

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025**

**SENATE BILL 595  
RATIFIED BILL**

AN ACT TO MAKE VARIOUS CHANGES TO THE REVENUE LAWS; TO SHIFT ENFORCEMENT OF VAPOR DIRECTORY VIOLATIONS TO THE ALE DIVISION; TO ENHANCE TAX FORECLOSURE AND SPECIAL ASSESSMENT COLLECTION EFFORTS; TO UPDATE LAWS RELATED TO CREDIT UNIONS; TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE; TO PROTECT DISABLED AND OLDER ADULTS FROM FINANCIAL EXPLOITATION AND TO UPDATE THE SAVINGS BANK LAWS TO INCREASE ALIGNMENT WITH THE COMMERCIAL BANKING LAWS; TO PROVIDE A METHODOLOGY FOR RETAILERS TO ROUND CASH TRANSACTIONS DUE TO THE ELIMINATION OF THE PENNY; AND TO INCREASE COMPENSATION FOR MEMBERS OF THE BOARD OF TRUSTEES OF THE PIEDMONT AUTHORITY FOR REGIONAL TRANSPORTATION.

The General Assembly of North Carolina enacts:

**PART I. PERSONAL INCOME TAX CHANGES**

**SECTION 1.1.(a)** G.S. 105-153.5(c1) reads as rewritten:

"(c1) Other Additions-Adjustments. – The following other adjustments shall be made in determining North Carolina taxable income:

- (1) S Corporations subject to the provisions of Part 1A of this Article, partnerships subject to the provisions of this Part, and estates and trusts subject to the provisions of Part 3 of this Article must add any amount deducted under section 164 of the Code as state, local, or foreign income tax.
- (2) A shareholder of an S Corporation subject to the provisions of Part 1A of this Article may deduct the aggregate amount of losses or deductions of an S Corporation pursuant to the provisions of G.S. 105-131.4.
- (3) A shareholder of an S Corporation subject to the provisions of Part 1A of this Article must add the aggregate amount of losses or deductions of an S Corporation included in the shareholder's adjusted gross income to the extent the losses or deductions exceed the shareholder's combined adjusted bases, determined in accordance with G.S. 105-131.3, in the stock and indebtedness of the S Corporation."

**SECTION 1.1.(b)** This section is effective for taxable years beginning on or after January 1, 2026.

**SECTION 1.2.(a)** G.S. 105-153.5A reads as rewritten:

**"§ 105-153.5A. Net operating loss provisions.**

...  
(g) Limitation. – The provisions of this section apply only to individuals, estates, and trusts."

**SECTION 1.2.(b)** G.S. 105-153.5A(a) reads as rewritten:

"(a) **State Net Operating Loss.** – A taxpayer's State net operating loss for a taxable year is the amount by which business deductions for the year exceed gross income for the year as determined under the Code adjusted as provided in G.S. 105-153.5 and G.S. 105-153.6. The



amount of a taxpayer's State net operating loss must also be determined in accordance with the following modifications:

- (1) No State net operating loss deduction shall be allowed.
- (2) The amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includable on account of gains from sales or exchanges of capital assets.
- (3) The exclusion provided by Code section 1202 shall not be allowed.
- (4) No deduction shall be allowed under G.S. 105-153.5(a1) for the child deduction.
- (5) The deductions which are not attributable to a taxpayer's trade or business shall be allowed only to the extent of the amount of the gross income not derived from such trade or business.
- (6) Any deduction under Code section 199A shall not be allowed.
- (7) The amount of the taxpayer's excess business loss, as defined under the provisions of section 461(l) of the Code, shall be fully allowed as a State net operating loss."

**SECTION 1.2.(c)** Subsection (a) of this section is effective when this Part becomes law and applies retroactively to taxable years beginning on or after January 1, 2022. Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2026. The remainder of this section is effective when it becomes law.

**SECTION 1.3.(a)** G.S. 105-160.2 reads as rewritten:

**"§ 105-160.2. Imposition of tax.**

(a) Scope. – The tax imposed by this Part applies to the taxable income of estates and trusts as determined under the provisions of the Code except as otherwise provided in this Part. The taxable income of an estate or trust is the same as taxable income for such an estate or trust under the provisions of the Code, adjusted as provided in G.S. 105-153.5 and ~~G.S. 105-153.6,~~ except that the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6 are apportioned between the estate or trust and the beneficiaries based on the distributions made during the taxable year. G.S. 105-153.6.

(b) Tax Base. – The tax is computed on the amount of the taxable income of the estate or trust that ~~is for the benefit of a resident of this State, or for the benefit of a nonresident to the extent that the income~~ (i) is derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State or (ii) is derived from a business, trade, profession, or occupation carried on in this State. For purposes of the preceding sentence, taxable income and gross income is computed subject to the adjustments provided in G.S. 105-153.5 and ~~G.S. 105-153.6.~~ G.S. 105-153.6 and is apportioned and allocated to this State under G.S. 105-130.4.

(c) Tax Rate. – The tax on the amount computed above is at the rate levied in G.S. 105-153.7. The fiduciary responsible for administering the estate or trust shall pay the tax computed under the provisions of this Part.

(d) Adjustments. – For the purposes of this section, the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6 are apportioned between the estate or trust and the beneficiaries based on the distributions made during the taxable year."

**SECTION 1.3.(b)** This section is effective for taxable years beginning on or after January 1, 2026.

**SECTION 1.4.** G.S. 105-163.6 reads as rewritten:

**"§ 105-163.6. When employer must file returns and pay withheld taxes.**

...

(c) Monthly. – An employer who withholds an average of at least two hundred fifty dollars (\$250.00) but less than two thousand dollars (\$2,000) of State income taxes from wages each month must file a return and pay the withheld taxes on a monthly basis. A return for the

months of January through November is due by the 15th day of the month following the end of the month covered by the return. A return for the month of December is due the following January 31.

(d) ~~Semiweekly. – An employer who withholds an average of at least two thousand dollars (\$2,000) of State income taxes from wages each month shall must file a return by the date set under the Code for filing a return for federal employment taxes attributable to the same wages and shall on a quarterly basis. A quarterly return covers a calendar quarter and is due by the last day of the month following the end of the quarter. The employer also must pay the withheld State taxes by the date set under the Code for depositing or paying federal employment taxes attributable to the same wages. The date set by the Code for depositing or paying federal employment taxes shall be determined without regard to § 6302(g) of the Code.~~

~~An extension of time granted to file a return for federal employment taxes attributable to wages is an automatic extension of time for filing a return for State income taxes withheld from the same wages, and an extension of time granted to pay federal employment taxes attributable to wages is an automatic extension of time for paying State income taxes withheld from the same wages. An employer who pays withheld State income taxes under this subsection is not subject to interest on or penalties for a shortfall in the amount due if the employer would not be subject to a failure to deposit penalty had the shortfall occurred in a deposit of federal employment taxes attributable to the same wages and the employer pays the shortfall by the date the employer would have to deposit a shortfall in the federal employment taxes forth below:~~

- ~~(1) If an employer's payday falls on a Wednesday, Thursday, or Friday, the withheld taxes must be paid on or before the following Wednesday.~~
- ~~(2) If an employer's payday falls on a Saturday, Sunday, Monday, or Tuesday, the withheld taxes must be paid on or before the following Friday.~~
- ~~(3) If any of the three weekdays following the close of a semiweekly period is a legal holiday, the employer has an additional business day for each day that is a legal holiday by which to pay the withheld taxes.~~

...  
~~(f) The Secretary may close a taxpayer's withholding account if the taxpayer files no withholding returns or files returns showing no State income taxes withheld for a period of 18 months.~~

**SECTION 1.5.(a)** G.S. 105-130.34A, as recodified and amended by Section 9.1(a) of S.L. 2025-4, reads as rewritten:

**"§ 105-130.34A. Credit for certain real property donations.**

...  
(b) Definitions. – The following definitions apply in this section:  
(1) Allocated credit. – A requested credit minus the reduction required under subsection ~~(h)~~(i) of this section.

...  
(9) Total allocated credits. – Total requested credits less any reduction required under subsection ~~(h)~~(i) of this section and ~~G.S. 105-153.11(t)~~G.S. 105-153.11(l).

...  
(h) Ceiling; Use; Allocation. – The amount of total allocated credits to taxpayers under this section and G.S. 105-153.11 for a taxable year may not exceed five million dollars (\$5,000,000), of which three million two hundred fifty thousand dollars (\$3,250,000) is a prioritized amount. If the total requested credits are equal to or less than the maximum amount, the Secretary shall allow the total requested credits. If the total requested credits are greater than the maximum amount, the Secretary shall allocate the total requested credits in accordance with ~~this subsection~~subsection (i) of this section.

...."

**SECTION 1.5.(b)** G.S. 105-153.11, as amended by Section 9.1(c) of S.L. 2025-4, reads as rewritten:

**"§ 105-153.11. Credit for certain real property donations.**

...

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

...

(11) Total allocated credits. – Total requested credits less any reduction required under subsection (l) of this section and ~~G.S. 105-130.34A(h)~~:G.S. 105-130.34A(i).

...

(h) Cap. – The allocated credit may not exceed the amount of the tax against which it is claimed for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the ~~individual or pass-through entity~~:individual.

...

(k) Ceiling; Use; Allocation. – The amount of total allocated credits under this section and G.S. 105-130.34A for a taxable year may not exceed five million dollars (\$5,000,000), of which three million two hundred fifty thousand dollars (\$3,250,000) is a prioritized amount. If the total requested credits are equal to or less than the maximum amount, the Secretary shall allow the total requested credits. If the total requested credits are greater than the maximum amount, the Secretary shall allocate the total requested credits in accordance with ~~this subsection~~:subsection (l) of this section.

...."

**SECTION 1.6.** G.S. 105-153.5(b) reads as rewritten:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

(17) For taxable year 2024, the amount of an eligible timber casualty loss that is equal to the fair market value of the timberland after the casualty loss subtracted from the fair market value of the timberland before the loss, less any amount received, directly or indirectly, related to the eligible timber casualty loss, including insurance payments, tax credits, tax deductions, disaster payments, grants, or relief funding. The eligible timber casualty loss must be determined by reference to a single, identifiable property that has been damaged or destroyed in accordance with section 165 of the Code. The taxpayer may elect to take the deduction in the taxable year 2023 by filing an amended return within the statute of limitations for obtaining a refund. No deduction is allowed under this subdivision if another person claimed the eligible timber casualty loss for the same timberland, or if the eligible timber casualty loss was excluded from the taxpayer's adjusted gross income. For purposes of this subdivision, an "eligible timber casualty loss" is a timber casualty loss that meets all of the following conditions:

- a. It occurred between September 24, 2024, and October 31, 2024, as the result of damage or destruction caused by Hurricane Helene in a county that qualified for individual and public assistance under FEMA 4827 DR federal major disaster declaration as of September 28, 2024.
- b. It is attributable to at least 20 but no more than 2,000 acres of timberland in this State that are owned by the taxpayer."

**SECTION 1.7.(a)** Section 13.1(a) of S.L. 2024-51 reads as rewritten:

**"SECTION 13.1.(a)** Interest Waiver for Certain State Taxes. – Notwithstanding G.S. 105-241.21(b), the Secretary of Revenue shall waive the accrual of interest from September

25, 2024, through ~~May 1, 2025~~, September 25, 2025, on an underpayment of tax imposed on a franchise, corporate income, or individual income tax return, including a partnership and estate and trust tax return, due on September 25, 2024, through ~~May 1, 2025~~, September 25, 2025, for a taxpayer that resides or is located in a county identified in Section 4.1(b) of this act. The relief from accrual of interest includes interest imposed pursuant to G.S. 105-163.15 and G.S. 105-163.41 for underpayment of estimated income tax."

**SECTION 1.7.(b)** Section 13.1(c) of S.L. 2024-51 reads as rewritten:

"**SECTION 13.1.(c)** Withholding Taxes Interest Waiver. – Notwithstanding G.S. 105-241.21(b) and excluding taxpayers under G.S. 105-163.6(d), the Secretary of Revenue shall waive the accrual of interest as described in this subsection for an underpayment of withheld taxes by a taxpayer located in a county described in Section 4.1(b) of this act:

- (1) For an underpayment of tax due on a quarterly return ~~for~~ as follows:
  - a. For the third calendar quarter of 2024, the amount of interest accrued from October 31, 2024, through ~~November 30, 2024~~, September 25, 2025, so long as the payment is made on or before ~~November 30, 2024~~, September 25, 2025.
  - b. For the fourth calendar quarter of 2024, the amount of interest accrued from January 31, 2025, through September 25, 2025, so long as the payment is made on or before September 25, 2025.
  - c. For the first calendar quarter of 2025, the amount of interest accrued from April 30, 2025, through September 25, 2025, so long as the payment is made on or before September 25, 2025.
  - d. For the second calendar quarter of 2025, the amount of interest accrued from July 31, 2025, through September 25, 2025, so long as the payment is made on or before September 25, 2025.

...."

**SECTION 1.8.(a)** G.S. 105-153.5 reads as rewritten:

"**§ 105-153.5. Modifications to adjusted gross income.**

(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection. The deduction amounts are as follows:

...

- (2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

...

- d. Repayment in the current taxable year of an amount included in adjusted gross ~~income~~ income, as modified in G.S. 105-153.5 and G.S. 105-153.6, in an earlier taxable year because it appeared that the taxpayer had an unrestricted right to such item, to the extent the repayment is not deducted in arriving at adjusted gross income in the current taxable year. If the repayment is three thousand dollars (\$3,000) or less, the deduction is the amount of repayment less (i) the limitation provided under section 67(a) of the Code minus (ii) all other items deductible under section 67(b) of the Code, not to exceed the limitation provided under section 67(a) of the Code. If the repayment is more than three thousand dollars (\$3,000), the deduction is the amount of repayment. No deduction is allowed if the taxpayer

calculates the federal income tax for the year of repayment under section 1341(a)(5) of the Code.

...  
(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

- ...  
(14a) The amount received by a taxpayer for ~~one or more of the following~~:
- a. ~~The Business Recovery Grant Program.~~
  - b. ~~The ReTOOLNC grant program for recovery from the economic impacts of the COVID-19 pandemic.~~
  - e. ~~Rent~~ and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.

...."  
**SECTION 1.8.(b)** This section is effective for taxable years beginning on or after January 1, 2026.

**SECTION 1.9.(a)** G.S. 105-154.1(c) reads as rewritten:

"(c) Tax Credit. – A taxed partnership that qualifies for a credit may apply each partner's distributive share of the taxed partnership's credits against the partner's distributive share of the taxed partnership's income tax imposed by subsection (b) of this section. A partnership must pass through to its partners any credit required to be taken in installments by this Chapter if the first installment was taken in a taxable period that the election under subsection (a) of this section was not in effect. A partnership shall not pass through to its partners described in G.S. 105-154.1(a)(1) through (4) any of the following:

- (1) Any credit allowed under this Chapter for any taxable period the partnership makes the election under subsection (a) of this section and the carryforward of the unused portion of such credit.
- (2) Any subsequent installment of such credit required to be taken in installments by this Chapter after the partnership makes an election under subsection (a) of this section and the carryforward of any unused portion of such installment."

**SECTION 1.9.(b)** This section is effective for taxable years beginning on or after January 1, 2026.

**SECTION 1.10.** G.S. 105-157 reads as rewritten:

"§ 105-157. When tax must be paid.

(a) Except as otherwise provided in ~~this section and in~~ Article 4A of this Chapter, the full amount of the tax payable as shown on the return must be paid to the Secretary within the time allowed for filing the ~~return~~ return determined without regard to the extension allowed under G.S. 105-263. If the amount shown to be due is less than one dollar (\$1.00), no payment need be made.

...."

**SECTION 1.11.** G.S. 105-163.15 reads as rewritten:

"§ 105-163.15. Failure by individual to pay estimated income tax; interest.

...  
(f) No interest shall be imposed under subsection (a) if the tax shown on the return for the taxable year reduced by the tax withheld under this Article is less than ~~the amount set in section 6654(e) of the Code~~ one thousand dollars (\$1,000) or if the individual did not have any liability for tax under Part 2 of Article 4 for the preceding taxable year.

...."

**SECTION 1.12.** Except as otherwise provided, this Part is effective when it becomes law.

## **PART II. CONFORM TO FEDERAL SYSTEM FOR AUDITING PARTNERSHIPS**

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

### **"§ 105-154.2. Federal partnership adjustments.**

- (a) Definitions. – The following definitions apply in this Part:
- (1) Administrative adjustment request. – An administrative adjustment request filed by a partnership under section 6227 of the Code.
  - (2) Audited partnership. – A partnership subject to a partnership level audit resulting in a federal partnership adjustment.
  - (3) Corporate partner. – A partner that is subject to tax under Part 1 of this Article.
  - (4) Direct partner. – A partner that holds a direct interest in a partnership subject to a federal partnership adjustment.
  - (5) Exempt partner. – A partner that is not subject to State income tax under this Article that holds a direct interest in a partnership subject to a federal partnership adjustment.
  - (6) Federal partnership adjustment. – A change or correction arising from a partnership level audit or an administrative adjustment request that affects the calculation of a taxpayer's State tax.
  - (7) Federal partnership representative. – The person the partnership designates for the taxable year as the partnership's representative, or the person the Internal Revenue Service has appointed to act as the federal partnership representative, pursuant to section 6223(a) of the Code.
  - (8) Final federal partnership adjustment. – A federal partnership adjustment that is final. A federal partnership adjustment is final when the federal partnership adjustment is not subject to administrative or judicial review. If the federal partnership adjustment results from filing an administrative adjustment request, the federal partnership adjustment is final when the administrative adjustment request is filed. Additionally, a federal partnership adjustment relating to a partnership level audit is deemed final in the following circumstances:
    - a. The taxpayer has received a partnership level audit from the Internal Revenue Service for the tax period and the taxpayer does not timely file an administrative appeal with the Internal Revenue Service.
    - b. The taxpayer consented to any of the partnership level audit findings for the tax period and through a final decision or other written agreement with the Internal Revenue Service all rights of appeal have been waived or exhausted.
  - (9) Indirect partner. – A beneficiary of an estate or nongrantor trust or an owner in a partnership or pass-through entity, where the estate, partnership, pass-through entity, or nongrantor trust holds, either itself or through another indirect partner, a direct interest in a partnership or pass-through entity subject to a final federal partnership adjustment.
  - (10) Partnership level audit. – An audit of a partnership by the Internal Revenue Service pursuant to Subchapter C of Title 26, Subtitle F, Chapter 63 of the Code, as enacted by the Bipartisan Budget Act of 2015, Public Law 114-74, which results in federal partnership adjustments.
  - (11) Reviewed year. – The taxable year of a partnership that is subject to a partnership level audit from which federal partnership adjustments arise.
  - (12) State partnership representative. – The federal partnership representative unless the partnership designates another person as its State partnership representative. The Secretary is authorized to establish procedures for

designating a person, other than the federal partnership representative, to be a State partnership representative.

(13) Tiered partner. – An estate, partnership, S Corporation, or nongrantor trust that is a partner in a partnership subject to a federal partnership adjustment.

(b) General Rule. – Except in the case of a final federal partnership adjustment that is required to be reported to the Secretary using the procedures in subsection (c) of this section, a partner must report and pay any State income tax due in accordance with the provisions of G.S. 105-130.20 or G.S. 105-159.

(c) Reporting a Final Federal Partnership Adjustment. – Except for the distributive share of adjustments that have been reported as required by subsection (b) of this section and an audited partnership that has made a timely election under subsection (d) of this section, a partnership and a partner must report a final federal partnership adjustment as follows:

(1) No later than 90 days after the final federal partnership adjustment, a partnership doing business in this State must do both of the following:

a. File an income tax return reflecting the partnership's final federal partnership adjustments, as modified by G.S. 105-153.5 and G.S. 105-153.6, and any other information required by the Secretary, and pay the additional amount due under G.S. 105-154(d) and G.S. 105-154.1.

b. Notify each of its direct partners of the direct partner's distributive share of the final federal partnership adjustments, including any information necessary for the direct partner to properly file a State income tax return. The information must be in the form prescribed by the Secretary.

