

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 1264
Second Edition Engrossed 7/2/92
House Committee Substitute Favorable 7/15/92

Short Title: Software Is Inventory for Tax Purposes.

(Public)

Sponsors:

Referred to:

June 30, 1992

A BILL TO BE ENTITLED

AN ACT TO AMEND THE DEFINITION OF INVENTORIES IN THE
MACHINERY ACT TO INCLUDE CERTAIN COMPUTER SOFTWARE.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-273(8a) reads as rewritten:

"(8a) 'Inventories' means goods held for sale in the regular course of business by manufacturers and retail and wholesale merchants. As to manufacturers, the term includes raw materials, goods in process, and finished goods, as well as other materials or supplies that are consumed in manufacturing or processing, or that accompany and become a part of the sale of the property being sold. The term also includes crops, livestock, poultry, feed used in the production of livestock and poultry, and other agricultural or horticultural products held for sale, whether in process or ready for sale. The term does not include fuel used in manufacturing or processing, nor does it include materials or supplies not used directly in manufacturing or processing. As to retail and wholesale merchants, the term includes, in addition to articles held for sale, packaging materials that accompany and become a part of the sale of the property being sold.

As to manufacturers and retail and wholesale merchants the term also includes the following computer software, as long as the software

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1 is not treated as a capital asset by the taxpayer for income tax
2 purposes:

- 3 a. Computer software developed or modified by the owner
4 or licensee for its own use.
5 b. Computer software developed or modified to the special
6 order of or to meet the particular needs of the owner or
7 licensee.
8 c. Computer software developed, acquired, or used to
9 develop or enhance computer software for license or sale
10 to ultimate consumers.

11 For the purpose of this paragraph, the term 'computer software' means
12 a program or routine used to cause a computer to perform a specific
13 task or set of tasks; it includes both system and application programs
14 and any documentation related to the computer software."

15 Sec. 2. This act is effective for taxes imposed for taxable years beginning on
16 or after July 1, 1992.