
37 available by the assessor under G.S. 105-282.1.

38 (2) Disabled Applicants. — Persons who are totally and permanently  
39 disabled may apply for this exclusion by (i) entering the appropriate  
40 information on a form made available by the assessor under G.S.  
41 105-282.1 and (ii) furnishing acceptable proof of their disability. The  
42 proof shall be in the form of a certificate from a physician licensed to  
43 practice medicine in North Carolina or from a governmental agency  
44 authorized to determine qualification for disability benefits. After a

1 disabled applicant has qualified for this classification, he or she shall  
2 not be required to furnish an additional certificate unless the  
3 applicant's disability is reduced to the extent that the applicant could  
4 no longer be certified for the taxation at reduced valuation.

5 (d) Multiple Ownership. – A permanent residence owned and occupied by  
6 husband and wife as tenants by the entirety is entitled to the full benefit of this exclusion  
7 notwithstanding that only one of them meets the age or disability requirements of this  
8 section. When a permanent residence is owned and occupied by two or more persons  
9 other than husband and wife and one or more of the owners qualifies for this exclusion,  
10 each qualifying owner is entitled to the full amount of the exclusion not to exceed his or  
11 her proportionate share of the valuation of the property. No part of an exclusion  
12 available to one co-owner may be claimed by any other co-owner and in no event may  
13 the total exclusion allowed for a permanent residence exceed the exclusion amount  
14 provided in this section.

15 (e) Duties of Assessor. – The assessor of each county shall determine annually  
16 the exclusion amount for the county, as defined in subsection (a) of this section. The  
17 assessor shall publish the exclusion amount and the income eligibility limit to affected  
18 taxpayers in the county each year."

19 **SECTION 5.(b)** G.S. 105-309(f) reads as rewritten:

20 "(f) ~~The following information shall~~ notice set out below must appear on each  
21 abstract or on an information sheet distributed with the abstract. The abstract or sheet  
22 must include the address and telephone number of the assessor below the ~~notice~~  
23 ~~required by this subsection. The notice shall read as follows:~~ notice.

24  
25 **'PROPERTY TAX RELIEF HOMESTEAD EXCLUSION FOR ELDERLY AND**  
26 **OR PERMANENTLY DISABLED PERSONS.**  
27

28 North Carolina excludes from property taxes the first ~~twenty thousand dollars~~  
29 ~~(\$20,000)~~ (assessor insert amount) in appraised value of a permanent residence owned  
30 and occupied by North Carolina residents aged 65 or older or totally and permanently  
31 disabled whose income does not exceed ~~fifteen thousand dollars (\$15,000)~~ an income  
32 limit of (assessor insert amount). Income means the owner's adjusted gross income as  
33 determined for federal income tax purposes, plus all moneys received other than gifts or  
34 inheritances received from a spouse, lineal ancestor or lineal descendant.

35 If you received this exclusion in (assessor insert previous year), you do not need to  
36 apply again unless you have changed your permanent residence. If you received the  
37 exclusion in (assessor insert previous year) and your income in (assessor insert previous  
38 year) was above ~~fifteen thousand dollars (\$15,000)~~, the income limit, you must notify  
39 the assessor. If you received the exclusion in (assessor insert previous year) because you  
40 were totally and permanently disabled and you are no longer totally and permanently  
41 disabled, you must notify the assessor. If the person receiving the exclusion in (assessor  
42 insert previous year) has died, the person required by law to list the property must notify  
43 the assessor. Failure to make any of the notices required by this paragraph before April  
44 15 will result in penalties and interest.

1 If you did not receive the exclusion in (assessor insert previous year) but are now  
2 eligible, you may obtain a copy of an application from the assessor. It must be filed by  
3 April 15.' "

4 **PART 6. SALES TAX FOR LOCAL GOVERNMENTS**

5 **SECTION 6.(a)** The introductory language of G.S. 105-164.4(a) reads as  
6 rewritten:

7 "(a) A privilege tax is imposed on a retailer at the following percentage rates of  
8 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is  
9 four percent (4%). and one-half percent (4.5%)."