(2) No later than six months after the final federal partnership adjustment, each direct partner subject to tax under this Article must file a State income tax return reporting the direct partner's distributive share of the adjustments reported to the direct partner under sub-subdivision b. of subdivision (1) of this subsection, as modified by G.S. 105-153.5 and G.S. 105-153.6, and any other information required by the Secretary, and pay any additional amount of tax due as if the final federal partnership adjustments had been properly reported.

(d) Election for Partnership to Pay; Exceptions. – Except as otherwise provided in subdivision (2) of this subsection, an audited partnership may elect to report a final federal partnership adjustment arising from a partnership level audit in the manner prescribed by the Secretary. An election made under this subsection is irrevocable and cannot be made if the required income tax return is not filed within the period required by this subsection. The following provisions apply to an audited partnership that makes an election under this subsection:

(1) Reporting and payment of tax. – The reporting and payment requirements are as follows:

a. No later than six months after the final federal partnership adjustment, the audited partnership must file an income tax return reflecting the partnership's final federal partnership adjustment, as modified by G.S. 105-153.5 and G.S. 105-153.6, and provide any other information required by the Secretary.

b. No later than six months after the final federal partnership adjustment, the audited partnership must notify each of its tiered partners of the tiered partner's distributive share of the final federal partnership adjustment, including any information necessary for the tiered partner to properly file a State income tax return. The information must be in the form prescribed by the Secretary.

- c. No later than six months after the final federal partnership adjustment, the audited partnership must pay the amount determined under this subdivision. If properly reported and paid by the audited partnership, the amount shall be treated as paid in lieu of taxes owed by the direct and indirect partners, to the extent applicable, on the same final federal adjustment. The direct partners or indirect partners may not take a deduction or credit for this amount on the State income tax return or claim a refund of the amount paid on the State income tax return. The amount in lieu of taxes is calculated as follows:
1. Exclude from the final federal adjustment the distributive share of all adjustments reported to an exempt partner not subject to tax under this Article.
  2. For the total distributive shares of the final federal adjustment, as modified by G.S. 105-153.5 and G.S. 105-153.6, reported to direct corporate partners subject to tax under this Article, apportion and allocate the adjustments as provided under G.S. 105-130.4 and multiply the resulting amount by the tax rate under G.S. 105-130.3.
  3. For the total distributive shares of the final federal adjustment, as modified by G.S. 105-153.5 and G.S. 105-153.6, reported to nonresident individual direct partners and nonresident grantor trust direct partners subject to tax under this Article, apportion and allocate such adjustments as provided under G.S. 105-130.4 and multiply the resulting amount by the tax rate under G.S. 105-153.7.
  4. For the total distributive shares of the final federal adjustment, as modified by G.S. 105-153.5 and G.S. 105-153.6, reported to resident individual direct partners and resident grantor trust direct partners subject to tax under this Article, multiply that amount by the tax rate under G.S. 105-153.7. For purposes of this sub-sub-subdivision, an audited partnership may deduct from each resident individual direct partner's and resident grantor trust direct partner's distributive share the amount of the resident individual direct partner's and resident grantor trust direct partner's share of distributive income not attributable to the State from the partnership to the extent the resident individual direct partner's and resident grantor trust direct partner's share of distributive income not attributable to the State was included in the partnership's taxable income in another state or the District of Columbia and was subject to an entity-level tax levied on the aggregate distributive share of the partnership's income allocable to one or more of its partners. A partnership is taxable in another state or the District of Columbia if the partnership's business activity in that state or the District of Columbia subjects the partnership to a net income tax or a tax measured by net income.
  5. Add the amounts determined in sub-sub-subdivisions 1. through 4. of this sub-subdivision.
- (2) Exceptions. – A partnership may not elect to pay tax under this subsection if any of the following apply:

- a. The partnership made the election to be a taxed partnership under G.S. 105-154.1(a) for the reviewed year.
- b. The partnership's final federal partnership adjustment resulted from an administrative adjustment request.
- c. The partnership was not required to file an information return under the provisions of G.S. 105-154(c) for the reviewed year because the partnership was not doing business in this State for the reviewed year.

(e) Collection of Tax for Failure to Pay. – If an audited partnership makes an election under subsection (d) of this section but does not pay the amount due, the Department may collect the tax from the audited partnership pursuant to G.S. 105-241.22(1). The Secretary must issue a notice of collection for the amount of the tax debt to the audited partnership. If the tax debt is not paid to the Secretary within 60 days of the date the notice of collection is mailed to the audited partnership, the Secretary may assess the partners of the audited partnership for the partners' distributive share of the tax debt by sending the partners a notice of proposed assessment in accordance with G.S. 105-241.9. For purposes of this subsection, the term "tax debt" has the same meaning as defined in G.S. 105-243.1(a).

(f) Tiered Partners. – The direct and indirect partners of an audited partnership that are tiered partners, and all of the owners or beneficiaries of those tiered partners that are subject to tax under this Article, are subject to the reporting and payment requirements of subsection (c) of this section, and the tiered partners are entitled to make the election provided in subsection (d) of this section. The Secretary is authorized to establish procedures and interim time periods for the reports and payments required by tiered partners and their owners or partners and for making the election under this subsection.

(g) Failure of Audited Partnership or Tiered Partner to Report or Pay. – Nothing in this section prevents the Secretary from proposing an assessment against a direct partner or indirect partner pursuant to G.S. 105-241.9 for tax due if a partnership or tiered partner fails to timely make any report or payment required by this section for any reason.

(h) State Partnership Representative. – The partnership's direct partners and indirect partners are bound by the actions of the State partnership representative. In addition, with respect to any action required or permitted to be taken by a partnership under this section, the State partnership representative has the sole authority to:

- (1) Act on behalf of the partnership.
- (2) Bring a contested case hearing in accordance with G.S. 105-241.15.
- (3) Request a judicial review in accordance with G.S. 105-241.16.

(i) Assessments of Additional State Tax Arising from a Final Federal Partnership Adjustment. – The Secretary must assess additional State tax arising from a final federal partnership adjustment in accordance with G.S. 105-241.9."

**SECTION 2.(b)** G.S. 105-228.90(b) reads as rewritten:

"(b) Definitions. – The following definitions apply in this Article:

...

- (15) Federal determination. – A change or correction arising from an audit by the Commissioner of Internal Revenue or an agreement of the U.S. competent authority, and the change or correction has become ~~final~~-final, but does not include a final federal partnership adjustment as defined in G.S. 105-154.2(a). A federal determination is final when the determination is not subject to administrative or judicial review. Additionally, audit findings made by the Internal Revenue Service are deemed final in the following circumstances:
  - a. The taxpayer has received audit findings from the Internal Revenue Service for the tax period and the taxpayer does not timely file an administrative appeal with the Internal Revenue Service.

- b. The taxpayer consented to any of the audit findings for the tax period through a form or other written agreement with the Internal Revenue Service.

(16) Final federal partnership adjustment. – As defined in G.S. 105-154.2(a).

...."

**SECTION 2.(c)** G.S. 105-153.5 reads as rewritten:

**"§ 105-153.5. Modifications to adjusted gross income.**

...

(c2) Decoupling Adjustments. – In calculating North Carolina taxable income, a taxpayer must make the following adjustments to the taxpayer's adjusted gross income:

...

(24) A taxpayer must add the amount by which the taxpayer's distributive share of partnership income, subject to the adjustments provided in this section and G.S. 105-153.6, is increased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

(25) A taxpayer may deduct the amount by which the taxpayer's distributive share of partnership income, as modified by this section and G.S. 105-153.6, is decreased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

...."

**SECTION 2.(d)** G.S. 105-130.5 reads as rewritten:

**"§ 105-130.5. Adjustments to federal taxable income in determining State net income.**

(a) The following additions to federal taxable income shall be made in determining State net income:

...

(33) The amount by which the taxpayer's distributive share of partnership income, subject to the adjustments provided in this section and G.S. 105-130.5B, is increased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

(b) The following deductions from federal taxable income shall be made in determining State net income:

...

(33) The amount by which the taxpayer's distributive share of partnership income, subject to the adjustments provided in this section and G.S. 105-130.5B, is decreased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

...."

**SECTION 2.(e)** G.S. 105-241.6 reads as rewritten:

**"§ 105-241.6. Statute of limitations for refunds.**

...

(b) Exceptions. – The exceptions to the general statute of limitations for obtaining a refund of an overpayment are as follows:

...

(7) Final Federal Partnership Adjustment. – If a taxpayer files a return reflecting a final federal partnership adjustment and the return is filed within the time required by this Subchapter, the period for requesting a refund is one year after the return reflecting the final federal partnership adjustment is filed or three years after the original return was filed or due to be filed, whichever is later."

**SECTION 2.(f)** G.S. 105-241.8 reads as rewritten:

**"§ 105-241.8. Statute of limitations for assessments.**

(a) General. – The general statute of limitations for proposing an assessment applies unless a different period applies under subsection (b) of this section. The general statute of limitations for proposing an assessment is the later of the following:

- (1) Three years after the due date of the return.
- (2) Three years after the taxpayer filed the return.

(b) Exceptions. – The exceptions to the general statute of limitations for proposing an assessment are as follows:

...

- (6) Final federal partnership adjustment. – If a taxpayer files a return reflecting a final federal partnership adjustment and the return is filed within the time required by this Subchapter, the period for proposing an assessment of any tax due is one year after the return is filed or three years after the original return was filed or due to be filed, whichever is later. If there is a final federal partnership adjustment and the taxpayer does not file the return within the required time, the period for proposing an assessment of any tax due is six years after the date the Secretary received the final report of the final federal partnership adjustment."

**SECTION 2.(g)** This Part is effective for taxable years beginning on or after January 1, 2026, and applies to federal partnership adjustments that become final on or after that date.

### **PART III. SALES TAX CHANGES**

**SECTION 3.1.(a)** G.S. 105-164.8(b) reads as rewritten:

"(b) Remote Sales. – A retailer who makes a remote sale is engaged in business in this State and is subject to the tax levied under this Article if at least one of the following conditions is met:

...

- (9) The retailer makes gross sales in excess of one hundred thousand dollars (\$100,000) from remote sales sourced to this State, including sales as a marketplace seller, for the previous or the current calendar year. A retailer that solely meets this condition, or both this condition and the condition in subdivision (10) of this subsection, is engaged in business on the first day of the first calendar month occurring at least 60 days after the retailer's gross sales exceed the threshold.
- (10) The retailer is a marketplace facilitator that makes gross sales in excess of one hundred thousand dollars (\$100,000), including all marketplace-facilitated sales for all marketplace sellers, from sales sourced to this State for the previous or the current calendar year. A retailer that solely meets this condition, or both this condition and the condition in subdivision (9) of this subsection, is engaged in business on the first day of the first calendar month occurring at least 60 days after the retailer's gross sales exceed the threshold."

**SECTION 3.1.(b)** This section is effective when it becomes law and applies to retailers that exceed the threshold on or after that date.

**SECTION 3.2.** G.S. 105-164.3(259) reads as rewritten:

"(259) Streamlined Agreement. – The Streamlined Sales and Use Tax Agreement as amended as of ~~November 7, 2023~~ May 20, 2025."

**SECTION 3.3.(a)** G.S. 105-187.90(9) reads as rewritten:

"(9) ~~Shared for hire ground transport~~ Shared-ride service. – A for-hire ground transport service for which an individual has been matched with another individual by a for-hire ground transport service provider."

**SECTION 3.3.(b)** G.S. 105-187.95 reads as rewritten:

**"§ 105-187.95. Use of tax proceeds.**

~~Each quarter, the~~ The Secretary shall credit the net tax proceeds of the taxes collected under this Article to the Highway Fund. The Secretary may retain the cost of administering this Article as reimbursement to the Department."

**SECTION 3.3.(c)** This section is effective when it becomes law.

**SECTION 3.4.(a)** G.S. 105-164.3 reads as rewritten:

**"§ 105-164.3. Definitions.**

The following definitions apply in this Article:

...

(218) Related person. – A person described in one of the relationships set forth in section 267(b) or 707(b) of the Code.

...."

**SECTION 3.4.(b)** G.S. 105-164.13 reads as rewritten:

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

The sale at retail and the use, storage, or consumption in this State of the following items are specifically exempted from the tax imposed by this Article:

**Agricultural Group.**

...

(5m) Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:

- a. Is sold to a company that is engaged in the fabrication of metal work and that has annual gross receipts, including the gross receipts of all related persons, ~~as defined in G.S. 105-163.010,~~ persons from the fabrication of metal work of at least eight million dollars (\$8,000,000).

...."

**SECTION 3.4.(c)** G.S. 105-164.13B reads as rewritten:

**"§ 105-164.13B. Food exempt from tax.**

(a) State Exemption. – Food is exempt from the taxes imposed by this Article unless the food is included in one of the subdivisions in this subsection. The following food items are subject to tax:

...

(4) Prepared food, other than bakery items sold without eating utensils by an artisan bakery. The term "bakery item" includes bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas. An artisan bakery is a bakery that meets all of the following requirements:

...

- b. Its annual gross receipts, combined with the gross receipts of all related persons, do not exceed one million eight hundred thousand dollars (\$1,800,000). ~~For purposes of this subdivision, the term "related person" means a person described in one of the relationships set forth in section 267(b) or 707(b) of the Code.~~

...."

**SECTION 3.5.** G.S. 105-164.16(b2) reads as rewritten:

"(b2) Prepayment. – A taxpayer who is consistently liable for at least twenty thousand dollars (\$20,000) a month in State and local sales and use taxes must make a monthly prepayment of the next month's tax liability. The prepayment is due on the date a monthly return is due. The prepayment must equal at least sixty-five percent (65%) of any of the following amounts listed in this subsection. The Secretary may reduce the prepayment amount required from a taxpayer when the taxpayer demonstrates the tax collected during the current month is held in trust for another person. The amounts are:

- (1) The amount of tax due for the current month.

- (2) The amount of tax due for the same month in the preceding year.
- (3) The average monthly amount of tax due in the preceding calendar year."

**SECTION 3.6.** Except as otherwise provided, this Part is effective when it becomes law.

#### **PART IV. EXCISE TAX CHANGES**

**SECTION 4.1.** G.S. 105-113.39A(a2) reads as rewritten:

"(a2) Vapor Products License. – A wholesale dealer or a retail dealer must obtain a vapor products license for all of the following locations:

- (1) Each location where a wholesale dealer makes vapor products.
- (2) Each location where a wholesale dealer or a retail dealer receives or stores non-tax-paid vapor products.
- (3) Each location from where a retail dealer that is a delivery seller ~~or a remote seller~~ receives or stores non-tax-paid vapor products for delivery sales if the location is a location other than the location described in subdivision (2) of this subsection."

**SECTION 4.2.** G.S. 105-113.83A(a) reads as rewritten:

"(a) Registration Required. – A person who holds a wine shipper permit issued under G.S. 18B-1001.1 or one or more of the following ABC permits issued under Article 11 of Chapter 18B of the General Statutes must register with the Secretary:

- (1) Unfortified winery.
- (2) Fortified winery.
- (3) Brewery.
- (4) Distillery.
- (5) Wine importer.
- (6) Wine wholesaler.
- (7) Malt beverages importer.
- (8) Malt beverages wholesaler.
- (9) Nonresident malt beverage vendor.
- (10) Nonresident wine vendor.
- (11) Wine Producer.
- (12) ~~Nonresident spirituous liquor vendor."~~

**SECTION 4.3.(a)** G.S. 105-449.42 reads as rewritten:

#### **"§ 105-449.42. Payment of tax.**

The tax levied by this Article is due when a quarterly return is due under G.S. 105-449.45. The amount of tax due is calculated on the amount of motor fuel or alternative fuel used by the motor carrier in its operations within this State during the quarter covered by the return. If a motor carrier is exempt from filing a return under G.S. 105-449.45(b)(2), the tax levied by this Article is due when the tax becomes collectible under G.S. 105-241.22 by the last day of the month following the quarter in which the motor fuel or alternative fuel was used by the motor carrier."

**SECTION 4.3.(b)** This section is effective when it becomes law and applies to taxes due on or after that date.

**SECTION 4.4.(a)** G.S. 105-449.60 reads as rewritten:

#### **"§ 105-449.60. Definitions.**

The following definitions apply in this Article:

- ...
- (43a) Renewable diesel. – A motor fuel chemically equivalent to diesel fuel that is manufactured from organic feedstocks and meets American Society for Testing and Materials Specification D975, "Standard Specification for Diesel Fuel."

...."

**SECTION 4.4.(b)** G.S. 105-449.60(12) reads as rewritten:

"(12) Diesel fuel. – Any liquid, other than gasoline, that is suitable for use as a fuel in a diesel-powered highway vehicle. The term includes biodiesel, fuel oil, heating oil, high-sulfur dyed diesel fuel, ~~and kerosene.~~ kerosene, and renewable diesel. The term does not include jet fuel."

**SECTION 4.5.(a)** G.S. 105-449.60(46) reads as rewritten:

"(46) Supplier. – Any of the following:

- a. A position holder or a person who receives motor fuel pursuant to a two-party exchange.
- b. A fuel alcohol provider.
- c. A biodiesel provider.
- d. Repealed by Session Laws 2017-39, s. 12, effective June 21, 2017.
- e. A person who owns tax-paid motor fuel as it enters the terminal transfer system at a location other than an approved terminal as defined by 26 C.F.R. § 48.4081-1(b)."

**SECTION 4.5.(b)** G.S. 105-449.97(e) reads as rewritten:

"(e) Credit for Motor Fuel in ~~Terminal.~~ Terminal Transfer System. – When filing a return, a licensed supplier ~~who is the position holder~~ may take a credit for tax-paid motor fuel in the terminal ~~system.~~ transfer system if either of the following applies:

- (1) The supplier is the position holder.
- (2) The supplier is the person who owns tax-paid motor fuel as it enters the terminal transfer system at a location other than an approved terminal as defined by 26 C.F.R. § 48.4081-1(b)."

**SECTION 4.5.(c)** G.S. 105-449.72 reads as rewritten:

**"§ 105-449.72. Bond or letter of credit required as a condition of obtaining and keeping certain licenses or of applying for certain refunds.**

(a) Initial Bond. – An applicant for a license as a refiner, a terminal operator, a supplier, an importer, a blender, a permissive supplier, or a distributor must file with the Secretary a bond or an irrevocable letter of credit. A bond or an irrevocable letter of credit must be conditioned upon compliance with the requirements of this Article, be payable to the State, and be in the form required by the Secretary. The amount of the bond or irrevocable letter of credit is determined as follows:

- (1) For an applicant for a license as any of the following, the amount is two million dollars (\$2,000,000):
  - a. A refiner.
  - b. A terminal operator.
  - c. A supplier that is a position holder or a person that receives motor fuel pursuant to a two-party exchange.
  - d. A bonded importer.
  - e. A permissive supplier.
  - f. A supplier who owns tax-paid motor fuel as it enters the terminal transfer system at a location other than an approved terminal as defined by 26 C.F.R. § 48.4081-1(b).

...."

**SECTION 4.5.(d)** This section is effective when it becomes law.

**SECTION 4.6.(a)** G.S. 105-449.69 reads as rewritten:

**"§ 105-449.69. How to apply for a license.**

...

(e) Export Activity. – An applicant for a license as an exporter or as a distributor must list on the application each state to which the applicant intends to export motor fuel received in

this State by means of a transfer that is outside the terminal transfer system and, if required by a state listed, must be licensed or registered for motor fuel tax purposes in that state. If a state listed requires the applicant to be licensed or registered, the applicant must give the applicant's license or registration number in that state. If the Secretary determines that an exporter has ceased operations as an exporter in this State for one year, the Secretary may cancel the exporter's license by sending a notice of cancellation in accordance with G.S. 105-449.76(b1)."

