

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1991

CHAPTER 1004
SENATE BILL 1264

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

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

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

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

In the General Assembly read three times and ratified this the 21st day of July, 1992.

James C. Gardner
President of the Senate

Daniel Blue, Jr.
Speaker of the House of Representatives