10 **SECTION 6.(b)** Article 5 of Chapter 105 of the General Statutes is amended  
11 by adding a new section to read:

12 **"§ 105-164.44F. Tax sharing with local governments.**

13 The Secretary shall distribute to local governments each year the amounts provided  
14 in this section, the total of which is approximately one-ninth of the State's tax levied  
15 under this Article at the general rate of tax. Each quarter, the Secretary shall remit to  
16 each local government entitled to a distribution of local tax proceeds under Articles 40  
17 and 42 of this Chapter a distribution of State funds in an amount equal to fifty percent  
18 (50%) of the amount of local taxes to be distributed to the local government under those  
19 Articles for that quarter. The Secretary shall draw the State funds to be distributed from  
20 collections under this Article."

21 **SECTION 6.(c)** Subchapter VIII of Chapter 105 of the General Statutes is  
22 amended by adding a new Article to read:

23 "Article 44.

24 "Third One-Half Cent (½¢) Local Government Sales and Use Tax.

25 **"§ 105-515. Short title.**

26 This Article is the Third One-Half Cent (½¢) Local Government Sales and Use Tax  
27 Act.

28 **"§ 105-516. Limitations.**

29 This Article applies only to counties that levy the first one-cent (1¢) sales and use  
30 tax under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws,  
31 the first one-half cent (½¢) local sales and use tax under Article 40 of this Chapter, and  
32 the second one-half cent (½¢) local sales and use tax under Article 42 of this Chapter.

33 **"§ 105-517. Levy.**

34 (a) After Vote. – If the majority of those voting in a referendum held pursuant to  
35 this Article vote for the levy of the taxes in a county, the board of commissioners of the  
36 county may, by resolution, levy one-half percent (½¢) local sales and use taxes in  
37 addition to any other State and local sales and use taxes levied pursuant to law.

38 (b) Without Vote. – If the question of whether to levy taxes under this Article has  
39 not been defeated in a referendum held in the county, the board of commissioners of the  
40 county may, by resolution, levy one-half percent (½¢) local sales and use taxes in  
41 addition to any other State and local sales and use taxes levied pursuant to law. Before  
42 adopting a resolution under this subsection, the board of commissioners must give at  
43 least 10 days' public notice of its intent to adopt the resolution and must hold a public  
44 hearing on the issue of adopting the resolution.



1 **"§ 105-518. County election on adoption of tax.**

2 (a) Resolution. – The board of commissioners of a county may direct the county  
3 board of elections to conduct an advisory referendum on the question of whether to levy  
4 local one-half percent (½¢) sales and use taxes in the county as provided in this Article.  
5 The election shall be held on a date jointly agreed upon by the two boards and shall be  
6 held in accordance with the procedures of G.S. 163-287.

7 (b) Ballot Question. – The form of the question to be presented on a ballot for a  
8 special election concerning the levy of the taxes authorized by this Article shall be:

9  FOR  AGAINST

10 one-half percent (½¢) local sales and use taxes, in addition to the current local sales and  
11 use taxes.'

12 **"§ 105-519. Administration of taxes.**

13 Except as provided in this Article, the adoption, levy, collection, administration,  
14 distribution, and repeal of these additional taxes shall be in accordance with Article 39  
15 of this Chapter. A tax levied under this Article does not apply to the sales price of food  
16 that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt  
17 from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased under  
18 the Food Stamp Program, 7 U.S.C. § 51."

19 **SECTION 6.(d)** A tax levied under Article 44 of Chapter 105 of the General  
20 Statutes, as enacted by this act, does not apply to construction materials purchased to  
21 fulfill a lump-sum or unit-price contract entered into or awarded before the effective  
22 date of the levy or entered into or awarded pursuant to a bid made before the effective  
23 date of the levy when the construction materials would otherwise be subject to the tax  
24 levied under Article 44 of Chapter 105 of the General Statutes.

25 **PART 7. LOCAL OPTION MEALS TAX**

26 **SECTION 7.** Subchapter VIII of Chapter 105 of the General Statutes is  
27 amended by adding a new Article to read:

28 "Article 45.

29 "Local Government Meals Tax.

30 **"§ 105-525. Short title.**

31 This Article is the Local Government Meals Tax Act.

32 **"§ 105-526. Definitions.**

33 The definitions in G.S. 105-164.3 apply to this Article. In addition, the following  
34 definitions apply in this Article:

35 (1) City. – Defined in G.S. 153A-1.

36 (2) Person. – Defined in G.S. 105-228.90.

37 (3) Taxing unit. – A city or a county.