**SECTION 4.6.(b)** G.S. 105-449.76(a) reads as rewritten:

"(a) Cancellation. – The Secretary may cancel a license issued under this Article upon the written request of the ~~licensee~~-licensee or as permitted under G.S. 105-449.69(e). The licensee's request must include a proposed effective date of cancellation and must return the license to the Secretary on or before the proposed effective date. If the licensee's request does not include a proposed effective date of cancellation, the license is cancelled 15 days after the Department receives the written request. If the license is unable to be returned, the licensee must include a written statement of the reasons, satisfactory to the Secretary, why the license cannot be returned. The Secretary shall notify the licensee when the license is cancelled."

**SECTION 4.7.** G.S. 105-449.87(a)(3) reads as rewritten:

"(3) Motor fuel that is used to operate a highway vehicle after an application for a refund of tax paid on the motor fuel is made or allowed under ~~G.S. 105-449.107(a)~~-G.S. 105-449.106(d) on the basis that the motor fuel was used for an off-highway purpose."

**SECTION 4.8.** G.S. 105-449.139 reads as rewritten:

**"§ 105-449.139. Miscellaneous provisions.**

(a) Records. – A person required to be licensed under this Article must keep a record of all documents used to determine the information provided in a return filed under this Article. The records must be kept for the applicable period of statute of limitations as set forth under Article 9 of this Chapter. If the records apply to a transaction not required to be reported in a return, the records must be kept for three years from the date of the transaction. The Secretary or a person designated by the Secretary shall have the right at any reasonable time to inspect the records.

(b) Violations. – The offenses listed in subdivisions (1) through (9) of G.S. 105-449.120 apply to this Article. In applying those offenses to this Article, references to "this Article" are to be construed as references to Article 36D and references to "motor fuel" are to be construed as references to alternative fuel.

(c) Lists. – The Secretary must make available a list of licensed alternative fuel providers to each licensed bulk end-user and licensed retailer. The Secretary must also make available a list of licensed bulk end-users and licensed retailers to each licensed alternative fuel provider. A list must state the name, account number, and business address of each licensee on the list. The Secretary must update the lists required under this section annually.

(d) Inspection. – The Secretary, or the Secretary's designee, shall have the right at any reasonable time to inspect the records subject to audit under this section and may do any of the following to determine tax liability under this Article:

- (1) Audit a person who is required to have or elects to have a license under this Article.
- (2) Audit a retailer, bulk-end user, or a provider that is not licensed under this Article.
- (3) Examine a tank or other equipment used to make, store, or transport alternative fuel."

**SECTION 4.9.** G.S. 150B-2(3) reads as rewritten:

"(3) License. – Any certificate, permit, or other evidence, by whatever name called, of a right or privilege to engage in any activity, except licenses issued under Chapter 20 and Subchapter I and Subchapter V of Chapter 105 of the

General Statutes, occupational licenses, and certifications of electronic poll books, ballot duplication systems, or voting systems under G.S. 163-165.7."

**SECTION 4.10.** G.S. 18C-901(7) reads as rewritten:

"(7) Gross wagering revenue. – The total of amounts received by an interactive sports wagering operator from sports wagers as authorized under this Article less the amounts paid as winnings before any deductions for expenses, fees, or taxes. Gross wagering revenue includes the cash value of any bonuses or promotional credits when returned to an interactive sports wagering operator in the form of a deposit or sports wager."

**SECTION 4.11.(a)** G.S. 105-113.4 reads as rewritten:

**"§ 105-113.4. Definitions.**

The following definitions apply in this Article:

- ...
- (10b) Smokeless tobacco. – Any finely cut, ground, powdered, or leaf tobacco, or other product containing tobacco, that is intended to be placed in the oral or nasal cavity or otherwise consumed without being combusted. The term includes snuff.
- (10d) Snuff. – A tobacco product consisting of finely cut, ground, or powdered tobacco that is not intended to be smoked.

...."

**SECTION 4.11.(b)** G.S. 105-113.36A(a) reads as rewritten:

"(a) Tax Imposed. – An excise tax is levied on the sale, use, consumption, handling, or distribution of tobacco products at the following rates:

- ...
- (2a) On snuff, excluding other smokeless tobacco, the rate of forty cents (40¢) per ounce and a proportionate rate on all fractional parts of an ounce. The tax shall be computed based on the net weight as listed by the manufacturer on the package in accordance with federal law.

...."

**SECTION 4.11.(c)** This section becomes effective July 1, 2026, and applies to sales or purchases occurring on or after that date.

**SECTION 4.12.** G.S. 105-113.39A reads as rewritten:

**"§ 105-113.39A. License required.**

...

(a1) Other Tobacco Products License. – A wholesale dealer or a retail dealer must obtain an other tobacco products license for all of the following locations:

- (1) Each location where a wholesale dealer makes tobacco products other than vapor ~~products~~products and alternative nicotine products.
- (2) Each location where a wholesale dealer or a retail dealer receives or stores non-tax-paid tobacco products other than vapor ~~products~~products and alternative nicotine products.
- (3) Each location from where a retail dealer that is a delivery seller or remote seller receives or stores non-tax-paid tobacco products for delivery sales or remote sales of tobacco products other than vapor products and alternative nicotine products if the location is a location other than the location described in subdivision (2) of this subsection.

(a2) Vapor and Alternative Nicotine Products License. – A wholesale dealer or a retail dealer must obtain a vapor and alternative nicotine products license for all of the following locations:

- (1) Each location where a wholesale dealer makes vapor ~~products~~products or alternative nicotine products.

- (2) Each location where a wholesale dealer or a retail dealer receives or stores non-tax-paid vapor ~~products, products or alternative nicotine products.~~
- (3) Each location from where a retail dealer that is a delivery seller or a remote seller receives or stores non-tax-paid vapor products for delivery sales if the location is a location other than the location described in subdivision (2) of this subsection.

...."

**SECTION 4.13.** G.S. 105-113.83 reads as rewritten:

**"§ 105-113.83. Payment and reporting of excise taxes.**

...

(a1) Liquor. – The excise tax on liquor levied under G.S. 105-113.80(c) is payable monthly by the local ABC board and by a distillery. A distillery must remit the excise tax on all liquor sales occurring within a distillery estate district as defined in G.S. 18B-1006(r). The local ABC board and distillery must file a monthly report, and the report is due on or before the fifteenth day of the month following the month covered by the report.

...."

**SECTION 4.14.** G.S. 105-113.83A reads as rewritten:

**"§ 105-113.83A. Registration and discontinuance requirements; penalties.**

(a) Registration Required. – ~~A person who holds a wine shipper permit issued under G.S. 18B-1001.1 or one or more of the following ABC permits issued under Article 11 of Chapter 18B of the General Statutes~~ The following persons must register with the Secretary:

- (1) A person who holds a wine shipper permit issued under G.S. 18B-1001.1.
- (2) A local ABC board.
- (3) A person who holds one or more of the following ABC permits issued under Article 11 of Chapter 18B of the General Statutes:
  - ~~(1)~~a. Unfortified winery.
  - ~~(2)~~b. Fortified winery.
  - ~~(3)~~c. Brewery.
  - ~~(4)~~d. Distillery.
  - ~~(5)~~e. Wine importer.
  - ~~(6)~~f. Wine wholesaler.
  - ~~(7)~~g. Malt beverages importer.
  - ~~(8)~~h. Malt beverages wholesaler.
  - ~~(9)~~i. Nonresident malt beverage vendor.
  - ~~(10)~~j. Nonresident wine vendor.
  - ~~(11)~~k. Wine Producer.
  - ~~(12)~~l. Nonresident spirituous liquor vendor.

...."

**SECTION 4.15.(a)** G.S. 105-113.84 reads as rewritten:

**"§ 105-113.84. Report of ~~resident brewery, resident winery, resident wine producer, nonresident vendor, nonresident vendor or wine shipper permittee.~~**

(a) ~~A resident brewery, resident winery, resident wine producer, and nonresident vendor~~ must file a monthly informational report with the Secretary.

(b) A wine shipper permittee must file an annual report with the Secretary.

(c) The report required by this section must list the amount of beverages sold, delivered, or shipped to North Carolina wholesalers, importers, and purchasers under G.S. 18B-1001.1 during the period covered by the report. The report is due by the 15th day of the month following the period covered by the report, unless otherwise provided. The report must be filed on a form approved by the Secretary and must contain the information required by the Secretary."

**SECTION 4.15.(b)** This section becomes effective July 1, 2026.

**SECTION 4.16.** G.S. 105-449.37 reads as rewritten:

**"§ 105-449.37. Definitions; tax liability; application.**

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

- (1) International Fuel Tax Agreement. – The Articles of Agreement adopted by the International Fuel Tax Association, Inc., as amended as of ~~January 1, 2022~~January 1, 2025.

...."

**SECTION 4.17.** Except as otherwise provided, this Part is effective when it becomes law.

**PART V. ADMINISTRATIVE CHANGES**

**SECTION 5.1.** G.S. 105-228.90 reads as rewritten:

**"§ 105-228.90. Scope and definitions.**

(a) Scope. – This Article applies to all of the following:

...

- (3) The primary forest product assessment levied under Article ~~81-84~~84 of Chapter 106 of the General Statutes.

...

(b) Definitions. – The following definitions apply in this Article:

...

- (23) Person. – An individual, a fiduciary, a firm, an association, a partnership, a limited liability company, a corporation, a unit of government, or another group acting as a unit. The term includes an officer or employee of a corporation, a member, a manager, or an employee of a limited liability company, and a member or employee of a partnership who, as officer, employee, member, or manager, is under a duty to perform an act in meeting the requirements of Subchapter I, V, or VIII of this Chapter, of G.S. 55-16-22, of Article ~~81-84~~84 of Chapter 106 of the General Statutes, or of Article 3 of Chapter 119 of the General Statutes.

...

- (27) Tax. – A tax levied under Subchapter I, V, or VIII of this Chapter, the primary forest product assessment levied under Article ~~81-84~~84 of Chapter 106 of the General Statutes, or an inspection tax levied under Article 3 of Chapter 119 of the General Statutes. Unless the context clearly requires otherwise, the term "tax" includes penalties and interest as well as the principal amount.

- (29) Taxpayer. – A person subject to the tax or reporting requirements of Subchapter I, V, or VIII of this Chapter, of Article ~~81-84~~84 of Chapter 106 of the General Statutes, or of Article 3 of Chapter 119 of the General Statutes.

...."

**SECTION 5.2.** G.S. 105-236(a) reads as rewritten:

"(a) Penalties. – The following civil penalties and criminal offenses apply:

...

- (1b) Making Payment in Wrong Form. – For making a payment of tax in a form other than the form required by the Secretary pursuant to G.S. 105-241(a), the Secretary shall assess a penalty equal to five percent (5%) of the amount of the tax, subject to a minimum of one dollar (\$1.00) and a maximum of one thousand dollars (\$1,000). ~~This penalty may be waived by the Secretary in accordance with G.S. 105-237.~~

...

- (10a) Filing a Frivolous Return. – If a taxpayer files a frivolous return under Part 2 of Article 4 of this Chapter, the Secretary shall assess a penalty in the amount

of up to ~~five hundred dollars (\$500.00)~~ two thousand dollars (\$2,000). A frivolous return is a return that meets both of the following requirements:

- a. It fails to provide sufficient information to permit a determination that the return is correct or contains information which positively indicates the return is incorrect, and
- b. It evidences an intention to delay, impede or negate the revenue laws of this State or purports to adopt a position that is lacking in seriousness.

...."

**SECTION 5.3.** G.S. 105-249.2 reads as rewritten:

**"§ 105-249.2. ~~Due date extended and penalties waived~~ Relief for certain military personnel or persons affected by a presidentially declared disaster.**

(a) **Combat.** – The Secretary may not assess interest or a penalty against a taxpayer for any period that is disregarded under section 7508 of the Code in determining the taxpayer's liability for a federal tax. A taxpayer is granted an extension of time to file a return or take another action concerning a State tax for any period during which the Secretary may not assess interest or a penalty under this section.

(b) **Disaster.** – The penalties in G.S. 105-236(a)(2), (3), (4), and (10)c. may not be assessed for any period in which the time for filing a federal return or report or for paying a federal tax is ~~extended~~ disregarded under section 7508A of the Code because of a presidentially declared disaster. The ~~extension of time granted~~ period of time disregarded by the Internal Revenue Service under section 7508A of the Code only applies to the corresponding State tax return or payment. For State returns and payments without a corresponding federal return and payment, the ~~extension granted~~ period of time disregarded for individual income tax returns and payments by the Internal Revenue Service under section 7508A of the Code applies. For the purpose of this section, "presidentially declared disaster" has the same meaning as in section 1033(h)(3) of the Code."

**SECTION 5.4.** G.S. 105-251.2 reads as rewritten:

**"§ 105-251.2. Compliance informational returns.**

...

(c1) Interactive Sports Wagering Operator. – The Secretary shall, no more than one time per calendar year, request an interactive sports wagering operator to report the information required in this subsection to the Secretary for every registered player that received winnings of at least two thousand dollars (\$2,000) in the prior calendar year. The Secretary may request the information be provided on a return, report, or otherwise. An interactive sports wagering operator must provide the information to the Secretary when the Secretary requests the information. For purposes of this subsection, the terms "interactive sports wagering operator" and "registered player" have the same meanings as defined in G.S. 18C-901. The information that the Secretary may request is as follows:

- (1) A registered player's name, tax identification number, address, and any other information that identifies a registered player.
- (2) The amount of wagers placed by the registered player.
- (3) The outcome of wagers placed by the registered player.
- (4) The amount of winnings paid to the registered player.
- (5) Any other information pertaining to the registered player in possession of the interactive sports wagering operator that the Secretary deems necessary to determine the registered player's compliance with this Chapter.

...."

**SECTION 5.5.** G.S. 105-259 reads as rewritten:

**"§ 105-259. Secrecy required of officials; penalty for violation.**

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

...  
(2) Tax information. – Any information from any source concerning the liability of a taxpayer for a tax, as defined in G.S. 105-228.90. The term includes the following:

a. Information contained on a tax return, a tax report, or an application for a ~~license for which a tax is imposed~~ license.

...

(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has access to tax information in the course of service to or employment by the State may not disclose the information to any other person except as provided in this subsection. Standards used or to be used for the selection of returns for examination and data used or to be used for determining the standards may not be disclosed for any purpose. All other tax information may be disclosed only if the disclosure is made for one of the following purposes:

...  
(4) ~~To provide a governmental agency or an officer of an organized association of taxpayers with a list of taxpayers who have paid a privilege license tax under Article 2 of this Chapter.~~

...."

**SECTION 5.6.** Subsection 5.6(e) of S.L. 2022-13, as amended by S.L. 2024-28, reads as rewritten:

"**SECTION 5.6.(e)** Subsection (a) of this section becomes effective June 30, 2022. Subsection (b) of this section becomes effective January 1, 2023, and applies to tax assessed on or after that date. Subsection (c) of this section becomes law July 1, ~~2027, 2030~~, and applies to tax assessed on or after that date. The remainder of this section is effective when this act becomes law."

**SECTION 5.7.** This Part is effective when it becomes law.

## **PART VI. PROPERTY TAX CHANGES**

**SECTION 6.1.** G.S. 105-278.2 reads as rewritten:

### **"§ 105-278.2. Burial property.**

(a) Commercial Property. – Real property set apart for human burial purposes that is owned and held for purposes of (i) sale or rental or (ii) sale of burial rights therein is exempt from taxation. A single application is required under G.S. 105-282.1 for property exempt under this subsection.

(b) Other Property. – Real property set apart for human burial purposes not owned and held for a purpose listed in subsection (a) of this section is exempt from taxation. No application is required under G.S. 105-282.1 for property exempt under this subsection. A local government cannot deny the exemption provided under this subsection to a taxpayer that lacks a survey or plat detailing the exempt property.

(c) Terms. – For purposes of this section, the term "real property" includes land, tombs, vaults, monuments, and mausoleums, and the term "burial" includes entombment."

**SECTION 6.2.(a)** A tax levied by a taxing unit which is then deemed by the governing body of the taxing unit, via resolution, to be an improperly collected fire tax is deemed an illegal tax for purposes of G.S. 105-381. A tax deemed to be illegal under this section is limited to the properties or area indicated in the resolution as affected by the levy of said illegal tax and to the tax years indicated in the resolution in which the illegal tax was levied. Notwithstanding G.S. 105-380 and the time limitations for refunds under G.S. 105-381(a)(3), a taxpayer that paid a tax deemed illegal under this section may seek a refund of said taxes under G.S. 105-381(a) by submitting a written request for refund of the taxes to the governing body of the taxing unit at any time within 10 years after said tax first became due or within six months from the date of payment of such tax, whichever is the later date.

**SECTION 6.2.(b)** This section is effective when it becomes law and expires July 1, 2027.

**SECTION 6.3.** Article 12 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-274.1. Prohibition on double taxation.**

A taxing unit may impose tax under this Subchapter on each property only once per tax year. Nothing in this section prevents a taxing unit from correcting an abstract as provided in this Subchapter."

**SECTION 6.4.** Except as otherwise provided, this Part is effective when it becomes law.

**PART VII. PROVIDE TAX PARITY FOR SHORT-TERM CAR RENTALS TO INCLUDE PEER-TO-PEER RENTALS**

**SECTION 7.1.(a)** G.S. 105-187.1(a) reads as rewritten:

"(a) The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

...

(3b) Peer-to-peer vehicle sharing provider. – A person or entity that operates, facilitates, or administers a peer-to-peer vehicle sharing program as defined in G.S. 20-280.15.

...

(6) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the business of selling, leasing, renting, offering short-term leases or rentals, long-term leases or rentals, or offering vehicle subscriptions for motor vehicles.

(7) Short-term lease or rental. – A lease or rental of a motor vehicle or motor ~~vehicles, vehicles~~ by a person, including a vehicle sharing ~~service, service~~ or a peer-to-peer vehicle sharing provider, that is not a long-term lease or rental or a vehicle subscription.

...."

**SECTION 7.1.(b)** G.S. 105-187.3(a) reads as rewritten:

"(a) Tax Base. – ~~The~~ Except as otherwise provided in G.S. 105-187.5, the tax imposed by this Article is applied to the sum of the retail value of a motor vehicle for which a certificate of title is issued and any fee regulated by G.S. 20-101.1. The tax does not apply to the sales price of a service contract, provided the charge is separately stated on the bill of sale or other similar document given to the purchaser at the time of the sale."

**SECTION 7.1.(c)** G.S. 105-187.4(a) reads as rewritten:

"(a) Method. – ~~The~~ Except as otherwise provided in G.S. 105-187.5, the tax imposed by this Article must be paid to the Commissioner when applying for a certificate of title for a motor vehicle. The Commissioner may not issue a certificate of title for a vehicle until the tax imposed by this Article has been paid. The tax may be paid in cash or by check."

**SECTION 7.1.(d)** G.S. 105-187.5 reads as rewritten:

**"§ 105-187.5. Alternate tax for Tax on a limited possession commitment.**

(a) Applicability. – A retailer listed in this section shall pay a tax on the gross receipts of a limited possession commitment in accordance with this section. The tax is for the privilege of using the highways of this State and is imposed on a retailer but is to be added to a limited possession commitment and paid by the person who enters into a limited possession commitment with the retailer. The retailers are:

(1) A retailer that purchases a motor vehicle for use as a limited possession commitment and makes an election under this section.

(2) A peer-to-peer vehicle sharing provider.

