# GENERAL ASSEMBLY OF NORTH CAROLINA

## SESSION 1991

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## SENATE BILL 1264

Short Title:  Software Is Inventory for Tax Purposes.                          (Public)

Sponsors: Senators Royall, Daniel, Goldston, and Hunt.

Referred to:  Rules Suspended; Passed 1st Reading; Referred to Finance.

June 30, 1992

1                                          A BILL TO BE ENTITLED
2      AN ACT TO AMEND THE DEFINITION OF INVENTORIES IN THE
3          MACHINERY ACT TO INCLUDE CERTAIN COMPUTER SOFTWARE.
4      The General Assembly of North Carolina enacts:
5                   Section 1.  G.S. 105-273(8a) reads as rewritten:
6              "(8a)  'Inventories' means goods held for sale in the regular course of
7                          business by manufacturers and retail and wholesale merchants.  As to
8                          manufacturers, the term includes raw materials, goods in process, and
9                          finished goods, as well as other materials or supplies that are
10                         consumed in manufacturing or processing, or that accompany and
11                         become a part of the sale of the property being sold.  The term also
12                         includes crops, livestock, poultry, feed used in the production of
13                         livestock and poultry, and other agricultural or horticultural products
14                         held for sale, whether in process or ready for sale.  The term does not
15                         include fuel used in manufacturing or processing, nor does it include
16                         materials or supplies not used directly in manufacturing or processing.
17                         As to retail and wholesale merchants, the term includes, in addition to
18                         articles held for sale, packaging materials that accompany and become
19                         a part of the sale of the property being sold.
20                         The term also includes the following computer software:
21                                a.        Computer software developed or modified by the owner
22                                          or licensee for its own use.

1           <u>b.</u>      <u>Computer software developed or modified to the special</u>
2                        <u>order of or to meet the particular needs of the owner or</u>
3                        <u>licensee.</u>
4           <u>c.</u>      <u>Computer software developed, acquired, or used to</u>
5                        <u>develop or enhance computer software for license or sale</u>
6                        <u>to ultimate consumers.</u>
7      <u>For the purpose of this paragraph, the term 'computer software' means</u>
8      <u>a program or routine used to cause a computer to perform a specific</u>
9      <u>task or set of tasks; it includes both system and application programs</u>
10     <u>and any documentation related to the computer software.</u>"
11     Sec. 2.  This act is effective for taxes imposed for taxable years beginning on
12  or after July 1, 1992.