38 **"§ 105-527. Effect of local acts.**

39 This Article supplements but does not supplant the authority of a county or a city to  
40 levy a meals tax pursuant to a local act. If a local act authorizes a county to levy a meals  
41 tax, the maximum rate the county could otherwise levy under this Article is reduced by  
42 the maximum rate the county is authorized to levy under all local acts. If a local act  
43 authorizes a city to levy a meals tax, the maximum rate the county in which the city is

1 located could otherwise levy under this Article is reduced by the maximum rate the city  
2 is authorized to levy under all local acts.

3 **"§ 105-528. Levy.**

4 (a) After Vote. – If the majority of those voting in a referendum held pursuant to  
5 this Article vote for the levy of the tax in a county, the board of commissioners of the  
6 county may, by resolution, levy a local meals tax of up to one percent (1%).

7 (b) Without Vote. – If the question of whether to levy a tax under this Article has  
8 not been defeated in a referendum held in the county, the board of commissioners of the  
9 county may, by resolution, levy a local meals tax of up to one percent (1%). Before  
10 adopting a resolution under this subsection, the governing body must give at least 10  
11 days' public notice of its intent to adopt the resolution and must hold a public hearing on  
12 the issue of adopting the resolution.

13 (c) Scope. – The tax applies to the sales price of prepared food and drink sold  
14 within the county at retail, for consumption on or off the premises, by a retailer within  
15 the county that is subject to sales tax under G.S. 105-164.4(a)(1). A tax levied under this  
16 Article is in addition to any other State and local sales and use taxes levied pursuant to  
17 law.

18 (d) Effective Date. – A meals tax becomes effective on the date specified in the  
19 resolution levying the tax. That date must be the first day of a calendar month, however,  
20 and may not be earlier than the first day of the second month after the date the  
21 resolution is adopted.

22 (e) Vote. – The board of commissioners of a county may direct the county board  
23 of elections to conduct an advisory referendum on the question of whether to levy a  
24 local meals tax in the county as provided in this Article. The election shall be held on a  
25 date jointly agreed upon by the two boards and shall be held in accordance with the  
26 procedures of G.S. 163-287. The form of the question to be presented on a ballot for a  
27 special election concerning the levy of the tax authorized by this Article shall be:

28 [ ] FOR [ ] AGAINST

29 [X] percent (X%) county meals tax, in addition to the current local sales and use taxes.'

30 **"§ 105-529. Exemptions.**

31 A meals tax levied under this Article does not apply to the following sales of  
32 prepared food and drink:

- 33 (1) Prepared food and drink served to residents in boarding houses and  
34 sold together on a periodic basis with rental of a sleeping room or  
35 lodging.
- 36 (2) Retail sales exempt from taxation under G.S. 105-164.13.
- 37 (3) Retail sales through or by means of vending machines.
- 38 (4) Prepared food and drink served by a retailer subject to the local  
39 occupancy tax if the charge for the prepared food and drink is included  
40 in a single, nonitemized sales price together with the charge for rental  
41 of a room, lodging, or accommodation furnished by the retailer.
- 42 (5) Prepared food and drink furnished without charge by an employer to  
43 an employee.

1           (6) Retail sales by grocers or by grocery sections of supermarkets or other  
2           diversified retail establishments, other than sales of prepared food and  
3           drink in the delicatessen or similar department of the grocer or grocery  
4           section.

5 **"§ 105-530. Collection.**

6           Every retailer subject to a tax levied under this Article must, on and after the  
7           effective date of the levy of the tax, collect the tax. This tax must be collected as part of  
8           the charge for furnishing prepared food and drink. The tax must be stated and charged  
9           separately from the sales records and must be paid by the purchaser to the retailer as  
10          trustee for and on account of the county. The tax must be added to the sales price and  
11          passed on to the purchaser instead of being borne by the retailer. The county must  
12          design, print, and furnish to all appropriate businesses and persons in the county the  
13          necessary forms for filing returns and instructions to ensure the full collection of the tax.

14 **"§ 105-531. Administration.**

15          The county must administer a tax levied under this Article. A tax levied under this  
16          Article is due and payable to the county finance officer in monthly installments on or  
17          before the 15th day of the month following the month in which the tax accrues. Every  
18          retailer liable for the tax must, on or before the 15th day of each month, prepare and file  
19          a return on a form prescribed by the county. The return must show the total gross  
20          receipts derived in the preceding month from sales to which the tax applies.