(a1) ~~Election. – A retailer that has purchased a motor vehicle for a limited possession commitment may elect not to pay to pay the tax imposed by this section instead of the tax imposed by this Article at the rate set in G.S. 105-187.3 when applying for a certificate of title for a motor vehicle purchased by the retailer for a limited possession commitment. A retailer who makes this election shall pay a tax on the gross receipts of the limited possession commitment of the vehicle. title. To make the election, the retailer shall complete a form provided by the Division providing the information needed to collect the alternate tax based on gross receipts. Once made, an election is irrevocable. The Division shall notify the Secretary of Revenue of a retailer who makes the election under this subsection.~~

(a2) ~~Gross Receipts. – Gross receipts do not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment on the limited possession commitment. The portion of a limited possession commitment billing or payment that represents any amount applicable to the sales price of a service contract as defined in G.S. 105-164.3 should not be included in the gross receipts subject to the tax imposed by this Article. section. The charge must be separately stated on documentation given to the purchaser at the time the limited possession commitment goes into effect, or on the monthly billing statement or other documentation given to the purchaser. When a limited possession commitment is sold to another retailer, the seller of the limited possession commitment should provide to the purchaser of the limited possession commitment the documentation showing that the service contract and applicable sales taxes were separately stated at the time the limited possession commitment went into effect effect, and the new retailer must retain the information to support an allocation for tax computed on the gross receipts subject to highway use tax. Like the tax imposed by G.S. 105-187.3, this alternate tax is a tax on the privilege of using the highways of this State. The tax is imposed on a retailer, but is to be added to the limited possession commitment of a motor vehicle and thereby be paid by the person who enters into a limited possession commitment with a retailer.~~

(b) ~~Rate. – The applicable tax rates on the gross receipts from a limited possession commitment are as listed in this subsection. Gross receipts does not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment on the limited possession commitment. The maximum tax in G.S. 105-187.3(a1) on certain motor vehicles applies to a continuous limited possession commitment of such a motor vehicle to the same person. The applicable tax rates are as follows:~~

| <b>Type of Limited Possession Commitment</b> | <b>Tax Rate</b> |
|--|-----------------|
| Short-term lease or rental                   | 8%              |
| Vehicle subscription                         | 5%              |
| Long-term lease or rental                    | 3%              |

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

(d) ~~Administration. – The Division shall notify the Secretary of Revenue of a retailer who makes the election under this section. A retailer who makes this election pays the tax under this section shall report and remit to the Secretary the tax on the gross receipts of the limited possession commitment of the motor vehicle. The Secretary shall administer the tax imposed by this section on gross receipts in the same manner as the tax levied under G.S. 105-164.4(a)(2). The administrative provisions and powers of the Secretary that apply to the tax levied under G.S. 105-164.4(a)(2) apply to the tax imposed by this section. In addition, the Division may request the Secretary to audit a retailer who elects to pay tax on gross receipts under this section. When the Secretary conducts an audit at the request of the Division, the Division shall reimburse the Secretary for the cost of the audit, as determined by the Secretary. In conducting an audit of~~

a retailer under this section, the Secretary may audit any sales of motor vehicles made by the retailer."

**SECTION 7.2.(a)** G.S. 153A-156 reads as rewritten:

**"§ 153A-156. Gross receipts tax on short-term leases or rentals.**

(a) ~~As a substitute for and in replacement of the ad valorem tax, which is excluded by G.S. 105-275(42), a~~ A county may levy a gross receipts tax on the gross receipts from the short-term lease or rental of vehicles at retail to the general public. The tax rate shall not exceed one and one-half percent (1.5%) of the gross receipts from ~~such the~~ short-term leases or rentals.

(b) If a county enacts ~~the substitute and replacement a~~ gross receipts tax pursuant to this section, ~~any an~~ entity required to collect the tax shall include a provision in each retail short-term lease or rental agreement noting that the percentage amount enacted by the county of the total lease or rental price, excluding highway use tax, is being charged as a tax on gross receipts. For purposes of this section, the transaction giving rise to the tax ~~shall be deemed to have occurred~~ occurs at the location ~~of the entity from which~~ where the customer takes delivery of the vehicle. The tax shall be collected at the time of lease or rental and placed in a segregated account until remitted to the county.

...."

**SECTION 7.2.(b)** G.S. 160A-215.1 reads as rewritten:

**"§ 160A-215.1. Gross receipts tax on short-term leases or rentals.**

(a) ~~As a substitute for and in replacement of the ad valorem tax, which is excluded by G.S. 105-275(42), a~~ A city may levy a gross receipts tax on the gross receipts from the short-term lease or rental of vehicles at retail to the general public. The tax rate shall not exceed one and one-half percent (1.5%) of the gross receipts from ~~such the~~ short-term leases or rentals.

(b) If a city enacts ~~the substitute and replacement a~~ gross receipts tax pursuant to this section, ~~any an~~ entity required to collect the tax shall include a provision in each retail short-term lease or rental agreement noting that the percentage amount enacted by the city of the total lease or rental price, excluding highway use tax, is being charged as a tax on gross receipts. For purposes of this section, the transaction giving rise to the tax ~~shall be deemed to have occurred~~ occurs at the location ~~of the entity from which~~ where the customer takes delivery of the vehicle. The tax shall be collected at the time of lease or rental and placed in a segregated account until remitted to the city.

...."

**SECTION 7.2.(c)** G.S. 105-550 reads as rewritten:

**"§ 105-550. Definitions.**

The definitions in ~~G.S. 105-164.3~~ G.S. 105-164.3, G.S. 105-187.1, and the following definitions apply in this Article:

- (1) Authority. – A regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes.
- (2) ~~Long-term lease or rental. — Defined in G.S. 105-187.1.~~
- (3) Motorcycle. – Defined in G.S. 20-4.01.
- (4) Repealed by Session Laws 1998-98, s. 33, effective August 14, 1998.
- (5) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public

transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.

(6) ~~Short term lease or rental. — Defined in G.S. 105-187.1.~~

(7) U-drive-it vehicle. — Defined in G.S. 20-4.01."

**SECTION 7.2.(d)** G.S. 105-551 reads as rewritten:

**"§ 105-551. Tax on gross receipts authorized.**

(a) Tax. — The board of trustees of an Authority may levy a privilege tax on a retailer ~~who is engaged in the business of leasing or renting U-drive-it vehicles or motorcycles described in this subsection~~ based on the gross receipts derived by the retailer from the short-term lease or rental of ~~these~~ vehicles. The tax rate must be a percentage and may not exceed five percent (5%). ~~A tax levied under this section applies to short term leases or rentals made by a retailer whose place of business or inventory is located within the territorial jurisdiction of the Authority. This tax is in addition to all other taxes. The retailers subject to this section are:~~

(1) A retailer engaged in the business of leasing or renting U-drive-it vehicles or motorcycles and whose place of business or inventory is located within the territorial jurisdiction of the Authority.

(2) A peer-to-peer vehicle sharing provider if the customer takes delivery of the vehicle within the territorial jurisdiction of the Authority.

...."

**SECTION 7.2.(e)** G.S. 105-552 reads as rewritten:

**"§ 105-552. Collection and administration of gross receipts tax.**

...  
(b) Collection. — A tax levied by an Authority under this Article shall be collected by the Authority but shall otherwise be administered in the same manner as the ~~optional~~ gross receipts tax levied ~~by under~~ G.S. 105-187.5. Like the ~~optional~~ gross receipts tax, a tax levied under this Article is to be added to the lease or rental price of ~~a U-drive-it vehicle or motorcycle~~ the vehicle and thereby be paid by the person to whom it is leased or rented.

A tax levied under this Article applies regardless of whether ~~the a~~ retailer who ~~leases or rents the U-drive-it vehicle or motorcycle~~ has the option of paying the gross receipts tax under G.S. 105-187.5 has elected to pay the ~~optional~~ gross receipts tax on the lease or rental receipts from the vehicle. A tax levied under this Article must be paid to the Authority that levied the tax by the date ~~an optional~~ the gross receipts tax levied under G.S. 105-187.5 is payable or would be payable to the Secretary of Revenue ~~under G.S. 105-187.5~~ if the retailer who leases or rents the U-drive-it vehicle or motorcycle had elected to pay the optional gross receipts tax.

(c) Penalties and Remedies. — The penalties and remedies that apply to local sales and use taxes levied under Subchapter VIII of this Chapter apply to a tax levied under this Article. The board of trustees of an Authority may exercise any power the Secretary of Revenue or a board of county commissioners may exercise in collecting local sales and use taxes."

**SECTION 7.3.** G.S. 20-280.15 reads as rewritten:

**"§ 20-280.15. Definitions.**

The following definitions apply in this Article:

(1) Airport operator. — As defined in G.S. 20-280.1.

(2) Peer-to-peer vehicle sharing. — The authorized use of a shared vehicle for financial consideration by an individual other than the shared vehicle owner through a peer-to-peer vehicle sharing program.

(3) Peer-to-peer vehicle sharing program. — A commercial business platform that connects shared vehicle owners with drivers to enable ~~the sharing of vehicles for financial consideration~~ peer-to-peer vehicle sharing.

(4) Shared vehicle. — A vehicle that is available for ~~sharing through a peer-to-peer vehicle sharing program~~ sharing.

- (5) Shared vehicle owner. – The registered owner of a shared ~~vehicle that is made available for sharing through a peer to peer vehicle sharing program.~~vehicle, or a person or entity designated by the registered owner, who has not made an election under G.S. 105-187.5.

...."

**SECTION 7.4.** This Part becomes effective October 1, 2026, and applies to gross receipts derived from rentals or leases billed on or after that date.

## **PART VIII. CORPORATE AND FRANCHISE TAX CHANGES**

**SECTION 8.1.** G.S. 105-114.1(d) reads as rewritten:

"(d) No Double Inclusion. – If a corporation is required to include a percentage of a noncorporate limited liability company's assets in its tax ~~bases~~base under this Article pursuant to subsection (b) of this section, its investment in the noncorporate limited liability company is not included in its computation of net worth base under G.S. 105-122(b)."

**SECTION 8.2.(a)** G.S. 105-122(d2) reads as rewritten:

"(d2) Tax Rate. – For a C Corporation, as defined in G.S. 105-130.2, the tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of its tax base with a minimum of two hundred dollars (\$200.00) and a maximum of five hundred dollars (\$500.00) for the first one million dollars (\$1,000,000) of the corporation's its tax base as determined under subsection (d) of this section. For an S Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the first one million dollars (\$1,000,000) of ~~the corporation's its tax base as determined under subsection (d) of this section~~ and one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of its tax base that exceeds one million dollars (\$1,000,000). In no event may the tax imposed by this section be less than two hundred dollars (\$200.00). For purposes of this subsection, a corporation's tax base is determined under subsection (d) of this section."

**SECTION 8.2.(b)** G.S. 105-120.2(b) reads as rewritten:

"(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, a franchise or privilege tax at the rate ~~of one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of its tax base with a maximum of five hundred dollars (\$500.00) for the first one million dollars (\$1,000,000) of the corporation's tax base as determined under subsection (a) of this section,~~ set forth in G.S. 105-122(d2), but in no case shall the tax be more than one hundred fifty thousand dollars (\$150,000) nor less than two hundred dollars (\$200.00)."

**SECTION 8.3.** G.S. 105-131.1(b) reads as rewritten:

"(b) ~~Except with respect to a taxed S Corporation, each~~ Each shareholder's pro rata share of an S Corporation's income attributable to the State and each resident shareholder's pro rata share of income not attributable to the State, shall be taken into account by the shareholder in the manner and subject to the adjustments provided in Parts 2 and 3 of this Article and section 1366 of the Code and shall be subject to the tax levied under Parts 2 and 3 of this Article."

**SECTION 8.4.(a)** G.S. 105-122(b) reads as rewritten:

"(b) Determination of Net Worth. – A corporation taxed under this section shall determine the total amount of its net worth on the basis of the books and records of the corporation as of the close of its income year. The net worth of a corporation is its total assets without regard to the deduction for accumulated depreciation, depletion, or amortization less its total liabilities, computed in accordance with generally accepted accounting principles as of the end of the corporation's taxable year. If the corporation does not maintain its books and records in accordance with generally accepted accounting principles, then its net worth is computed in accordance with the accounting method used by the entity for federal tax purposes. A corporation's net worth is subject to the following adjustments:

...

- (9) A deduction for any investment, whether direct or indirect, in an insurance company subject to tax under Article 8B of this Chapter and any investment, whether direct or indirect, in an insurance company that would be subject to such tax if it engaged in business in this State. The deduction afforded under this subdivision only applies if the corporation owns, directly or indirectly, more than eighty percent (80%) of the outstanding voting stock, voting capital interests, or ownership interests in the insurance company."

**SECTION 8.4.(b)** This section is effective retroactively for taxable years beginning on or after January 1, 2019, and applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax returns.

**SECTION 8.5.(a)** G.S. 105-129.71 is amended by adding a new subsection to read:

"(a2) Credit for Corporate Campus. – A taxpayer who is allowed a credit under section 47 of the Code for making qualified rehabilitation expenditures of at least ten million dollars (\$10,000,000) with respect to a certified rehabilitation of an eligible corporate campus is allowed a credit equal to a percentage of the expenditures that qualify for the federal credit. In order to be eligible for a credit allowed by this Article, the taxpayer must provide to the Secretary a copy of the eligibility certification and the cost certification. The amount of the credit is equal to forty percent (40%) of the qualified rehabilitation expenditures. The qualified rehabilitation expenditures must be incurred on or after January 1, 2026, and the credit cannot be claimed for a taxable year beginning prior to January 1, 2026. When the eligible site is placed into service in two or more phases in different years, the amount of credit that may be claimed in a year is the amount based on the qualified rehabilitation expenditures associated with the phase placed into service during that year.

For purposes of this subsection, the term "eligible corporate campus" is a site located in this State that satisfies all of the following conditions:

- (1) It is a certified historic structure or a State-certified historic structure.
- (2) The building or buildings at one time served as a corporate headquarters.
- (3) It is located on a parcel or commonly-owned parcels comprising a minimum of 20 acres of land.
- (4) It is subject to a preservation agreement as defined in G.S. 121-35.
- (5) It has been listed on the National Register of Historic Places and certified as a local landmark by a county or municipality.
- (6) It has been at least eighty percent (80%) vacant for a period of at least two years immediately preceding the date the eligibility certification is issued."

**SECTION 8.5.(b)** This section is effective for taxable years beginning on or after January 1, 2026.

**SECTION 8.6.(a)** G.S. 105-130.5(b) reads as rewritten:

"(b) The following deductions from federal taxable income shall be made in determining State net income:

- ...
- (31a) To the extent included in federal taxable income, the amount received by a taxpayer for ~~one or more of the following:~~
- ~~a. The Business Recovery Grant Program.~~
  - ~~b. The ReTOOLNC grant program for recovery from the economic impacts of the COVID-19 pandemic.~~
  - ~~e. Rent-rent and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.~~

...."

**SECTION 8.6.(b)** This section is effective for taxable years beginning on or after January 1, 2026.

**SECTION 8.7.(a)** G.S. 105-122 reads as rewritten:

**"§ 105-122. Franchise or privilege tax on domestic and foreign corporations.**

...  
(b) Determination of Net Worth. – A corporation taxed under this section shall determine the total amount of its net worth on the basis of the books and records of the corporation as of the close of its income year. The net worth of a corporation is its total assets without regard to the deduction for accumulated depreciation, depletion, or amortization less its total liabilities, computed in accordance with generally accepted accounting principles as of the end of the corporation's taxable year. If the corporation does not maintain its books and records in accordance with generally accepted accounting principles, then its net worth is computed in accordance with the accounting method used by the entity for federal tax purposes. A corporation's net worth is subject to the following adjustments:

...  
(2a) ~~If the creditor corporation is taxable under this Article, the creditor corporation may deduct the amount of indebtedness owed to it by a parent, subsidiary, or affiliated corporation to the extent that such indebtedness has been added by the debtor corporation.~~

...."

**SECTION 8.7.(b)** This section is effective retroactively for taxable years beginning on or after January 1, 2021, and applicable to the calculation of franchise tax reported on the 2020 and later corporate income tax returns.

**SECTION 8.8.** Except as otherwise provided, this Part is effective when it becomes law.

**PART IX. ADMINISTRATIVE CHANGES TO THE VAPOR PRODUCTS REGISTRY**

**SECTION 9.(a)** G.S. 14-313(h) reads as rewritten:

"(h) Fines and Civil Penalties. – The Secretary shall impose the following penalties shall apply to for violations of the certification requirements for consumable products and vapor products required by Part 3 of Article 4 of Chapter 143B of the General Statutes:

- (1) Retailer, distributor, or wholesaler fines. – A retailer, distributor, or wholesaler who offers for sale a consumable product or vapor product intended for ultimate retail sale in this State that is not included in the directory is subject to a warning ~~with and a mandatory~~reinspection of the retailer ~~within 30 days of the violation of Part 3 of Article 4 of Chapter 143B of the General Statutes. [The following applies:]~~conducted by the ALE Division. In addition, the following provisions apply:
  - a. For a second violation of this type within a 12-month period, the fine ~~shall be~~is at least five hundred dollars (\$500.00) but not more than seven hundred fifty dollars (\$750.00) and, if licensed, the licensee's license ~~shall be~~is suspended for 30 days.
  - b. For a third or subsequent violation of this type within a 12-month period, the fine ~~shall be~~is at least one thousand dollars (\$1,000) but not more than one thousand five hundred dollars (\$1,500) and, if licensed, the licensee's license ~~shall be~~is revoked.
  - c. Upon a second or subsequent violation of this type, consumable products or vapor products that are not on the directory as required by G.S. 143B-245.12, and are possessed by a retailer, distributor, or wholesaler, ~~shall be~~are subject to seizure, forfeiture, and ~~destruction.~~destruction by the ALE Division. The cost of such the seizure, forfeiture, and destruction shall be is borne by the person from whom the products are confiscated, except that no products may be seized from a consumer who has made a bona fide purchase of such product.

The ~~Secretary~~ ALE Division may store and dispose of the seized products as appropriate, in accordance with federal, State, and local laws pertaining to storage and disposal of such products.

...."

**SECTION 9.(b)** G.S. 143B-245.10 reads as rewritten:

**"§ 143B-245.10. Definitions.**

The following definitions apply throughout this Part:

- (1) ALE Division. – As defined in G.S. 18B-101.
- (1a) Alternative nicotine product. – As defined in G.S. 14-313(a)(1).
- (2) Consumable product. – As defined in G.S. 14-313(a)(1a).
- (3) Distribute. – As defined in G.S. 14-313(a)(1b).
- (4) FDA. – As defined in G.S. 14-313(a)(1c).
- (5) Secretary. – The Secretary of the Department of Revenue.
- (6) Timely Filed Premarket Tobacco Product Application. – As defined in G.S. 14-313(a)(3c).
- (7) Tobacco product. – As defined in G.S. 14-313(a)(4).
- (8) Vapor product. – As defined in G.S. 14-313(a)(5)."

**SECTION 9.(c)** G.S. 143B-245.15 reads as rewritten:

**"§ 143B-245.15. Compliance.**

(a) ~~Unannounced Compliance Check.~~ Inspection. – Each retailer, distributor, and wholesaler that sells or distributes consumable products or vapor products in this State ~~shall be~~ is subject to investigation and unannounced compliance checks inspections by the ~~Secretary or its designee, which may include State and local law enforcement officials,~~ ALE Division for purposes of enforcing this Part. ~~Unannounced follow-up compliance checks of all noncompliant retailers, distributors, and wholesalers shall be conducted within 30 days after any violation of this Part. [The following applies:]~~

(1) ~~Any person who observes a violation described in G.S. 143B-245.13 may alert the Secretary of such~~ ALE Division of the violation, and the Secretary shall cause an unannounced compliance check to occur with respect to the person alleged to be in violation. ALE Division may investigate the alleged violation.

(b) Reporting of Violations. – The ALE Division shall report to the Secretary any violation of this Chapter for which civil penalties are authorized and regardless of whether criminal charges have been filed.

(2) ~~The Secretary shall publish the results of all compliance checks at least annually~~ maintain a database of documented violations and shall make the results available to the public on request.

(c) Seizure and Destruction of Noncompliant Products. – Any products identified for sale that are not on the registry in compliance with the provisions of this Chapter may be subject to seizure, forfeiture, and destruction by the ALE Division in accordance with G.S. 14-313(h)(1)c."

**SECTION 9.(d)** G.S. 18B-500(b) reads as rewritten:

"(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense:

...

