

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 1030
Committee Substitute Favorable 5/17/16

Short Title: 2016 Appropriations Act.

(Public)

Sponsors:

Referred to:

May 5, 2016

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS
APPROPRIATIONS ACT OF 2015 AND TO MAKE OTHER CHANGES IN THE BUDGET
OPERATIONS OF THE STATE.

The General Assembly of North Carolina enacts:

INSURANCE REGULATORY CHARGE

SECTION 23.1. The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2017 calendar year.

INCREASE ZERO TAX BRACKET

SECTION 38.1.(a) Effective for taxable years beginning on or after January 1, 2017, G.S. 105-153.5(a)(1) reads as rewritten:

"(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly	\$15,500 <u>\$16,000</u>
Head of Household	12,400 <u>12,800</u>
Single	7,750 <u>8,000</u>
Married, filing separately	7,750 <u>8,000.</u> "

SECTION 38.1.(b) Effective for taxable years beginning on or after January 1, 2018, G.S. 105-153.5(a)(1), as amended by subsection (a) of this section, reads as rewritten:

"(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly	\$16,000 <u>\$16,500</u>
Head of Household	12,800 <u>13,200</u>
Single	8,000 <u>8,250</u>
Married, filing separately	8,000 <u>8,250.</u> "

SECTION 38.1.(c) Effective for taxable years beginning on or after January 1, 2019, G.S. 105-153.5(a)(1), as amended by subsection (b) of this section, reads as rewritten:



"(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly	\$16,500\$17,000
Head of Household	13,20013,600
Single	8,2508,500
Married, filing separately	8,2508,500."

SECTION 38.1.(d) Effective for taxable years beginning on or after January 1, 2020, G.S. 105-153.5(a)(1), as amended by subsection (c) of this section, reads as rewritten:

"(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly	\$17,000\$17,500
Head of Household	13,60014,000
Single	8,5008,750
Married, filing separately	8,5008,750."

SECTION 38.1.(e) Except as otherwise provided, this section is effective when it becomes law.

REDUCE TAXATION OF MILL MACHINERY

SECTION 38.2.1.(a) G.S. 105-187.51B reads as rewritten:

"§ 105-187.51B. Tax imposed on machinery, equipment, and other tangible personal property purchased by certain recyclers, research and development companies, industrial machinery refurbishing companies, and companies located at ports facilities.companies.

(a) Tax. – A privilege tax is imposed on the following:

(5) A company located at a ports facility for waterborne commerce that purchases specialized equipment to be used at the facility to unload or process bulk cargo to make it suitable for delivery to and use by manufacturing facilities.any of the following:

- a. Machinery and equipment that is used at the facility to unload or to facilitate the unloading or processing of bulk cargo to make it suitable for delivery to and use by manufacturing facilities.
- b. Parts, accessories, or attachments used to maintain, repair, replace, upgrade, improve, or otherwise modify such machinery and equipment.

(b) Rate. – The tax is one percent (1%) of the sales price of the equipment or other tangible personal property. The maximum tax is eighty dollars (\$80.00) per article."

SECTION 38.2.1.(b) G.S. 105-187.51B(a), as amended by subsection (a) of this section, is amended by adding the following new subdivision:

"(6) A company primarily engaged at the establishment in either (i) recycling if the company is a secondary metals recycler, as defined in G.S. 66-420, or (ii) processing tangible personal property for the purpose of extracting precious metals, as defined in G.S. 66-406, to determine the value for potential purchase for the purchase of equipment, or an attachment or repair part for equipment, that meets all of the requirements listed in this subdivision. This subdivision does not apply to equipment, including a motor vehicle, or an attachment or

1 repair part for equipment, used to transport converted products from the
 2 establishment. The requirements are as follows:

3 a. The equipment is capitalized by the company for tax purposes under the
 4 Code.

5 b. The equipment is primarily for use in a process by which ferrous metals,
 6 nonferrous metals, or precious metals are gathered or obtained and
 7 converted into products consisting of prepared grades and that have an
 8 existing or potential economic value by methods including the
 9 processing, sorting, cutting, classifying, cleaning, baling, wrapping,
 10 shredding, shearing, or changing of the physical form or chemical
 11 content of the metals, but not including the exclusive use of hand tools."

12 **SECTION 38.2.1.(c)** Subsection (a) of this section is effective when it becomes law,
 13 applies retroactively to purchases made on or after July 1, 2013. Subsection (b) of this section is
 14 effective when it becomes law, applies retroactively to purchases made on or after July 1, 2010.
 15 Notwithstanding G.S. 105-241.6, a taxpayer that paid sales and use tax on items that are taxable
 16 under G.S. 105-187.51B, as amended by this section, may apply to the Department of Revenue for
 17 a refund of the excess tax paid to the extent the refund is the result of the change in the law
 18 enacted by this section. Except as otherwise provided, this section is effective when it becomes
 19 law.

20 **SECTION 38.2.2.(a)** Article 5F of Chapter 105 of the General Statutes and
 21 G.S. 105-164.13(5a) are repealed.

22 **SECTION 38.2.2.(b)** G.S. 105-164.4I(b) reads as rewritten:

23 "(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or
 24 the gross receipts derived from a service contract applicable to any of the following items:

25 ...