21          A return filed with the county finance officer under this Article is not a public record  
22          and may not be disclosed except as provided in G.S. 153A-148.1.

23 **"§ 105-532. Distribution and use.**

24          (a) Distribution. – The taxing county must distribute the net proceeds of the tax  
25          levied under this Article quarterly between the county and its cities on a per capita basis.  
26          To make the per capita distributions required by this section, the county must first  
27          compute a per capita distributable amount by dividing the amount to be distributed by  
28          the total population of the county plus the population of all cities located in the county.  
29          The county must then distribute to each taxing unit in the county, including the county  
30          itself, the product of the population of the taxing unit and the per capita distributable  
31          amount. In making the per capita calculations under this section, the county must use  
32          the most recent annual population estimates certified by the State Planning Officer.

33          (b) Use. – Cities and counties may use the proceeds of a tax levied under this  
34          Article for any lawful purpose.

35 **"§ 105-533. Refunds.**

36          The county must refund to a nonprofit or governmental entity the meals tax paid by  
37          the entity on eligible purchases of prepared food and drink. A nonprofit or governmental  
38          entity's purchase of prepared food and drink is eligible for a refund under this section if  
39          the entity is entitled to a refund under G.S. 105-164.14(b) or (c) of local sales and use  
40          tax paid on the purchase. The time limitations, application requirements, penalties, and  
41          restrictions provided in G.S. 105-164.14(b) and (d) apply to refunds to nonprofit  
42          entities; the time, limitations, application requirements, penalties, and restrictions  
43          provided in G.S. 105-164.14(c) and (d) apply to refunds to governmental entities. When  
44          an entity applies for a refund of the meals tax paid by it on purchases, it must attach to

1 its application a copy of the application submitted to the Department of Revenue under  
2 G.S. 105-164.14 for a refund of the sales and use tax on the same purchases. An  
3 applicant for a refund under this subsection must provide any information required by  
4 the county to substantiate the claim.

5 **"§ 105-534. Penalties.**

6 A person that fails or refuses to file the return or pay a tax levied under this Article is  
7 subject to the civil and criminal penalties set by G.S. 105-236 for failure to pay or file a  
8 return for State sales and use taxes. The board of commissioners of the taxing county  
9 has the same authority to waive the penalties for a tax levied under this Article that the  
10 Secretary of Revenue has to waive the penalties for State sales and use taxes.

11 **"§ 105-535. Repeal or reduction.**

12 A meals tax levied under this Article may be repealed or reduced by a resolution  
13 adopted by the board of commissioners of the taxing county. Repeal or reduction of a  
14 meals tax must become effective on the first day of a month and may not become  
15 effective until the end of the fiscal year in which the resolution was adopted. Repeal or  
16 reduction of a meals tax does not affect a liability for a tax that was attached before the  
17 effective date of the repeal or reduction, nor does it affect a right to a refund of a tax that  
18 accrued before the effective date of the repeal or reduction."

19 **PART 8. LOCAL OPTION OCCUPANCY TAX**

20 **SECTION 8.(a)** Subchapter VIII of Chapter 105 of the General Statutes is  
21 amended by adding a new Article to read:

22 "Article 46.

23 "Local Government Occupancy Tax.

24 **"§ 105-540. Definitions.**

25 The following definitions apply in this Article:

26 (1) City. – Defined in G.S. 153A-1.

27 (2) Taxing unit. – A city or a county.

28 **"§ 105-541. Effect of local acts.**

29 (a) Limitations. – This Article supplements but does not supplant the authority of  
30 a county or a city to levy an occupancy tax pursuant to a local act. If a local act  
31 authorizes a county to levy an occupancy tax, the maximum rate the county could  
32 otherwise levy under this Article is reduced by the maximum rate the county is  
33 authorized to levy under all local acts, and the maximum rate any city in the county  
34 could otherwise levy under this act may not exceed a total of six percent (6%) when  
35 added to the maximum rate the county is authorized to levy under all local acts. If a  
36 local act authorizes a city to levy an occupancy tax, the maximum rate the city could  
37 otherwise levy under this Article is reduced by the maximum rate the city is authorized  
38 to levy under all local acts.