(2) Encountered or otherwise discovered while investigating or enforcing matters for the North Carolina Alcoholic Beverage Control Commission or the North Carolina Education Lottery Commission or encountered or otherwise discovered while investigating or enforcing the provisions of this Chapter, Chapter 18C of the General Statutes, Article 5 of Chapter 90 of the General Statutes, Part 3 of Article 4 of Chapter 143B of the General Statutes,

G.S. 14-313, or Parts 1 and 2 of Article 37 of Chapter 14 of the General Statutes.

...."

**SECTION 9.(e)** G.S. 143B-245.16 reads as rewritten:

**"§ 143B-245.16. Rules; use of fees; report.**

(a) Rules. – The Secretary shall adopt rules for the implementation and enforcement of this Part.

(b) Use of Fees and Penalties. ~~Fees.~~ – The fees received under this Part and the penalties collected under G.S. 14-313(h) by the Department of Revenue shall be used by the Department of Revenue exclusively for processing the ~~certifications,~~ certifications and operating and maintaining the ~~directory, and enforcement directory~~ of this Part.

(b1) Use of Penalties. – The penalties collected under G.S. 14-313(h) shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(c) Report. – Beginning on January 31, 2026, and annually thereafter, the Secretary shall provide a report to the legislature regarding the status of the directory, manufacturers and products included in the directory, revenue and expenditures related to administration of this section ~~[Article], and enforcement activities undertaken pursuant to this section [Article], including the number of stores that have been inspected and the results from such inspections.~~ Article."

**SECTION 9.(f)** G.S. 143B-218 reads as rewritten:

**"§ 143B-218. Department of Revenue – duties.**

~~It shall be is~~ the duty of the Department to collect and account for the State's tax funds, to insure uniformity of administration of the tax laws and regulations, to conduct research on revenue matters, ~~and~~ to exercise general and specific supervision over the valuation and taxation of property throughout the ~~State.~~ State, and to perform other non-tax-related functions as enacted by the General Assembly."

**SECTION 9.(g)** G.S. 143B-219 reads as rewritten:

**"§ 143B-219. Department of Revenue – functions.**

(a) The functions of the Department of Revenue shall comprise, except as otherwise expressly provided by the Executive Organization Act of 1973 or by the Constitution of North Carolina, all executive functions of the State in relation to revenue collection, tax research, tax settlement, and property tax supervision including those prescribed powers, ~~duties~~ duties, and functions enumerated in Article 16 of Chapter 143A of the General ~~Statutes of this State.~~ Statutes. The Department of Revenue may also perform other non-tax-related functions as enacted by the General Assembly.

(b) All functions, powers, duties, and obligations heretofore vested in any agency enumerated in Article 16 of Chapter 143A of the General Statutes are hereby transferred to and vested in the Department of Revenue, except as otherwise provided by the Executive Organization Act of 1973. They shall include, by way of extension and not of limitation, the functions of:

(1) ~~The Commissioner~~ Secretary and Department of ~~Revenue.~~ Revenue.

(2) The Department of Tax ~~Research,~~ and Research.

~~(3) The State Board of Assessment."~~

**SECTION 9.(h)** This Part is effective when it becomes law.

## **PART X. TAX FORECLOSURE CHANGES**

**SECTION 10.(a)** G.S. 1-339.1(a) reads as rewritten:

"(a) A judicial sale is a sale of property made pursuant to an order of a judge or clerk in an action or proceeding in the superior or district court, including a sale pursuant to an order made in an action in court to foreclose a mortgage or deed of trust, but is not

...

- (5) A tax foreclosure sale, but for the purposes of federal law, nothing herein shall be construed to mean that a tax foreclosure sale under G.S. 105-374 is a non-judicial sale, or

...."

**SECTION 10.(b)** G.S. 160A-233(c) reads as rewritten:

"(c) Assessment liens may be foreclosed under any procedure prescribed by law for the foreclosure of property tax liens, except that lien sales and lien sale certificates shall not be required, and foreclosure may be begun at any time after 30 days after the due date. The city shall not be entitled to a deficiency judgment in an action to foreclose an assessment lien. The lien of special assessments shall be inferior to all prior and subsequent liens for ~~State, local, and federal~~ State and local taxes, and superior to all other liens."

**SECTION 10.(c)** G.S. 153A-200(c) reads as rewritten:

"(c) A county may foreclose assessment liens under any procedure provided by law for the foreclosure of property tax liens, except that (i) lien sales and lien sale certificates are not required and (ii) foreclosure may be begun at any time after 30 days after the due date. The county is not entitled to a deficiency judgment in an action to foreclose an assessment lien. The lien of special assessments is inferior to all prior and subsequent liens for ~~State, local, and federal~~ State and local taxes, and superior to all other liens."

**SECTION 10.(d)** Subsections (b) and (c) of this section become effective October 1, 2026. The remainder of this Part is effective when it becomes law.

## **PART XI. CREDIT UNION UPDATE**

**SECTION 11.(a)** G.S. 54-109.1 reads as rewritten:

### **"§ 54-109.1. ~~Definition and purposes.~~ Definitions.**

The following definitions apply in Articles 14A to 15A of this Chapter:

- (1) Administrator. – Administrator of Credit Unions.
- (2) Commission. – Credit Union Commission.
- (3) Credit union. – A credit union is a cooperative, nonprofit association, incorporated under Articles 14A to ~~44L-14N~~ 14N of this Chapter, for the purposes of encouraging thrift among its members, creating a source of credit at a fair and reasonable rate of interest, and providing an opportunity for its members to use and control their own money in order to improve their economic and social condition.
- (4) Division. – Credit Union Division of the Department of Commerce."

**SECTION 11.(b)** Article 14B of Chapter 54 of the General Statutes reads as rewritten:

"Article 14B.

"Supervision and Regulation.

...

### **"§ 54-109.14. ~~Fees.~~ Fees and penalties.**

(a) Each credit union subject to supervision and examination by the ~~Administrator of Credit Unions, Administrator,~~ including credit unions in process of voluntary liquidation, shall pay into the office of the Administrator ~~of Credit Unions~~ twice each year, in the months of January and July, supervision fees, ~~except those credit unions which liquidate or convert fees.~~ A credit union that liquidates or converts its charter shall pay into the office of the Administrator of Credit Unions, Administrator, to the date of dissolution, pro rata supervision fees. Examination fees shall be paid promptly upon receipt of the examination report and invoice.

The ~~Administrator of Credit Unions, Administrator,~~ subject to the advice and consent of the ~~Credit Union~~ Commission, shall, on or before December 1 of each year, determine and fix the scale of supervisory and examination fees to be assessed during the next calendar year.

No credit union shall be required to pay any supervisory fee until the expiration of 12 months from the date of the issuance of a certificate of incorporation to ~~such~~the credit union.

(b) The Administrator may charge other fees for service and supervision as approved by the Commission. Moneys collected under this section shall be deposited with the State Treasurer of North Carolina and expended, under the terms of the Executive Budget Act, to defray expenses incurred by the office of the Administrator of Credit Unions in carrying out its supervisory and auditing functions.

(c) All revenue derived from fees will be placed into a special account to be administered solely for the operation of the ~~Credit Union~~-Division.

(d) The Administrator may waive any fee, in whole or in part, for any credit union or group of credit unions at the Administrator's discretion.

(e) The Administrator may assess a civil penalty not to exceed five hundred dollars (\$500.00) for the violation of any section of Articles 14A to 15A of this Chapter or any rule adopted by the Administrator. The clear proceeds of any civil penalty assessed under this subsection or pursuant to any other authority in Articles 14A to 15A of this Chapter shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

**"§ 54-109.15. Reports.**

(a) ~~Credit~~ The Administrator shall cause credit unions organized under Articles 14A to 14L-15A of this Chapter shall, in January and in July of each year, make to make a report of condition to the Administrator of Credit Unions on forms supplied for that purpose. Additional reports may be required in a manner and on a schedule as adopted by the Administrator. The Administrator may also require that additional reports be filed.

(b) ~~Any~~ The Administrator may cause any credit union that neglects to make semiannual reports as provided in subsection (a) of this section, or any of the other reports required by the Administrator of Credit Unions at the time fixed by the Administrator, shall pay to pay a late penalty to the Administrator of Credit Unions of not less than seventy-five dollars (\$75.00) (\$75.00), nor more than seven hundred fifty dollars (\$750.00) for each day the neglect continues. The Administrator of Credit Unions may revoke the certificate of incorporation and take possession of the assets and business of any credit union failing to pay a penalty imposed under this section after serving notice of at least 15 days upon the credit union of the proposed action. The clear proceeds of penalties collected pursuant to this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2. The Administrator shall publish the late penalty amount annually by rule.

**"§ 54-109.16. Examinations required; payment of cost.**

~~The Administrator of Credit Unions shall cause examine every credit union formed under Article Articles 14A and 15A of this Chapter to be examined once every 18 months or whenever the Administrator deems it necessary, more frequently if deemed necessary by the Administrator. The examiners appointed by the Administrator shall be given free access to all books, papers, securities, and electronic or digital records, and other sources of information in with respect to the credit union; for the purpose of the examination, the Administrator may subpoena and examine personally, or by one of the Administrator's deputies or examiners, witnesses on oath and documents, whether the witnesses are members of the credit union or not, and whether the documents are documents of the credit union or not. The Administrator may designate an independent auditing firm to do the work conduct the examinations under the Administrator's direction and supervision, with the cost to be paid by the credit union involved.~~

**"§ 54-109.17. Records.**

(a) A credit union shall maintain all books, records, accounting systems and procedures in accordance with ~~such rules as the Administrator from time to time prescribes, adopted by the Administrator. In prescribing such adopting these rules, the Administrator shall consider the relative size of a credit union and its reasonable capability of compliance.~~

(b) A credit union is not liable for destroying records after the expiration of the record retention time ~~prescribed~~ adopted by the Administrator.

(c) ~~A photostatic or photographic reproduction of any credit union records shall be admissible as evidence of transactions with the credit union.~~ A credit union may cause any or all records kept by it to be recorded, copied, or reproduced by any photographic, reproduction, electronic, or digital process or method, or by any other records retention technology approved by rule or order of the Administrator, of a kind that is capable of accurately converting the records into tangible form within a reasonable time. Each converted tangible form of record also is deemed a record.

**"§ 54-109.18. Selection of attorneys to handle loan closing proceedings.**

~~The Administrator of Credit Unions shall establish rules and regulations relating to selection of attorneys at law to handle credit union loan closing proceedings.~~

**"§ 54-109.18A. Hearings and appeals.**

(a) Unless otherwise stated in this Chapter, administrative hearings required or permitted to be held by the Administrator shall be conducted in accordance with Article 3A of Chapter 150B of the General Statutes.

(b) After a hearing under subsection (a) of this section, a party aggrieved may appeal the decision or order of the Administrator or designee of the Administrator to the Commission for appellate review by filing with the Administrator a written notice of appeal no later than 30 days after the day that the Administrator's decision or order is served. Upon receipt of a notice of appeal, the Administrator shall, within 30 days of the notice, certify to the Commission the record on appeal. The notice of appeal shall state the grounds for the appeal and set forth in numbered order the assignments of error for review by the Commission. Failure to state the grounds for the appeal and assignments of error constitutes grounds to dismiss the appeal. Failure to comply with the briefing schedule provided by the Commission also constitutes grounds to dismiss the appeal. The Commission shall review the record on appeal, hear oral arguments by the parties, and make a written final decision or order no later than 60 days after the date of oral arguments.

(c) A party to a proceeding before the Commission under subsection (b) of this section is entitled to judicial review of the decision or order in accordance with Article 4 of Chapter 150B of the General Statutes.

(d) Notwithstanding any other provision of law, the hearing officer at administrative hearings conducted under subsection (a) of this section may be the Administrator or a designee of the Administrator.

**"§ 54-109.19. Removal of officers.**

(a) ~~The Administrator of Credit Unions shall have the right and is hereby empowered to serve a written notice of his intention to remove from office any~~ If the Administrator finds that an officer, director, ~~committeeman~~ committee member, or employee of any credit union doing business under Articles 14A through to 15A of this Chapter who shall be found to be dishonest, incompetent, is deceitful, incompetent, grossly negligent, or reckless in the management of the affairs of the credit union, has been convicted of a felony, has been convicted of a misdemeanor involving fraud or dishonesty, has breached the trust of the members, or who has persistently ~~violates~~ violated the laws of this State or the lawful orders, instructions and regulations issued orders issued or rules adopted by the Administrator and/or the State Credit Union Commission or the Commission, the Administrator may take one or both of the following actions:

- (1) Remove the director, officer, committee member, or employee from office.
- (2) Prohibit the director, officer, committee member, or employee from participating in the conduct of the affairs of a credit union or credit union service organization.

(b) ~~A notice of intention to remove~~ removal of a director, officer, committee member or employee from office shall contain a statement of the alleged facts constituting the grounds therefor for it and shall fix a time and place at which a hearing before the Credit Union

~~Commission will be held thereon. Such hearing shall be fixed for a date not earlier than 30 days nor later than 60 days after the date of service of such notice unless an earlier or a later date is set by the Commission at the request of such director, officer, committee member or employee and for good cause shown. Pending this hearing, the Administrator may remove the alleged violator if he finds that it is essential to the continued well-being of the credit union or the public to do so. Unless, of course, such director, officer, committee member or employee shall appear at the hearing in person or by a duly authorized representative, he shall be deemed to have consented to the issuance of an order of such removal. In the event of such consent, or if upon the record made at any such hearing the Credit Union Commission shall find that any of the grounds specified in such notice has been determined by the greater weight of the evidence, the Commission may issue such orders of removal from office as it may deem appropriate. Any such order shall become effective at the expiration of 30 days after service upon such credit union and the director, officer, committee member or employee concerned (except in the case of an order issued upon consent, which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated or set aside by action of the Credit Union Commission or a reviewing court.~~ information on how the removed party may appeal the removal to the Commission, including contact information to initiate an appeal. The removal is effective immediately upon service of the notice of removal.

(c) A director, officer, committee member, or employee served written notice of removal has the right to a hearing before the Commission and shall request a hearing within 30 days of the service of the notice of removal.

(d) The hearing shall be fixed for a date no later than 30 days after service of the notice for request for hearing unless a later date is set by the Commission at the request of the removed party and for good cause shown. If the removed party does not seek a hearing within the 30-day time frame, the removed party is deemed to have consented to the removal and the removal is deemed final.

(e) Upon a request for hearing, or upon scheduling a discretionary hearing on its own initiative, the Commission shall review the facts of the case and hear from the Administrator and the removed party. The Commission shall determine whether the preponderance of the evidence supports removal. Upon completion of the hearing, the Commission shall issue an order that does one of the following:

- (1) Overturns the removal and reinstates the removed party.
- (2) Upholds the removal in full.
- (3) Modifies the removal into a suspension of a defined period. The order remains effective and enforceable except to the extent that it is stayed, modified, terminated, or set aside by a later action of the Commission or a reviewing court.

**"§ 54-109.20. Additional authorities of the Administrator.**

(a) In the event of a natural disaster or other national, regional, State, or local emergency, the Administrator may temporarily waive or suspend requirements for compliance by one or more credit unions with any provisions of this Chapter or with any rules if the Administrator deems it in the public interest.

(b) The Administrator may issue and serve upon a credit union an order to cease and desist from one or more unsafe or unsound practices or violations if, in the opinion of the Administrator, a credit union is engaging or has engaged, or there is reasonable cause to believe a credit union is about to engage, in an unsafe or unsound practice, or is violating or has violated, or there is reasonable cause to believe a credit union is about to violate, this Chapter or any other applicable statute, rule, regulation, or order. An order to cease and desist shall contain a statement of the facts constituting the alleged violations or unsafe or unsound practices, and the order may require, in terms that may be mandatory or otherwise, a credit union, its officers, directors, employees, or agents to cease and desist from the practices or violations. The order shall specify

its effective date and shall contain a notice to the credit union of its right to a hearing on the order in accordance with rules adopted by the Administrator.

(c) The Administrator may conduct an investigation, including conducting background checks, of any credit union employee, officer, director, or committee member when considering applications for new charters, changes to those positions in credit unions in a troubled condition, a managing agent or manager in a conserved credit union, or when the Administrator has reason to believe the credit union employee, director, or committee member affected or is likely to affect the safety or soundness of the credit union."

SECTION 11.(c) Article 14C of Chapter 54 of the General Statutes reads as rewritten:

"Article 14C.  
"Powers of Credit Union.

**"§ 54-109.21. General powers.**

(a) A credit union may:

- (1) Make ~~contracts;~~contracts.
- (2) Sue and be ~~sued;~~sued.
- (3) Adopt and use a common seal and alter the ~~seal;~~seal.
- (4) Acquire, lease, hold and dispose of property, either in whole or in part, necessary or incidental to its ~~operations;~~present and future operations.
- (5) At the discretion of the board of directors, require the payment of an entrance fee or annual membership fee, or both, of any person admitted to ~~membership;~~membership.
- (6) Receive ~~savings from its members funds~~ from persons in the form of shares, deposits, or special-purpose thrift ~~accounts;~~accounts.
- (7) Lend its funds to its members as provided in Articles 14A to ~~14L~~ 15A of this ~~Chapter;~~Chapter.
- (8) Borrow from any source in accordance with policy established by the board of ~~directors;~~directors.
- (9) Discount and sell any eligible obligations, subject to rules adopted by the ~~Administrator;~~Administrator.
- (10) Sell all or substantially all of its assets or purchase all or substantially all of the assets of another financial institution, subject to the approval of the ~~Administrator of Credit Unions;~~Administrator.
- (11) Invest ~~surplus funds its funds~~ as provided in Articles 14A to 14L 15A of this ~~Chapter;~~Chapter.
- (12) Make deposits in legally chartered banks, savings institutions, trust companies and ~~central type credit union organizations;~~corporate credit unions.
- (13) Assess charges to members in accordance with the bylaws for failure to meet properly their obligations to the credit ~~union;~~union.
- (14) Hold membership in other credit unions organized under ~~Articles 14A to 14L~~ of this Chapter or other acts, and in other associations and organizations composed of credit unions;unions, and in organizations or associations fostering the interests of credit unions or providing services to credit unions.
- (15) Declare ~~dividends;~~ dividends, pay interest on ~~deposits~~ deposits, and pay interest refunds to borrowers as provided in Articles 14A to ~~14L~~ 15A of this ~~Chapter;~~Chapter.
- (16) ~~Sell travelers checks and money orders and charge a reasonable fee for such services, provided the travelers checks are payable at institutions other than a credit union;~~Offer related financial services, including travelers checks, money orders, other negotiable instruments, electronic transfer of funds, safe

- deposit boxes, custodial services, and correspondent services and charge a reasonable fee for these services.
- (17) Perform tasks and missions requested by the federal government or this State or any agency or political subdivision thereof, when approved by the board of directors and not inconsistent with Articles 14A to ~~14L~~15A of this ~~Chapter~~Chapter.
  - (18) Act as fiscal agent for and receive deposits from the federal government, this State, or any agency or political subdivision ~~thereof~~thereof.
  - (19) Contribute to, support, or participate in any nonprofit service facility whose services will benefit the credit union or its membership subject to rules adopted by the ~~Administrator~~Administrator.
  - (20) Make donations or contributions to any civic, charitable or community organization as authorized by the board of directors, subject to ~~such regulations as are prescribed by the Administrator~~rules adopted by the Administrator.
  - (21) Act as a custodian of qualified pension funds if permitted by federal ~~law~~law.
  - (22) Purchase or make available insurance for its directors, officers, agents, employees, and ~~members~~insurance members. Insurance may be provided through any insurance company or through any subsidiary insurance company owned by the credit ~~union~~and union.
  - (23) Facilitate its members' purchase of goods and services in a manner ~~which~~that promotes the purposes of the credit union.
  - (24) ~~The board of directors may expel from the corporation any member who has not carried out the engagement the member made with the corporation, has been convicted of a felony or crime involving moral turpitude, or neglects or refuses to comply with the provisions of this Article or of the bylaws. The Board may, after notice and hearing as provided in this subdivision, expel from the corporation any member who because of the member's intemperance disrupts the activities of the credit union or who because of the member's habitual neglect of financial obligations reflects discredit upon the credit union. No member shall be expelled until informed in writing of the charges made and given an opportunity, after reasonable notice, to be heard. Expel any member or reduce services for cause. A member expelled for cause may appeal in writing to the board of directors. Upon consideration of the member's appeal, the board may reinstate the member or uphold the expulsion. No member shall be expelled until informed in writing of the expulsion.~~
  - (25) ~~Engage in activity permitted under this subdivision. Notwithstanding any other provision of this Chapter, the Administrator of Credit Unions, subject to the advice and consent of the Credit Union Commission, and upon a finding that action is necessary to preserve and protect the welfare of credit unions and to promote the general economy of the State, may adopt rules allowing State chartered credit unions to engage in any activity in which they could engage if they were federally chartered credit unions.~~ of Articles 14C to 14J of this Chapter, upon 45-day written notice to the Administrator and subject to the Administrator's written disapproval during the 45-day period if the Administrator concludes the credit union is not well-capitalized or well-managed as demonstrated by the supervisory rating it received during its most recent safety and soundness examination, engage in any activity or exercise any power in which it could engage or exercise if it were a federally chartered credit union, subject to similar approval provisions, if any,

applicable to federally chartered credit unions with respect to the activity or power.