26 ~~(4) An item subject to tax under Article 5F of Chapter 105 of the General Statutes.~~

27 ..."

28 **SECTION 38.2.2.(c)** G.S. 105-164.13 is amended by adding the following new
 29 subdivisions to read:

30 "**§ 105-164.13. Retail sales and use tax.**

31 ...

32 **(5e)** Sales of mill machinery or mill machinery parts or accessories to any of the
 33 following:

34 a. A manufacturing industry or plant. A manufacturing industry or plant
 35 does not include (i) a delicatessen, cafe, cafeteria, restaurant, or another
 36 similar retailer that is principally engaged in the retail sale of foods
 37 prepared by it for consumption on or off its premises; or (ii) a
 38 production company.

39 b. A contractor or subcontractor if the purchase is for use in the
 40 performance of a contract with a manufacturing industry or plant.

41 c. A subcontractor if the purchase is for use in the performance of a
 42 contract with a general contractor that has a contract with a
 43 manufacturing industry or plant.

44 **(5f)** Sales to a major recycling facility of any of the following tangible personal
 45 property for use in connection with the facility:

46 a. Cranes, structural steel crane support systems, and foundations related
 47 to the cranes and support systems.

48 b. Port and dock facilities.

49 c. Rail equipment.

50 d. Material handling equipment.

- 1 (5g) Sales of equipment, or an attachment or repair part for equipment, that meets all
2 of the following requirements:
3 a. Is sold to a company primarily engaged at the establishment in research
4 and development activities in the physical, engineering, and life
5 sciences included in industry group 54171 of NAICS.
6 b. Is capitalized by the company for tax purposes under the Code.
7 c. Is used by the company at the establishment in the research and
8 development of tangible personal property.
9 (5h) Sales of equipment, or an attachment or repair part for equipment, that meets all
10 of the following requirements:
11 a. Is sold to a company primarily engaged at the establishment in software
12 publishing activities included in industry group 5112 of NAICS.
13 b. Is capitalized by the company for tax purposes under the Code.
14 c. Is used by the company at the establishment in the research and
15 development of tangible personal property.
16 (5i) Sales of equipment, or an attachment or repair part for equipment, that meets all
17 of the following requirements:
18 a. Is sold to a company primarily engaged at the establishment in industrial
19 machinery refurbishing activities included in industry group 811310 of
20 NAICS.
21 b. Is capitalized by the company for tax purposes under the Code.
22 c. Is used by the company at the establishment in repairing or refurbishing
23 tangible personal property.
24 (5j) Sales of the following to a company located at a ports facility for waterborne
25 commerce:
26 a. Machinery and equipment used at the facility to unload or to facilitate
27 the unloading or processing of bulk cargo and to make it suitable for
28 delivery to and use by manufacturing facilities.
29 b. Parts, accessories, or attachments used to maintain, repair, replace,
30 upgrade, improve, or otherwise modify such machinery and equipment.
31 (5k) Sales of equipment, or an attachment or repair part for equipment, that meets all
32 of the following requirements:
33 a. Is sold to a company that is engaged in the fabrication of metal work
34 and that has annual gross receipts, including the gross receipts of all
35 related persons as defined in G.S. 105-163.010, from the fabrication of
36 metal work of at least eight million dollars (\$8,000,000).
37 b. Is capitalized by the company for tax purposes under the Code.
38 c. Is used by the company at the establishment to create metal products for
39 use by the company.
40 (5l) Sales of equipment, or an attachment or repair part for equipment, that meets all
41 of the requirements listed in this subdivision. This subdivision does not apply to
42 sales of equipment, including a motor vehicle, or an attachment or repair part
43 for equipment, that is used to transport converted products to or from the
44 establishment. The requirements are:
45 a. The equipment is sold to a company primarily engaged at the
46 establishment in either (i) recycling if the company is a secondary
47 metals recycler, as defined in G.S. 66-420, or (ii) processing tangible
48 personal property for the purpose of extracting precious metals, as
49 defined in G.S. 66-406, to determine the value for potential purchase.
50 b. The equipment is capitalized by the company for tax purposes under the
51 Code.

1 c. The equipment is primarily for use in a process by which ferrous metals,
2 nonferrous metals, or precious metals are gathered or obtained and
3 converted into products consisting of prepared grades and that have an
4 existing or potential economic value by methods including the
5 processing, sorting, cutting, classifying, cleaning, baling, wrapping,
6 shredding, shearing, or changing of the physical form or chemical
7 content of the metals, but not including the exclusive use of hand tools.

8 (5m) Sales of repair or replacement parts for a ready-mix concrete mill, regardless of
9 whether the mill is freestanding or affixed to a motor vehicle, to a company that
10 primarily sells ready-mix concrete.

11 ...

12 (57a) Fuel, piped natural gas, and electricity sold to a secondary metals recycler for
13 use in recycling at its facility at which the primary activity is recycling.

14 "

15 **SECTION 38.2.2.(d)** This section becomes effective July 1, 2016, and applies to sales
16 made on or after that date.

17
18 **EFFECTIVE DATE**

19 **SECTION 39.8.** Except as otherwise provided, this act becomes effective July 1,
20 2016.