39 (b) Examples of Limitations. – The following examples illustrate the limitations  
40 provided in subsection (a) of this section:

41 (1) If a local act authorizes a city to levy an occupancy tax of up to one  
42 percent (1%), the maximum rate the city can levy under this Article is  
43 two percent (2%), whether or not it levies the tax authorized by local  
44 act.

1           (2) If a local act authorizes a county to levy an occupancy tax of up to six  
2           percent (6%), neither the county nor any city in the county may levy  
3           an occupancy tax under this Article, whether or not the county levies  
4           the tax authorized by local act.

5 **"§ 105-542. Levy.**

6       (a) After Vote. – If the majority of those voting in a referendum held pursuant to  
7 this Article vote for the levy of the tax within a taxing district, the governing body of the  
8 taxing district may, by resolution, levy a local occupancy tax of up to the maximum rate  
9 provided in this Article.

10     (b) Without Vote. – If the question of whether to levy a tax under this Article has  
11 not been defeated in a referendum held in the taxing unit, the governing body of the  
12 taxing unit may, by resolution, levy a local occupancy tax of up to the maximum rate  
13 provided in this Article. Before adopting a resolution under this subsection, the  
14 governing body must give at least 10 days' public notice of its intent to adopt the  
15 resolution and must hold a public hearing on the issue of adopting the resolution.

16     (c) Maximum Rate. – Subject to the limitations provided in G.S. 105-526, the  
17 maximum rate of tax that a county may levy under this Article is a total of six percent  
18 (6%) when added to the rate of any occupancy tax levied by a city within the county.  
19 Subject to the limitations provided in G.S. 105-526, the maximum rate of tax that a city  
20 may levy under this Article is three percent (3%).

21     (d) Scope. – The tax applies to the gross receipts derived from the rental of any  
22 room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or  
23 similar place within the taxing unit that is subject to sales tax imposed by the State  
24 under G.S. 105-164.4(a)(3). The tax is in addition to any State or local sales tax.

25     (e) Vote. – The governing body of a taxing unit may direct the county board of  
26 elections to conduct an advisory referendum on the question of whether to levy a local  
27 occupancy tax in the taxing unit as provided in this Article. The election shall be held  
28 on a date jointly agreed upon by the governing body and the board of elections and shall  
29 be held in accordance with the procedures of G.S. 163-287.

30     (f) Ballot Question. – The form of the question to be presented on a ballot for a  
31 special election concerning the levy of the tax authorized by this Article shall be:

32    FOR    AGAINST

33 [X] percent (X%) local occupancy tax, in addition to the current local sales and  
34 occupancy taxes.'

35 **"§ 105-543. Administration.**

36     A tax levied under this Article shall be levied, administered, collected, and repealed  
37 as provided in G.S. 153A-155 in the case of a county tax and in G.S. 160A-215 in the  
38 case of a city tax. The penalties provided in G.S. 153A-155 and G.S. 160A-215 apply to  
39 a tax levied under this Article.

40 **"§ 105-544. Use.**

41     A taxing unit may use the proceeds of a tax levied under this Article for any lawful  
42 purpose."

1           **SECTION 8.(b)** G.S. 153A-155 and G.S. 160A-215 are amended to apply to  
2 all counties and municipalities in the State. Accordingly, G.S. 153A-155(a) and (g) and  
3 G.S. 160A-215(a) and (g) are repealed.

4 **PART 9. LOCAL OPTION VEHICLE TAG TAX**

5           **SECTION 9.** G.S. 20-97 reads as rewritten:

6 "**§ 20-97. Taxes credited to Highway Fund; municipal vehicle taxes.**

7           (a) State Taxes to Highway Fund. – All taxes levied under this Article are  
8 compensatory taxes for the use and privileges of the public highways of this State. The  
9 taxes collected shall be credited to the State Highway Fund. Except as provided in this  
10 section, no county or municipality shall levy any license or privilege tax upon any  
11 motor vehicle licensed by the State.

12           (b) General Municipal Vehicle Tax. – Cities and towns may levy a tax of not  
13 more than five dollars (\$5.00) per year upon any vehicle resident in the city or town.  
14 The proceeds of the tax may be used for any lawful purpose.