- (26) Subject to rules adopted by the Administrator, act as trustee or custodian, and receive reasonable compensation for so acting, under any written trust instrument or custodial agreement created or organized and forming a part of a deferred compensation plan for its members or groups or organizations of its ~~members, provided members so long as~~ the funds of the plans are invested in savings or deposits of the credit union. All funds held may be commingled for the purpose of investment, but individual records shall be kept by the credit union for each participant and shall show in proper detail all transactions engaged in under authority of this subdivision.

(b) A member may withdraw from a credit union by filing a written notice of intent to withdraw. ~~The~~

~~The~~ amounts paid in on shares or deposits by an expelled or withdrawing member, with any dividends credited to the shares and any interest accrued on the deposits to the date of expulsion or ~~withdrawal withdrawal~~, shall be paid to the ~~member, but member~~ in the order of expulsion or withdrawal, after deducting any amounts due to the credit union by the member and only as funds therefor become available, ~~after deducting any amounts due to the credit union by the member.~~ available. The member ~~shall have has~~ no other ~~or further~~ right in the credit union or to any of its benefits, but the expulsion or withdrawal ~~shall does~~ not operate to relieve the member from any remaining liability to the credit union.

...."

**SECTION 11.(d)** Article 14D of Chapter 54 of the General Statutes reads as rewritten:

"Article 14D.

"Membership.

**"§ 54-109.26. "Membership" defined.**

(a) The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons within the common ~~bond bonds~~ set forth in the bylaws as have been duly admitted members, have paid any required entrance fee or membership fee, or both, have subscribed for one or more shares, and have paid the initial installment thereon, and have complied with such other requirements as the articles of incorporation or bylaws specify.

(b) Credit union membership may include groups having a common bond of similar occupation, association or interest, or groups who reside within an identifiable neighborhood, community, or rural district, or employees of a common employer, and members of the immediate family of such persons.

**"§ 54-109.27. Societies and other associations.**

Societies, and copartnerships composed primarily of individuals who are eligible to membership, and corporations whose stockholders are composed primarily of such individuals, may be admitted to membership in the same manner and under the same conditions as individuals, but may not borrow in excess of their shareholdings. Provided, however, secured loans in excess of shareholdings may be made to nonprofit societies, copartnerships, and corporations who are members.

**"§ 54-109.28. Other credit unions, unions and specially designated common bonds.**

~~Any A~~ credit union organized under Articles 14A to ~~14L-14N~~ of this Chapter may permit membership of any other credit union organized under Articles 14A to ~~14L-14N~~ of this Chapter or other ~~aets-law~~. To facilitate the provision of financial services to underserved populations and communities, a credit union organized under Articles 14A to 14N of this Chapter may also permit membership of the following located in this State:

- (1) Individuals and families that earn income at or below the federal poverty threshold as long as the account holder is at least 25 years of age.
- (2) Persons residing in census tracts in North Carolina where the center of population, as defined by the United States Census Bureau, is more than 9 miles from a bank branch, as defined in G.S. 53C-1-4. If the credit union does not have a branch already present, the credit union must establish a branch located in the census tract. For purposes of this subdivision, the term "branch" shall mean an office of any credit union organized under the credit union laws of the United States, North Carolina, or another state in which deposits are received. A branch may also engage in any of the functions or services authorized to be engaged in by the credit union of which it is a branch. The term "branch" does not include a non-branch credit union business office, automated teller machine, remote deposit facility, remote service unit, customer-credit union communications terminal, point-of-sale terminal, automated credit union facility, or other direct or remote information processing device or machine, whether manned or unmanned, by means of which information relating to any financial service or transaction rendered to the public is stored and transmitted, instantaneously or otherwise, to or from a credit union or other non-credit union terminal.

**"§ 54-109.29. Members who leave field.**

Members who leave the field of membership may be permitted to retain their membership in the credit union as a matter of general policy of the board of directors.

**"§ 54-109.30. Liability of shareholders.**

A shareholder of any such corporation, unless the bylaws so provide, shall not be individually liable for the payment of its debts for an amount in excess of the par value of the shares which he owns or for which he has subscribed.

**"§ 54-109.31. Meetings of members.**

(a) The annual meeting and any special meetings of the members of the credit union shall be held at the time, place, and in the manner indicated by the bylaws.

(b) At all such meetings, a member shall have but one vote, irrespective of his shareholdings. No member may vote by proxy, but a member may vote by absentee ballot if the bylaws of the credit union so provide.

(c) A society, association, copartnership or corporation having membership in the credit union may be represented and have its vote cast by one of its members or shareholders, provided such person has been fully authorized by the organization's governing body.

(d) The board of directors may establish a minimum age of 16 years of age as a qualification to vote at meetings of the members.

(e) The board of directors may establish a minimum age of 18 years of age as a qualification to hold office."

**SECTION 11.(e)** Article 14I of Chapter 54 of the General Statutes reads as rewritten:

"Article 14I.

"Investments.

**"§ 54-109.82. Investment of funds.**

(a) The capital, deposits, undivided ~~profits~~ profits, and reserve fund of the ~~corporation~~ credit union may be invested only in any of the following ways:

- (1) They may be lent to the members of the ~~corporation~~ credit union in accordance with ~~the provisions of this Chapter.~~
- (2) In capital shares, obligations, or preferred stock issues of any agency, company, or association organized either as a stock company, mutual association, or membership ~~corporation~~, provided ~~corporation~~ so long as the membership or stockholdings, as the case may be, of the agency, company, or

association are confined or restricted to credit unions or organizations of credit unions, or provided unions or the purpose for which the agency, company, or association is organized or designed is to service or otherwise assist credit union operations.

- (3) In obligations of the State of North Carolina or any subdivision thereof.
- (4) In obligations of the United States, including bonds and securities upon which payment of principal and interest is fully guaranteed by the United States.
- (5) They may be deposited to the credit of the ~~corporation~~ credit union in savings institutions, credit unions, ~~or State banks or banks,~~ trust companies incorporated under the laws of the State, or ~~in~~ national banks located in the State.
- (6) In loans to other credit unions in any amount not to exceed twenty-five percent (25%) of the shares and unimpaired surplus of the lending credit union.
- (7) In an aggregate amount not to exceed ~~twenty five percent (25%) of the allocations to the reserve fund in any agency, company, or association~~ twelve and one-half percent (12.5%) of the credit union's net worth, in agencies, companies, or associations of the type described in subdivision (2) of this section ~~provided~~ so long as the purposes of the agency, company, or association are designed to assist in establishing and maintaining liquidity, solvency, and security in credit union operations.
- (8) In the North Carolina Savings Guaranty Corporation.
- (9) In any form of investment allowed by law to the State Treasurer under G.S. 147-69.1. In addition, investment in corporate bonds that bear a minimum rating of A+ by at least one nationally recognized rating service is permissible. Credit unions shall monitor overall credit exposure by setting corporate bond investment limits as a percentage of assets.
- (10) ~~Debentures~~ In debentures issued by an agency of the United States government.
- (11) In the College ~~Foundation~~ Foundation, in any amount not to exceed ten percent (10%) of the shares and unimpaired surplus of the investing credit union.
- (12) They may be deposited in any bank or savings institution insured by the federal government or any of its agencies.
- (13) In higher education bonds permissible under ~~G.S. 116D-2, provided that such~~ G.S. 116D-2 so long as the bonds pledge the faith, credit, and taxing power of the State for the payment of the principal of and interest on bonds and notes.
- (14) In an aggregate amount not to exceed one percent (1%) of the credit union's net worth in a small business formed under the laws of the United States, or a state, district, or territory of the United States, that meets the appropriate United States Small Business Administration definition of small business under Part 121 of Chapter I of Title 13 of the Code of Federal Regulations and that is principally engaged in the development or exploitation of inventions, technological improvements, new processes, or other fintech products.
- (15) In common trust or mutual funds whose investment portfolios consist of securities otherwise permitted for credit unions.
- (16) In stock, securities, obligations, or other instruments that are approved by the Administrator.

(b) If the status or form of a credit union's investment changes during the life of the investment, the credit union may continue to hold and maintain the investment regardless of the change.

(c) Subject to rules of the Administrator, a credit union may make an otherwise impermissible investment to fund the credit union's employee benefit plan. A credit union's investment to fund an employee benefit plan obligation is not subject to the investment limitations of this section if the investment is directly related to the credit union's obligation under the employee benefit plan and the credit union holds the investment only for so long as it has an actual or potential obligation under the plan."

**SECTION 11.(f)** G.S. 54-109.92(k) reads as rewritten:

"(k) If, after a hearing under this section, the board of directors of the credit union is dissatisfied with the decision of the Administrator of Credit Unions, the board may appeal to the ~~Credit Union Commission by filing with the Administrator a written appeal, including a duly certified resolution of the board, not later than 10 days after the day that the Administrator's order is served. If the appeal is duly filed, the Administrator shall set a date for a hearing on the appeal not more than 30 days after the date on which the appeal is filed. The Administrator shall promptly give notice of the date, time, and place of the hearing to the credit union and any other interested party, pursuant to G.S. 54-109.18A.~~ The filing of an appeal does not suspend the effect of ~~the an~~ order of ~~the conservation~~ conservation, and ~~this the~~ order remains in force pending final disposition of the appeal by the Commission. At the conclusion of the hearing, the Commission may reverse the order of the Administrator and adopt and approve the credit union's plan to continue operations, affirm the Administrator's order of conservation, or order that other appropriate action be taken."

**SECTION 11.(g)** G.S. 54-109.2(a) reads as rewritten:

"(a) Any ~~12~~seven or more residents of this State, of legal age, who have a common bond referred to in G.S. 54-109.26 may make application to organize a credit union and become charter members thereof by complying with this section."

**SECTION 11.(h)** G.S. 54-109.11 reads as rewritten:

**"§ 54-109.11. Duties of Administrator.**

The duties of the Administrator of ~~Credit Unions~~ shall be as follows:

...

- (5) ~~The Administrator of Credit Unions is authorized, empowered, and directed to fix the amount of a blanket surety bond which shall be required of each credit union official, committee member and employee, irrespective of whether such official, committee member and employee receives, pays or has custody of money or other personal property owned by a credit union or in the custody or control of the credit union as collateral or otherwise. The surety on the bond shall be a surety company authorized to do business in North Carolina. Any such bond or bonds shall be in a form approved by the Administrator of Credit Unions with a view to providing surety coverage to the credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction or misapplication on the part of the person, directly or through connivance with others, and such other surety coverages as the Administrator of Credit Unions may determine to be reasonably appropriate or as elsewhere required by the Chapter. Any such bond or bonds shall be in an amount in relation to the money or other personal property involved or in relation to the assets of the credit union as the Administrator may from time to time prescribe by regulation for the purpose of requiring reasonable coverage. The Administrator may also approve the use of a form of excess coverage bond whereby a credit union may obtain an amount of coverage in excess of the basic surety coverage. No agreement, compromise or settlement of any claim or claims filed by a credit union with any surety or any surety company for less than the full amount of said claim or claims shall be entered into or made~~

~~by the board of directors of any credit union unless and until the said claim or claims shall have been submitted to the Administrator of Credit Unions and his advice thereon given or transmitted to the board of directors of said credit union. The following schedule shall be deemed as the minimum fidelity and faithful performance bond requirements only:~~North Carolina. Any such bond or bonds shall be in a form approved by the Administrator and subject to the rules adopted by the Administrator.

| Assets |                 | Minimum Coverage |   |
|--------|-----------------|------------------|---|
| \$     | 0,000 to        | \$               | 5,000   |
|        | 5,001 to        |                  | 10,000  |
|        | 10,001 to       |                  | 20,000  |
|        | 20,001 to       |                  | 30,000  |
|        | 30,001 to       |                  | 40,000  |
|        | 40,001 to       |                  | 50,000  |
|        | 50,001 to       |                  | 75,000  |
|        | 75,001 to       |                  | 100,000   |
|        | 100,001 to      |                  | 200,000   |
|        | 200,001 to      |                  | 300,000   |
|        | 300,001 to      |                  | 400,000   |
|        | 400,001 to      |                  | 500,000   |
|        | 500,001 to      |                  | 750,000   |
|        | 750,001 to      |                  | 1,000,000   |
|        | 1,000,001 to    |                  | 50,000,000  |
|        |                 |                  | \$100,000 plus \$50,000<br>for each million or<br>fraction thereof of assets<br>over \$1,000,000    |
|        | \$50,000,001 to |                  | \$150,000,000   |
|        |                 |                  | \$2,500,000 plus \$25,000<br>for each million or<br>fraction thereof of assets<br>over \$50,000,000 |
|        | Over            |                  | \$150,000,000   |
|        |                 |                  | \$5,000,000   |

It shall be the duty of the board of directors of each credit union to ~~provide proper protection to meet any circumstances by obtaining adequate bond (an insurance) coverage in excess of the above minimum schedule.~~obtain bond (and insurance) coverage in excess of the minimum required by the Administrator if the board determines additional coverage is appropriate in relation to potential risks facing the credit union. The treasurer and all other persons handling credit union funds or records before entering upon his or their duties shall give a proper bond with good and sufficient surety, in an amount and character to be determined by the board in compliance with regulations conditioned upon the faithful performance of his or their trust.

The Administrator may require additional coverage for any credit union when, ~~in his~~in the Administrator's opinion, the surety bonds in force are insufficient to provide adequate surety coverage, and it shall be the duty of the board of directors of any credit union to obtain such additional coverage within 60 days after the date of written notice by the Administrator to such board of directors. For good cause shown, the Administrator may extend the time to obtain additional coverage."

**SECTION 11.(i)** G.S. 54-109.60A reads as rewritten:

**"§ 54-109.60A. Minors.**

(a) A credit union may issue and operate a share or deposit account in the name of ~~(i) a minor or (ii) a minor or~~the names of two or more individuals, one or more of which whom are

~~minors.~~ minors, and receive payments, pay withdrawals, accept a pledge of the account, issue automated teller machine (ATM) and debit cards, and act in any other matter with respect to the account on the order of the minor with like effect as if the minor were of full age and legal capacity. Any payment to or at the direction of a minor is a discharge of the credit union to the extent thereof. The account shall be held for the exclusive right and benefit of the minor and any joint owners, free from the control of all other persons except creditors. A minor who obtains a share or deposit account from a credit union under this subsection, whether individually or together with others, is bound by the terms of the ~~account agreement~~ agreements governing or permitting electronic access to the share or deposit account to the same extent as if the minor were of full age and legal capacity.

(a1) Any credit union may lease a safe deposit box to a minor or to two or more individuals, one or more of whom are minors. With respect to any such lease, a credit union may deal with the minor in all regards as if the minor were of full age and legal capacity. A minor entering a lease agreement with a credit union under this subsection, whether individually or together with others, is bound by the terms of the safe deposit box agreement to the same extent as if the minor were of full age and legal capacity.

(b) If a minor with a share account, other than a joint account with right of survivorship or a payable on death account, dies, a parent or legal guardian of the minor may access and withdraw the funds on deposit, and the credit union is discharged to the extent of any withdrawal. If a minor with a safe deposit box dies, the provisions of G.S. 28A-15-13 shall control the opening, inventory, and release of contents of the safe deposit box.

(c) This section shall not affect the law governing transactions with minors in cases outside the scope of this section, including transactions that constitute an extension of credit to a minor."

**SECTION 11.(j)** Report on Parity. – The Administrator of Credit Unions shall submit a report to the Joint Legislative Commission on Governmental Operations by December 1, 2027, which shall include the following information:

- (1) The number of credit unions that made parity requests pursuant to G.S. 54-109.21(a)(25).
- (2) The time within which each request was completed, in five-day increments, up to the 45 days allowed.
- (3) Any other information the Administrator deems relevant.

**SECTION 11.(k)** This Part becomes effective July 1, 2026.

## **PART XII. IRC UPDATE**

**SECTION 12.(a)** G.S. 105-228.90(b) reads as rewritten:

"(b) Definitions. – The following definitions apply in this Article:

...

- (7) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2023,~~ July 5, 2025, including any provisions enacted as of that date that become effective either before or after that date.

...."

**SECTION 12.(b)** Part 1 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-130.5C. Adjustments when State decouples from federal first-year expensing of domestic research and experimental expenditures.**

(a) Expense Deduction Adjustment. – A taxpayer who takes a deduction for domestic research and experimental expenditures under section 174A(a) of the Code must add to the taxpayer's federal taxable income eighty percent (80%) of the amount taken for that year under that Code provision. A taxpayer is allowed to deduct twenty-five percent (25%) of the add-back in each of the first four taxable years following the year the taxpayer is required to include the

add-back in income. The purpose of this section is to decouple from the allowance of full first-year expensing of domestic research and experimental expenditures under section 70302 of the One Big Beautiful Bill Act.

(b) Asset Basis. – The adjustments made in this section do not result in a difference in basis of the affected assets for State and federal income tax purposes."

**SECTION 12.(c)** G.S. 105-130.5 reads as rewritten:

**"§ 105-130.5. Adjustments to federal taxable income in determining State net income.**

(a) The following additions to federal taxable income shall be made in determining State net income:

...

(24a) The amount required to be added under G.S. 105-130.5C when the State decouples from federal first-year expensing of domestic research and experimental expenditures.

...

(b) The following deductions from federal taxable income shall be made in determining State net income:

...

(27a) The amount allowed as a deduction under G.S. 105-130.5C as a result of an add-back for federal first-year expensing of domestic research and experimental expenditures.

...."

**SECTION 12.(d)** Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-153.6A. Adjustments when State decouples from federal first-year expensing of domestic research and experimental expenditures.**

(a) Expense Deduction Adjustment. – A taxpayer who takes a deduction for domestic research and experimental expenditures under section 174A(a) of the Code must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty percent (80%) of the amount taken for that year under that Code provision. A taxpayer is allowed to deduct twenty-five percent (25%) of the add-back in each of the first four taxable years following the year the taxpayer is required to include the add-back in income. The purpose of this section is to decouple from the allowance of full first-year expensing of domestic research and experimental expenditures under section 70302 of the One Big Beautiful Bill Act.

(b) Asset Basis. – The adjustments made in this section do not result in a difference in basis of the affected assets for State and federal income tax purposes."

**SECTION 12.(e)** G.S. 105-153.5 reads as rewritten:

**"§ 105-153.5. Modifications to adjusted gross income.**

...

(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

(8a) The amount allowed as a deduction under G.S. 105-153.6A as a result of an add-back for federal first-year expensing of domestic research and experimental expenditures.

...

(c) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's adjusted gross income:

...

- (5a) The amount required to be added under G.S. 105-153.6A when the State decouples from federal first-year expensing of domestic research and experimental expenditures.