15           **(b1) General County Vehicle Tax. – A county may levy a tax of not more than five**  
16 **dollars (\$5.00) per year upon any vehicle resident in the county. The proceeds of the tax**  
17 **may be used for any lawful purpose. A taxing county must distribute the net proceeds of**  
18 **a tax levied under this subsection between the county and the cities and towns located in**  
19 **the county according to the formula by which local sales tax proceeds are divided**  
20 **between the county and its cities and towns under G.S. 105-472 or under Chapter 1096**  
21 **of the 1967 Session Laws.**

22           (c) Municipal Vehicle Tax for Public Transportation. – A city or town that  
23 operates a public transportation system as defined in G.S. 105-550 may levy a tax of not  
24 more than five dollars (\$5.00) per year upon any vehicle resident in the city or town.  
25 The tax authorized by this subsection is in addition to the tax authorized by subsection  
26 (b) of this section. A city or town may not levy a tax under this section, however, to the  
27 extent the rate of tax, when added to the general motor vehicle taxes levied by the city  
28 or town under subsection (b) of this section and under any local legislation, would  
29 exceed thirty dollars (\$30.00) per year. The proceeds of the tax may be used only for  
30 financing, constructing, operating, and maintaining local public transportation systems.  
31 Cities and towns shall use the proceeds of the tax to supplement and not to supplant or  
32 replace existing funds or other resources for public transportation systems. This  
33 subsection does not apply to the City of Durham or to the cities and towns in Gaston  
34 County.

35           (d) Municipal Taxi Tax. – Cities and towns may levy a tax of not more than  
36 fifteen dollars (\$15.00) per year upon each vehicle operated in the city or town as a  
37 taxicab. The proceeds of the tax may be used for any lawful purpose.

38           (e) No Additional Local Tax. – No county, city or town may impose a franchise  
39 tax, license tax, or other fee upon a motor carrier unless the tax is authorized by this  
40 section. "

41 **PART 10. LOCAL OPTION EXCISE TAX ON CONVEYANCES**

42           **SECTION 10.** Subchapter VIII of Chapter 105 of the General Statutes is  
43 amended by adding a new Article to read:

44                           "Article 47.

"Local Government Excise Tax on Conveyances.

**"§ 105-550. Effect of local acts.**

This Article supplements but does not supplant the authority of a county or a city to levy an excise tax on conveyances pursuant to a local act. If a local act authorizes a county to levy an excise tax on conveyances, the maximum rate the county could otherwise levy under this Article is reduced by the maximum rate the county is authorized to levy under all local acts. If a local act authorizes a city to levy an excise tax on conveyances, the maximum rate the county in which the city is located could otherwise levy under this Article is reduced by the maximum rate the city is authorized to levy under all local acts.

**"§ 105-551. Levy.**

(a) After Vote. – If the majority of those voting in a referendum held pursuant to this Article vote for the levy of the tax in a county, the board of commissioners of the county may, by resolution, levy a local excise tax on conveyances at a rate of up to one percent (1%) on instruments conveying interests in real property located in the county.

(b) Without Vote. – If the question of whether to levy a tax under this Article has not been defeated in a referendum held in the county, the board of commissioners of the county may, by resolution, levy a local excise tax on conveyances at a rate of up to one percent (1%) on instruments conveying interests in real property located in the county. Before adopting a resolution under this subsection, the governing body must give at least 10 days' public notice of its intent to adopt the resolution and must hold a public hearing on the issue of adopting the resolution.

(c) Basis and Effective Date. – The tax applies to the consideration or value, whichever is greater, of the interest conveyed, including the value of any lien or encumbrance remaining on the property at the time of sale. The levy of the tax may become effective only on the first day of a calendar month set in the resolution levying the tax, which may not be earlier than the first day of the second succeeding calendar month after the date the resolution is adopted.

(d) Vote. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum on the question of whether to levy a local excise tax on conveyances in the county as provided in this Article. The election shall be held on a date jointly agreed upon by the two boards and shall be held in accordance with the procedures of G.S. 163-287. The form of the question to be presented on a ballot for a special election concerning the levy of the tax authorized by this Article shall be:

FOR  AGAINST

percent (X%) county excise tax on conveyances of real property, in addition to the current State excise tax on conveyances of real property.'

**"§ 105-552. Administration.**

(a) Resolution. – The board of commissioners of a county must, upon adoption of a resolution levying a tax under this Article, immediately deliver a certified copy of the resolution to the register of deeds of the county. Upon receipt of this document, the register of deeds shall administer the tax in the county as provided in this Article.