...."

**SECTION 12.(f)** This section is effective when it becomes law, and subsections (b) through (e) of this section apply as follows:

- (1) To taxable years beginning on or after January 1, 2022, for taxpayers who elect for federal income tax purposes the retroactive application of section 174A(a) of the Code for a taxable year beginning in 2022, 2023, or 2024.
- (2) To taxable years beginning on or after January 1, 2025, for taxpayers who do not make the election.

### **PART XIII. PROTECTION OF DISABLED AND OLDER ADULTS FROM FINANCIAL EXPLOITATION AND SAVINGS BANK UPDATES**

**SECTION 13.1.(a)** G.S. 108A-112 reads as rewritten:

**"§ 108A-112. Legislative intent and purpose.**

(a) Determined to fight the growing problem of fraud and financial exploitation targeting disabled adults and older adults in North Carolina, the General Assembly enacts this Article to facilitate the collection of records needed to investigate and prosecute such these incidents.

(b) The General Assembly finds that older adults in this State are at a statistically higher risk of being targeted for financial exploitation, regardless of diminished capacity or other disability, because of their accumulation of substantial assets and wealth compared to younger age groups.

(c) The General Assembly recognizes that financial institutions have duties imposed by law and by contract to conduct customer-directed transactions in a timely manner and in accordance with their customers' instructions.

(d) The General Assembly intends to provide financial institutions with the tools and protections to take action based upon the reasonable belief that older adults or disabled adults who have accounts with the financial institutions have been or are the subject of financial exploitation and to provide financial institutions and their employees immunity from liability for taking actions as authorized in this Article.

(e) The General Assembly intends to balance the rights of older adults and disabled adults to direct and control their assets, funds, and investments and to exercise their constitutional rights consistent with due process with the need to provide financial institutions the ability to place narrow, 30-day limited restrictions on these rights in an effort to decrease older adults' or disabled adults' risk of loss due to abuse, neglect, or financial exploitation."

**SECTION 13.1.(b)** G.S. 108A-113 reads as rewritten:

**"§ 108A-113. Definitions.**

As used in this Article, the following definitions apply:

- (1) Customer. – A person ~~who~~ that is a present or former holder of an account with a financial institution.
- (2) Disabled adult. – An individual 18 years of age or older or a lawfully emancipated minor who is present in ~~the State of North Carolina~~ this State and who is physically or mentally incapacitated as defined in G.S. 108A-101(d).
- (3) Financial exploitation. – The illegal or improper use of a disabled adult's or older adult's money, assets, property, or other financial resources for another's profit or pecuniary advantage, advantage, or any act or omission by a person, including through the use of power of attorney, guardianship, or conservatorship, to do either of the following:
  - a. Obtain control over the older adult's or disabled adult's money, assets, or property through deception, intimidation, or undue influence to

- deprive him or her of the ownership, use, benefit, or possession of the money, assets, or property.
- b. Divert the older adult's or disabled adult's money, assets, or property to deprive him or her of the ownership, use, benefit, or possession of the money, assets, or property.
- (4) Financial institution. – A banking corporation, trust company, savings and loan association, credit union, or other entity principally engaged in lending money or receiving or soliciting money on deposit.
- (5) Financial record. – An original of, a copy of, or information derived from a record held by a financial institution pertaining to a customer's relationship with the financial institution and identified with or identifiable with the customer.
- (6) Investigating entity. – A law enforcement agency investigating alleged financial exploitation of a disabled adult or an older adult, or a county department of social services investigating alleged financial exploitation of a disabled adult.
- (7) Law enforcement agency. – Any ~~duly accredited~~ State or local government agency possessing authority to enforce the criminal statutes of North Carolina.
- (8) Older adult. – An individual 65 years of age or older.
- (9) Promptly. – As soon as practicable, with reasonable allowance to be made for the time required to retrieve older data or records that are not readily or immediately retrievable due to their current storage media.
- (10) Trusted contact. – Includes any of the following:
- a. A natural person 18 years of age or older whom the customer has expressly identified pursuant to G.S. 108A-114 in a financial institution's records as the person who may be contacted (i) about either the account or the account owner to address possible financial exploitation or to confirm the specifics of the account owner's current contact information or health status; (ii) to determine the identity of any conservator, executor, trustee, or agent; or (iii) to address any other concern reasonably related to the administration of the account.
- b. A joint account owner, additional authorized signatory, beneficiary of the customer's account, or an agent under a power of attorney.
- c. An attorney, trustee, conservator, guardian, or other fiduciary whom a court or government agency has selected to manage some or all of the financial affairs of the older adult or disabled adult.
- d. A parent, spouse, adult child, sibling, or other family member of an older adult or disabled adult whom a financial institution believes is closely associated with the older adult or disabled adult."

**SECTION 13.1.(c)** G.S. 108A-115 reads as rewritten:

**"§ 108A-115. Duty to report suspected fraud; content of report; immunity for reporting.**

(a) Any financial institution, or officer or employee thereof, having reasonable cause to believe that a disabled adult or older adult is the victim or target of financial exploitation shall report ~~such~~ this information to the following:

- (1) Persons on the list provided by the customer under G.S. 108A-114, if ~~such a list has been provided by the customer.~~ provided. The financial institution may choose not to contact persons on the provided list if the financial institution suspects that those persons are financially exploiting the disabled adult or older adult.
- (2) The appropriate local law enforcement agency.

(3) The appropriate county department of social services, if the customer is a disabled adult.

(b) The report may be made orally or in writing. The report shall include the name and address of the disabled adult or older adult, the nature of the suspected financial exploitation, and any other pertinent information.

(c) ~~No financial institution, or officer or employee thereof, who officer, employee, or agent, that~~ acts in good faith in making a report under this section may be held liable in any action for doing so. Furthermore, a financial institution, and its officers, employees, and agents, shall not be compelled in any action to identify the existence of or the contents of a suspicious activity report related to suspected financial abuse activity that may have been filed with the U.S. Department of the Treasury's Financial Crimes Enforcement Network pursuant to requirements of the Bank Secrecy Act, 31 U.S.C. § 5318(g)(2), and its implementing regulations."

**SECTION 13.1.(d)** Article 6A of Chapter 108A of the General Statutes is amended by adding two new sections to read:

**"§ 108A-117.1. Transaction delays and refusals.**

(a) A financial institution may choose to delay or refuse a disbursement or transaction from an account of a disabled adult or older adult or an account for which a disabled adult or older adult is a beneficiary or beneficial owner if all of the following apply:

- (1) The financial institution and its employees believe that financial exploitation of the older adult or disabled adult may have occurred, may have been attempted, or is occurring or is being attempted.
- (2) The belief is based on individual observation or information received, including information received from a government agency or law enforcement agency.
- (3) The financial institution promptly initiates an internal review of the facts and circumstances that caused an employee of the financial institution to delay or refuse the disbursement or transaction.

(b) If the conditions of subsection (a) of this section are met, a financial institution may do any of the following:

- (1) Delay or refuse one or more transactions with or involving the older adult or disabled adult.
- (2) Delay or refuse to permit the withdrawal or disbursement of funds contained in the older adult's or disabled adult's account.
- (3) Prevent a change in ownership of the older adult's or disabled adult's account.
- (4) Prevent a transfer of funds from the older adult's or disabled adult's account to an account owned wholly or partially by another person.
- (5) Refuse to comply with instructions given by an agent or a person acting for or with an agent under a power of attorney signed or purported to have been signed by the older adult or disabled adult.
- (6) Prevent the designation or change the designation of beneficiaries to receive any property, benefit, or contract rights for an older adult or disabled adult at death.

(c) A financial institution shall use discretion to determine whether or not to act under subsections (a) and (b) of this section based on the information available to its staff at the time. The authority to delay a transaction expires upon the earlier of the following:

- (1) Thirty business days after the date on which the depository institution first acted under the authority in this section.
- (2) When the depository institution is satisfied in its discretion that the transaction or act will not likely result in financial exploitation of the older adult or disabled adult.
- (3) Upon an order of a court directing the release of funds.

(d) Unless otherwise directed by order of a court, a financial institution may extend the duration of a delay up to an additional 30 business days based on a reasonable belief that the financial exploitation of an older adult or disabled adult may continue to occur or continues to be attempted.

(e) A financial institution shall create and maintain for at least five years from the date of the delayed or refused disbursement or transaction a written or electronic record that includes, at a minimum, the following information:

- (1) The date on which the delay or refusal was first placed.
- (2) The name and address of the older adult or disabled adult.
- (3) The business location of the financial institution.
- (4) The name and title of the employee who reported suspected financial exploitation of the older adult or disabled adult pursuant to G.S. 108A-115.
- (5) The facts and circumstances that caused the employee to report suspected financial exploitation.

(f) A financial institution that acts in good faith and exercises reasonable care to comply with this section is immune from any civil, criminal, or administrative liability that might otherwise arise from the financial institution's action, inaction, or delay in a disbursement or transaction in accordance with this section. This protection from liability also extends to employees of a financial institution. This subsection does not supersede or diminish any immunity granted elsewhere in this Chapter. If a financial institution or its employees make, or choose not to make, a disclosure to a trusted contact or participate in a judicial proceeding, administrative proceeding, or investigation arising from a notification or report, the financial institution and its employees are immune from any civil, criminal, or administrative liability arising from the disclosure, nondisclosure, notification, or participation, unless the financial institution or its employees had actual knowledge of financial exploitation and acted with a malicious purpose. For purposes of this section, a financial institution and its employees are deemed to be acting with reasonable care if the financial institution has established training policies, programs, and procedures for its employees consistent with the requirements of subsection (g) of this section.

(g) Before placing a delay on a disbursement or transaction pursuant to this section, a financial institution shall do all of the following:

- (1) Develop training policies or programs reasonably designed to educate employees who perform or approve transactions on behalf of customers on issues pertaining to financial exploitation of older adults or disabled adults.
- (2) With respect to an individual who begins employment with a financial institution, the training shall be conducted within one year after the date on which the individual becomes employed by or affiliated or associated with the financial institution.
- (3) Develop, maintain, and enforce written procedures regarding the manner in which suspected financial exploitation is reviewed internally, including, if applicable, the manner in which suspected financial exploitation is required to be reported to supervisory personnel.

(h) Absent a reasonable belief of financial exploitation as provided in this section, this section does not otherwise alter a financial institution's obligations to all parties authorized to transact business on an account and any trusted contact named on the account. This section does not create new rights for or impose new obligations or new duties on a financial institution under other applicable law.

(i) Notwithstanding any other law to the contrary, the following provisions apply:

- (1) The refusal to engage in a transaction as authorized under this section does not constitute the wrongful dishonor of an item under G.S. 25-4-402.

(2) A reasonable belief that payment of a check will facilitate the financial exploitation of an older adult or disabled adult constitutes reasonable grounds to doubt the collectability of the item for purposes of the federal Check Clearing for the 21st Century Act, 12 U.S.C. § 5001 et seq., the federal Expedited Funds Availability Act, 12 U.S.C. § 4001 et seq., and 12 C.F.R. Part 229. Nothing in this subdivision, however, requires financial institutions and their employees to review the checks of older adults or disabled adults.

(j) A delay or refusal to complete a funds transfer request as authorized under this section does not violate Article 4A of Chapter 25 of the General Statutes. Furthermore, if a transaction is delayed under this section, the payment order is not deemed as received until the hold is removed and the financial institution submits the payment order for processing. "Funds transfer" and "payment order" have the meaning provided in Article 4A of Chapter 25 of the General Statutes.

**"§ 108A-117.2. Notifications to trusted contacts.**

(a) A financial institution may notify a trusted contact, if any, if the financial institution or its employees believe that financial exploitation of an older adult or disabled adult is occurring, has or may have occurred, is being attempted, or has been or may have been attempted.

(b) A financial institution and its employees may choose not to notify a trusted contact if the financial institution or its employees believe that the third party is, may be, or may have been engaged in the financial exploitation of an older adult or disabled adult.

(c) When providing information, a financial institution or its employees may limit the information provided to disclosing their suspicion that the older adult or disabled adult may be a victim or target of financial exploitation.

(d) Any disclosure under this section is exempt from State privacy laws."

**SECTION 13.2.(a)** G.S. 54C-4(b) reads as rewritten:

"(b) ~~Unless the context otherwise requires, the~~ The following definitions apply in this Chapter:

...

(25a) Public notice. – A single publication in a newspaper of general circulation in a community and a posting in the notices section of the Commissioner's website for at least 15 days. The Commissioner may waive the publication requirement and establish by rule an alternative method of publication in those instances when there is not a newspaper of general circulation operating in a community.

...."

**SECTION 13.2.(b)** G.S. 54C-23 reads as rewritten:

**"§ 54C-23. Branch offices. Establishment of branch offices.**

(a) ~~A State savings bank may apply to the Commissioner of Banks for permission to establish a branch office. The application shall be in the form prescribed by the Commissioner of Banks and shall be accompanied by the proper branch application fee. The Commissioner of Banks shall approve or deny branch applications within 120 days of filing.~~

(b) ~~The Commissioner of Banks shall approve a branch application when all of the following criteria are met:~~

- (1) ~~The applicant has gross assets of at least ten million dollars (\$10,000,000).~~
- (2) ~~The applicant has evidenced financial responsibility.~~
- (3) ~~The applicant has a net worth equal to or exceeding the amount required by the insurer of deposit accounts.~~
- (4) ~~The applicant has an acceptable internal control system that includes certain basic internal control requirements essential to the protection of assets and the promotion of operational efficiency regardless of the size of the applicant.~~

~~(c) Upon receipt of a branch application, the Commissioner of Banks shall examine or cause to be examined all the relevant facts connected with the establishment of the proposed branch office. If it appears to the satisfaction of the Commissioner of Banks that the applicant has complied with all the requirements set forth in this section and the regulations for the establishment of a branch office and that the savings bank is otherwise lawfully entitled to establish the branch office, then the Commissioner of Banks shall approve the branch application.~~

~~(d) Not more than 10 days following the filing of the branch application with the Commissioner of Banks, the applicant shall cause a notice to be published in a newspaper of general circulation in the area to be served by the proposed branch office. The notice shall contain:~~

- ~~(1) A statement that the branch application has been filed with the Commissioner of Banks;~~
- ~~(2) The proposed address of the branch office, including city or town and street; and~~
- ~~(3) A statement that any interested or affected party may file a written statement with the Commissioner of Banks, within 30 days of the date of the publication of the notice, protesting the establishment of the proposed branch office and requesting a hearing before the Commissioner of Banks on the application.~~

~~(e) Any interested or affected party may file a written statement with the Commissioner of Banks within 30 days of the date of initial publication of the branch application notice, protesting the establishment of the proposed branch office and requesting a hearing before the Commissioner of Banks on the application. If a hearing is held on the branch application, the Commissioner of Banks shall receive information and hear testimony only from the applicant and from any interested or affected party that is relevant to the branch application and the operation of the proposed branch office. The Commissioner of Banks shall issue the final decision on the branch application within 30 days following the hearing. The final decision shall be in accordance with Chapter 150B of the General Statutes.~~

~~(f) If a hearing is not held on the branch application, the Commissioner of Banks shall issue the final decision within 120 days of the filing of the application. The final decision shall be in accordance with Chapter 150B of the General Statutes.~~

~~(g) A party to a branch application may appeal the final decision of the Commissioner of Banks to the Commission at any time after the final decision, but not later than 30 days after a written copy of the final decision is served upon the party and the party's attorney of record by personal service or by certified mail. Failure to file an appeal within the time stated shall operate as a waiver of the right of the party to review by the Commission and by a court of competent jurisdiction in accordance with Chapter 150B of the General Statutes, relating to judicial review.~~

(a) A State savings bank may establish one or more branches in this State, whether de novo or by acquisition of existing branches of another depository institution, with the prior written approval of the Commissioner. The Commissioner's approval may be given or withheld in the Commissioner's discretion after considering any comments received within 14 days of the date of publication of the public notice under subsection (c) of this section.

(b) A State savings bank may establish branches in another state, whether de novo or by acquisition of existing branches of another depository institution, in accordance with applicable federal law and the laws of the other state, upon prior written approval of the Commissioner. The Commissioner's approval may be given or withheld in the Commissioner's discretion after considering any comments received within 14 days of the date of publication of the public notice under subsection (c) of this section.

(c) A State savings bank seeking authority to establish a branch shall make application to the Commissioner in a form acceptable to the Commissioner. Not more than 30 days before nor less than 10 days after the filing of the application with the Commissioner, the applicant shall

publish public notice of the filing of the application. The public notice shall contain all of the following:

- (1) A statement that the application has been filed with the Commissioner.
- (2) The physical address or location of the proposed branch, including street and city or town.
- (3) A statement that any interested person may make written comment on the application to the Commissioner and that comments received by the Commissioner within 14 days of the date of publication of the public notice shall be considered. The public notice shall provide the current mailing address of the Commissioner.

(d) A State savings bank may conduct any activities at a branch in another state authorized under this section that are permissible for a State savings bank chartered by the other state where the branch is located, except to the extent the activities are expressly prohibited by the laws of this State or by any rule or order of the Commissioner applicable to the State savings bank.

(e) Upon receipt of an application to establish a branch, the Commissioner shall conduct an examination of the pertinent facts and information and may request additional information that the Commissioner deems necessary to make a decision on the application. In deciding whether to approve a branch application, the Commissioner shall take into account such factors as the financial condition and history of the applicant; the adequacy of its capital; the applicant's future earnings prospects; the character, competency, and experience of its management; the probable impact of the branch on the condition of the applicant State savings bank and existing depository institutions in the community to be served; and the convenience and needs of the community the proposed branch is to serve."

**SECTION 13.2.(c)** G.S. 54C-24 reads as rewritten:

**"§ 54C-24. Request to change ~~Change of location of a branch or principal office.~~**

~~The board of directors of a State savings bank may change the location of a branch office or the principal office of the savings bank with the prior written approval of the Commissioner of Banks. The Commissioner of Banks may request, and the savings bank shall provide, any information that the Commissioner of Banks determines is necessary to evaluate the request.~~

(a) A State savings bank may change the location of its principal office or a branch with the prior written approval of the Commissioner. A request to relocate the principal office or a branch of a State savings bank shall be made in a form acceptable to the Commissioner and shall include information regarding the reason for the proposed relocation, the distance and direction of the move, and any other information that the Commissioner requires in order to reach a decision in the matter.

(b) Not more than 30 days before nor less than 10 days after filing a request to relocate the principal office or a branch of a State savings bank, the applicant shall publish public notice of the request. The public notice shall contain all of the following:

- (1) A statement that the request has been filed with the Commissioner.
- (2) The physical address of the principal office or branch to be relocated and the physical address of the proposed new location.
- (3) A statement that any interested person may make written comment on the request to the Commissioner and that comments received by the Commissioner within 14 days of the date of publication of the public notice will be considered. The statement shall provide the current mailing address of the Commissioner.

(c) The Commissioner shall consider any comments received within 14 days of the date of publication of the public notice under subsection (b) of this section. The Commissioner shall approve a request to relocate the principal office or a branch of a State savings bank if any of the following applies:

- (1) The relocation is to a site within the same vicinity as the original location.
- (2) The relocation does not result in a material change in the primary service area of the principal office or branch.
- (3) The relocation is considered important to the economic viability of the State savings bank or the branch.
- (4) The relocation is otherwise found not to be inconsistent with the public need and convenience."