1       **(b) Scope.** – A tax levied under this Article does not apply to a transfer exempt  
2 pursuant to G.S. 105-228.28 or G.S. 105-228.29 from the tax levied by Article 8E of  
3 this Chapter. In addition, the tax does not apply to a transfer to the owner's spouse,  
4 siblings, parents, grandparents, children, or grandchildren.

5       The tax is in addition to the tax levied by Article 8E of this Chapter. A tax levied  
6 under this Article applies to transfers of interests in real property located within the  
7 county. If the property is located in two or more counties, a transfer of an interest in the  
8 property is taxable only by the county in which the greater part of the property, with  
9 respect to value, lies.

10       **(c) Collection.** – A tax levied under this Article is payable by the transferor of the  
11 interest. Except as otherwise provided in this Article, the provisions of G.S. 105-228.31  
12 through G.S. 105-228.36 apply to a tax levied under this Article. The county must  
13 provide metering or similar equipment for the collection of the tax in lieu of the use of  
14 tax stamps.

15       **(d) Repeal or Reduction.** – A taxing county may, by resolution, repeal or reduce  
16 the rate of a tax levied under this Article. Repeal or reduction of the tax must become  
17 effective on the first day of a month and may not become effective until the end of the  
18 fiscal year in which the repeal or reduction resolution was adopted. Repeal of an excise  
19 tax on conveyances, or reduction of its rate, under this Article does not affect a liability  
20 for a tax that attached before the effective date of the repeal or reduction, nor does it  
21 affect a right to a refund of a tax that accrued before the effective date of the repeal or  
22 reduction.

23 **"§ 105-553. Distribution and use.**

24       A taxing county must distribute the net proceeds of a tax levied under this Article  
25 between the county and the cities and towns located in the county according to the  
26 formula by which local sales tax proceeds are divided between the county and its cities  
27 and towns under G.S. 105-472 or under Chapter 1096 of the 1967 Session Laws. The  
28 proceeds of the tax may be used for any lawful purpose."

29 **PART 11. LOCAL GOVERNMENT REIMBURSEMENTS**

30       **SECTION 11.** The following sections of the General Statutes are repealed:

- 31       (1) G.S. 105-164.44C. Reimbursement for sales taxes on food stamp foods  
32       and supplemental foods.
- 33       (2) G.S. 105-275.1. Reimbursement for exclusion of manufacturers'  
34       inventories and poultry and livestock.
- 35       (3) G.S. 105-275.2. Reimbursement to counties and municipalities for  
36       repeal of State tax on intangible personal property.
- 37       (4) G.S. 105-277.001. Reimbursement for exclusion of retailers' and  
38       wholesalers' inventories.
- 39       (5) G.S. 105-277.1A. Property classified for taxation at reduced valuation;  
40       duties of tax collectors; reimbursement of localities for portion of tax  
41       lost.

42 **PART 12. EFFECTIVE DATES**

43       **SECTION 12.** This act becomes effective as follows:



- 1           (1)    General. – Except as otherwise provided in this act, this act is effective  
2                    when it becomes law.
- 3           (2)    Earned Income Tax Credit. – Part 2 of this act is effective for taxable  
4                    years beginning on or after January 1, 2001.
- 5           (3)    Reduce Marriage Tax Penalty. – Part 3 of this act is effective for  
6                    taxable years beginning on or after January 1, 2001.
- 7           (4)    Phase Out Food Tax. – Sections 4(a) and 4(b) of this act become  
8                    effective October 1, 2001, apply to sales made on or after that date,  
9                    and are repealed effective for sales made on or after October 1, 2002.  
10                   The remainder of Part 4 of this act becomes effective October 1, 2002,  
11                   and applies to sales made on or after that date.
- 12           (5)    Expand Homestead Property Tax Exemption. – Part 5 of this act is  
13                    effective for taxes imposed for taxable years beginning on or after July  
14                    1, 2002.
- 15           (6)    Sales Tax for Local Governments. – Section 6(a) of this act becomes  
16                    effective October 1, 2001, and applies to sales made on or after that  
17                    date. Section 6(b) of this act becomes effective January 1, 2002. The  
18                    remainder of Part 6 of this act is effective when it becomes law.
- 19           (7)    Local Option Taxes. – Parts 7 through 10 of this act are effective when  
20                    it becomes law.
- 21           (8)    Local Government Reimbursements. – Part 11 of this act becomes  
22                    effective July 1, 2001.