**SECTION 13.2.(d)** G.S. 54C-60 reads as rewritten:

**"§ 54C-60. Confidential information.**

~~(a) The following records or information of the Commission, the Commissioner of Banks, or the agent of either shall be confidential and shall not be disclosed:~~

- ~~(1) Information obtained or compiled in preparation of or anticipation of, or during an examination, audit, or investigation of any association;~~
- ~~(2) Information reflecting the specific collateral given by a named borrower, the specific amount of stock owned by a named stockholder, any stockholder list supplied to the Commissioner of Banks under G.S. 54C-22, or specific deposit accounts held by a named member or customer;~~
- ~~(3) Information obtained, prepared, or compiled during or as a result of an examination, audit, or investigation of any savings bank by an agency of the United States, if the records would be confidential under federal law or regulation;~~
- ~~(4) Information and reports submitted by savings banks to federal regulatory agencies, if the records or information would be confidential under federal law or regulation;~~
- ~~(5) Information and records regarding complaints from the public received by the Division that concern savings banks when the complaint would or could result in an investigation, except to the management of those savings banks; and~~
- ~~(6) Any other letters, reports, memoranda, recordings, charts or other documents or records that would disclose any information of which disclosure is prohibited in this subsection.~~

~~(b) A court of competent jurisdiction may order the disclosure of specific information.~~

~~(c) The information contained in an application is deemed to be public information. Disclosure shall not extend to the financial statement of the incorporators nor to any further information deemed by the Commissioner of Banks to be confidential.~~

~~(d) Nothing in this section shall prevent the exchange of information relating to savings banks and the business thereof with the representatives of the agencies of this State, other states, or of the United States, or with reserve or insuring agencies for savings banks. The private business and affairs of an individual or company shall not be disclosed by any person employed by the Division, any member of the Commission, or by any person with whom information is exchanged under the authority of this subsection.~~

~~(e) An official or employee of this State violating this section is liable to any person injured by disclosure of the confidential information for all damages sustained thereby. Penalties provided are not exclusive of other penalties.~~

G.S. 53C-2-7 applies to records of the Office of the Commissioner of Banks pertaining to State savings banks."

**SECTION 13.2.(e)** G.S. 54C-101 reads as rewritten:

**"§ 54C-101. Directors.**

(a) The corporate powers of a State savings bank shall be exercised by, or under the authority of, its board of directors, and the business and affairs of the State savings bank shall be managed by, or under the direction of, its board of directors.

(a1) The directors of a mutual savings bank shall be elected by the members at an annual meeting, held under G.S. 54C-106, for any terms as the bylaws of the savings bank may provide. ~~Director's~~ Directors' terms may be classified in the certificate of incorporation. Voting for directors by deposit account holders shall be weighted according to the total amount of deposit accounts held by the members, subject to any maximum number of votes per member ~~which~~ that a savings bank may choose to prescribe in its bylaws. Voting rights for borrowers shall be fully prescribed in a detailed manner in the bylaws of the savings bank.

(b) The directors of a stock savings bank shall be elected by the stockholders at an annual meeting, held under G.S. 54C-106, for any terms as the bylaws of the savings bank may provide. ~~Director's~~ Directors' terms may be classified in the certificate of incorporation.

~~(c) A director of a State savings bank shall have a significant ownership interest in the State savings bank.~~

(d) A State savings bank shall have no ~~less~~ fewer than five directors. For good cause shown, the Commissioner may approve boards of directors consisting of fewer than five individuals to the extent consistent with other applicable law.

(e) The board of directors shall meet at least quarterly, an executive committee shall meet in any month in which there is no meeting of the board of directors, and a loan committee shall meet monthly.

(f) Except to the extent this Chapter or other applicable federal or State law imposes a different standard, State savings bank directors have the duties, authority, and liabilities of directors of corporations organized under Chapter 55 of the General Statutes.

(g) The board of directors of a State savings bank may appoint advisory directors to the State savings bank's branches. No advisory director is liable for acts or omissions undertaken as an advisory director under the laws applicable to the performance of the duties of a director of a State savings bank, unless and only to the extent the advisory director undertakes or is delegated authority as a director of the State savings bank."

**SECTION 13.2.(f)** G.S. 54C-102 reads as rewritten:

~~"§ 54C-102. Bylaws.~~

~~The bylaws and any amendments shall be certified by the appropriate corporate official and submitted to the Commissioner of Banks for approval before they may become effective."~~

**SECTION 13.2.(g)** The Commissioner of Banks shall review Chapter 54C (Savings Banks) of the General Statutes and form a drafting group, if appropriate, to prepare updates and revisions to modernize the Chapter or to make recommendations on more fully integrating the supervision of savings banks into Chapter 53C (Regulation of Banks) of the General Statutes. The Commissioner of Banks shall prepare and submit a report on the findings and recommendations to the Joint Legislative Commission on Governmental Operations within one year of the effective date of this act.

**SECTION 13.3.** This Part is effective when it becomes law.

#### **PART XIV. ROUNDING OF CASH TRANSACTIONS DUE TO PENNY ELIMINATION**

**SECTION 14.(a)** Chapter 66 of the General Statutes is amended by adding a new Article to read:

"Article 52.

"Rounding of Cash Transactions.

~~"§ 66-515. Rounding of cash transactions.~~

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

(1) Cash. – As defined in 12 U.S.C. § 4001.

(2) Entity. – Any of the following:

a. A private entity, or its employees or contractors, engaged in business with the public that accepts cash payments.

b. A unit, department, or agency of the State government, or any division or subdivision of the unit, department, or agency, or a unit of local government, when the entity is engaged in business as a retailer and accepts cash as a method of payment. For purposes of this section, an entity does not include an ABC store.

(3) Total transaction amount. – The final amount due from the customer, including all applicable taxes and fees.

(b) Application. – If the one-cent piece is no longer in production, an entity may, in accordance with this section, round the total transaction amount to the nearest five-cent interval in lieu of calculating the total transaction amount to the nearest one-cent interval. The following principles apply under this section:

(1) The hundredths place is used to determine the cents in which the final digit of the total transaction amount ends.

(2) Rounding to the nearest five-cent interval may apply to the amount of the total transaction amount or to the amount of change tendered to the purchaser.

(3) Rounding to the nearest five-cent interval does not apply to a transaction for which payment is made by a noncash method, including electronic funds transfer, check, gift card, money order, credit card, debit card, electronic payment, or other noncash payment method. In a mixed tender transaction, rounding applies only to the portion of the transaction paid in cash.

(4) The total transaction amount of a cash transaction may be paid by the customer without any rounding adjustment, at the customer's option, if the customer has the exact legal tender to pay the total transaction amount.

(5) A unit, department, or agency of the State government, or any division or subdivision of the unit, department, or agency, and a unit of local government shall retain the funds derived from rounding up cash transactions.

(c) Rounding Methodology. – An entity that rounds a cash transaction as permitted by this section must use the following methodology:

(1) Rounding down. – If the final digit of the total transaction amount of a cash transaction ends in one cent, two cents, six cents, or seven cents, the final digit must be rounded down to the nearest five-cent interval.

(2) Rounding up. – If the final digit of the total transaction amount of a cash transaction ends in three cents, four cents, eight cents, or nine cents, the final digit must be rounded up to the nearest five-cent interval.

(3) No rounding. – If the final digit of the total transaction amount of a cash transaction ends in zero cents or five cents, the final digit may not be rounded up or down.

(d) No Effect on Sales Price or Sales Tax. – Rounding to the nearest five-cent interval under this section does not alter the sales price, the amount of tax owed or collected under Article 5 of Chapter 105 of the General Statutes, or any surcharges, assessments, or fees imposed on the sale. This section does not affect the rounding rule in G.S. 105-164.10 for computing the sales tax due in a transaction and does not relieve retailers from the duty to calculate sales tax in accordance with G.S. 105-164.10 and remit to the Department of Revenue the exact amount of sales tax shown on an invoice or receipt. Nothing in this section authorizes the rounding of the amount of sales tax due.

(e) No Effect on Noncash Transactions. – Rounding to the nearest five-cent interval does not alter or affect the exact amounts authorized, cleared, or settled through any noncash payment system or electronic transaction.

(f) No Civil Cause of Action. – There is no civil cause of action against an entity based on a rounding adjustment done in accordance with this section."

**SECTION 14.(b)** Article 8 of Chapter 18B of the General Statutes is amended by adding a new section to read:

**"§ 18B-804A. Rounding of transactions.**

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

- (1) Cash. – As defined in 12 U.S.C. § 4001.
- (2) Total transaction amount. – The final amount due from the customer, including all applicable taxes and fees.

(b) Application. – If the one-cent piece is no longer in production, an ABC store may round the total transaction amount to the nearest five-cent interval in lieu of calculating the total transaction amount to the nearest one-cent interval. An ABC store that rounds transactions must do so in accordance with this section. The following principles apply under this section:

- (1) The hundredths place is used to determine the cents in which the final digit of the total transaction amount ends.
- (2) Rounding to the nearest five-cent interval does not apply to a transaction for which payment is made by a noncash method, including electronic funds transfer, check, gift card, money order, credit card, debit card, electronic payment, or other noncash payment method. In a mixed tender transaction, rounding applies only to the portion of the transaction paid in cash.
- (3) Funds derived from rounding up transactions by an ABC store are treated as gross receipts and shall be distributed in accordance with G.S. 18B-805.

(c) Rounding Methodology. – An entity that rounds a cash transaction as permitted by this section must use the following methodology:

- (1) Rounding down. – If the final digit of the total transaction amount of a cash transaction ends in one cent, two cents, six cents, or seven cents, the final digit must be rounded down to the nearest five-cent interval.
- (2) Rounding up. – If the final digit of the total transaction amount of a cash transaction ends in three cents, four cents, eight cents, or nine cents, the final digit must be rounded up to the nearest five-cent interval.
- (3) No rounding. – If the final digit of the total transaction amount of a cash transaction ends in zero cents or five cents, the final digit may not be rounded up or down.

(d) No Effect on Sales Price or Sales Tax. – Rounding to the nearest five-cent interval under this section does not alter the uniform State sales price, the amount of tax owed or collected under Article 5 of Chapter 105 of the General Statutes, or any surcharges, assessments, or fees imposed on the sale. This section does not affect the rounding rule in G.S. 105-164.10 for computing the sales tax due in a transaction and does not relieve ABC stores from the duty to calculate sales tax in accordance with G.S. 105-164.10 and remit to the Department of Revenue the exact amount of sales tax shown on an invoice or receipt. Nothing in this section authorizes the rounding of the amount of sales tax due.

(e) No Civil Cause of Action. – There is no civil cause of action against an ABC store based on a rounding adjustment done in accordance with this section."

**SECTION 14.(c)** Effective July 1, 2027, G.S. 18B-804A(b), as enacted by subsection (b) of this section, reads as rewritten:

"(b) Application. – If the one-cent piece is no longer in production, an ABC store ~~may~~ shall, in accordance with this section, round the total transaction amount to the nearest five-cent interval in lieu of calculating the total transaction amount to the nearest one-cent interval. ~~An ABC store that rounds transactions must do so in accordance with this section.~~ The following principles apply under this section:

- (1) The hundredths place is used to determine the cents in which the final digit of the total transaction amount ends.

- (2) Rounding to the nearest five-cent interval does not apply to a transaction for which payment is made by a noncash method, including electronic funds transfer, check, gift card, money order, credit card, debit card, electronic payment, or other noncash payment method. In a mixed tender transaction, rounding applies only to the portion of the transaction paid in cash.
- (3) Funds derived from rounding up transactions by an ABC store are treated as gross receipts and shall be distributed in accordance with G.S. 18B-805."

**SECTION 14.(d)** G.S. 18B-804(b)(7) reads as rewritten:

"(b) Sale Price of Spirituous Liquor. – The sale of spirituous liquor, including antique spirituous liquor, sold at the uniform State price shall consist of the following components:

...

- (7) A rounding adjustment, the formula of which may be determined by the Commission, so that the sale price will be divisible by five. The rounding adjustment to the total transaction amount under G.S. 18B-804A has no effect on the uniform State price calculated in accordance with this section.

...."

**SECTION 14.(e)** G.S. 18B-805(a) reads as rewritten:

"(a) Gross Receipts. – As used in this section, "gross receipts" means all revenue of a local board, including proceeds from the sale of alcoholic beverages, investments, interest on deposits, rounding adjustments made under G.S. 18B-804A, and any other source. Rounding adjustments made pursuant to G.S. 18B-804A are disregarded for purposes of calculating distributions under subsections (b) and (c) of this section."

**SECTION 14.(f)** G.S. 105-164.10 reads as rewritten:

**"§ 105-164.10. Retail tax calculation.**

(a) For the convenience of the retailer in collecting the tax due under this Article, the Secretary must prescribe tables that compute the tax due on sales. The Secretary must issue a separate table for each rate of tax that may apply to a sale. A retailer is not required to collect tax due under this Article based on a bracket system.

(b) In computing tax due under this Article, the tax computation must be carried to the third decimal place and must round up to the next cent whenever the third decimal place is greater than four. A person liable for tax under this Article may elect to compute the tax due on a transaction on an item or invoice basis and the rounding rule is applied to the aggregate tax due.

(c) The sales price of a cash transaction does not change due to any rounding of the total transaction amount to the nearest dollar or cent amount still in production by the United States Mint."

**SECTION 14.(g)** G.S. 105-164.11 reads as rewritten:

**"§ 105-164.11. Excessive and erroneous collections.**

...

(d) Presumption of Reasonable Business Practice. – In connection with a purchaser's request from the seller of over-collected sales or use taxes, a seller ~~shall be~~ is presumed to have a reasonable business practice if, in the collection of sales and use taxes, any of the following apply:

- (1) ~~the~~ The seller uses either a provider or a system, including a proprietary system, that is certified by the State and the seller has remitted to the State all taxes collected less any deductions, credits, or collection allowances.
- (2) The seller rounds a sale to the nearest five-cent interval in accordance with G.S. 66-515 or G.S. 18B-804A if the one-cent piece is no longer in production.

...."

**SECTION 14.(h)** Article 1 of Chapter 75 of the General Statutes is amended by adding a new section to read:

**"§ 75-45. Rounding of a cash transaction not a violation.**

The rounding of a consumer sale by a business to the nearest five-cent interval in accordance with G.S. 66-515 or G.S. 18B-804A if the one-cent piece is no longer in production is not a violation of this Chapter."

**SECTION 14.(i)** Article 3 of Chapter 81A of the General Statutes is amended by adding a new section to read:

**"§ 81A-32. Rounding of a cash transaction not a violation.**

The rounding of a consumer sale by a business to the nearest five-cent interval in accordance with G.S. 66-515 or G.S. 18B-804A if the one-cent piece is no longer in production is not a violation of this Chapter."

**SECTION 14.(j)** G.S. 105-357 reads as rewritten:

**"§ 105-357. Payment of taxes.**

(a) Medium of Payment. – Taxes ~~shall be~~ are payable in existing national currency. ~~Deeds~~ A taxing unit may not accept deeds to real property, notes of the taxpayer or others, bonds or notes of the taxing unit, and payments in kind ~~shall not be accepted~~ in payment of taxes. A taxing unit may not permit the payment of taxes by offset of any bill, claim, judgment, or other obligation owed to the taxpayer by the taxing unit. The prohibition against payment of taxes by offset does not apply to offset of an obligation arising from a lease or another contract entered into between the taxpayer and the taxing unit before July 1 of the fiscal year for which the unpaid taxes were levied.

(a1) Rounding of Tax Payments in Cash. – If one-cent pieces are no longer in production and not available for an in-person tax payment made in cash, the taxing unit must round the final digit of the amount owed downward to the nearest five-cent interval. For an amount owed that is less than five cents, the taxing unit must round the amount owed down to zero cents. A tax collector shall treat taxes as fully paid if the payment is rounded downward in accordance with this section.

(b) Acceptance of Checks and Electronic Payment. – The tax collector may accept checks and electronic payments, as defined in G.S. 147-86.20, in payment of taxes, as authorized by G.S. 159-32.1. Acceptance of a check or electronic payment is at the tax collector's own risk. A tax collector who accepts electronic payment of taxes may add a fee to each electronic payment transaction to offset the service charge the taxing unit pays for electronic payment service. A tax collector who accepts electronic payment or check in payment of taxes may issue the tax receipt immediately or withhold the receipt until the check has been collected or the electronic payment invoice has been honored by the issuer.

If a tax collector accepts a check or an electronic payment and issues a tax receipt and the check is returned unpaid (without negligence on the part of the tax collector in presenting the check for payment) or the electronic payment invoice is not honored by the issuer, the taxes for which the check or electronic payment was given ~~shall be~~ are deemed unpaid; the tax collector shall immediately correct the copy of the tax receipt and other appropriate records to show the fact of nonpayment, and shall give written notice by certified or registered mail to the person to whom the tax receipt was issued to return it to the tax collector. After correcting the records to show the fact of nonpayment, the tax collector shall proceed to collect the taxes by the use of any remedies allowed for the collection of taxes or by bringing a civil action on the check or electronic payment.

A financial institution with which a taxing unit has contracted for receipt of payment of taxes may accept a check in payment of taxes. If the check is honored, the financial institution shall so notify the tax collector, who shall, upon request of the taxpayer, issue a receipt for payment of the taxes. If the check is returned unpaid, the financial institution shall so notify the tax collector, who shall proceed to collect the taxes by use of any remedy allowed for collection of taxes or by bringing a civil action on the check.

...

(c) Small Underpayments and Overpayments. – The governing body of a taxing unit may, by resolution, permit its tax collector to treat small underpayments of taxes as fully paid and to not refund small overpayments of taxes unless the taxpayer requests a refund before the end of the fiscal year in which the small overpayment is made. A "small underpayment" is a payment made, other than in person, that is no more than one dollar (\$1.00) less than the taxes due on a tax receipt. A "small overpayment" is a payment made, other than in person, that is no more than one dollar (\$1.00) greater than the taxes due on a tax receipt.

The tax collector shall keep records of all underpayments and overpayments of taxes by receipt number and amount and shall report these payments to the governing body as part of his settlement.

A resolution authorizing adjustments of underpayments and overpayments as provided in this subsection ~~shall~~ shall meet all of the following requirements:

- (1) Be adopted on or before June 15 of the year to which it is to ~~apply~~ apply.
- (2) Apply to taxes levied for all previous fiscal ~~years~~ and years.
- (3) Continue in effect until repealed or amended by resolution of the taxing unit."

**SECTION 14.(k)** Except as otherwise provided, this Part is effective when it becomes law.

## **PART XV. INCREASE COMPENSATION FOR MEMBERS OF THE BOARD OF TRUSTEES OF THE PIEDMONT AUTHORITY FOR REGIONAL TRANSPORTATION**

**SECTION 15.(a)** G.S. 160A-635 reads as rewritten:

**"§ 160A-635. Membership; officers; compensation.**

...

(f) Members of the Board of Trustees shall receive the sum of ~~fifty dollars (\$50.00)~~ one hundred dollars (\$100.00) as compensation for attendance at each duly conducted meeting of the Authority."

**SECTION 15.(b)** This Part is effective when it becomes law and applies to attendance at meetings conducted on or after that date.

## **PART XVI. REQUIRE GAMING OPERATORS TO WITHHOLD TAXES ON CERTAIN WINNINGS**

**SECTION 16.(a)** Article 4A of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-163.2C. Gaming operators must withhold taxes.**

The gaming operators listed in this section must deduct and withhold State income taxes from the payment of winnings when required to withhold federal income taxes under section 3402(q) of the Code. The amount of taxes to be withheld is a percentage of the winnings. The percentage is the individual income tax rate in G.S. 105-153.7. The gaming operator must file a return, pay the withheld taxes, and report the amount withheld in the time and manner required under G.S. 105-163.6 and G.S. 105-163.7 as if the winnings were wages. The taxes the gaming operator withholds are held in trust for the Secretary. The gaming operators are:

- (1) Interactive sports wagering operators licensed under Article 9 of Chapter 18C of the General Statutes.
- (2) ADW licensees licensed under Article 10 of Chapter 18C of the General Statutes."

**SECTION 16.(b)** This section becomes effective January 1, 2027, and applies to winnings paid on or after that date.

**PART XVII. EFFECTIVE DATE**

**SECTION 17.** Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 25<sup>th</sup> day of June, 2026.

s/ Rachel Hunt  
President of the Senate

s/ John R. Bell, IV  
Presiding Officer of the House of Representatives

\_\_\_\_\_  
Josh Stein  
Governor

Approved \_\_\_\_\_m. this \_\_\_\_\_ day of \_\_\_\_\_, 2026