

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 504

Short Title: Highway Use Tax on Leased Vehicles.

(Public)

Sponsors: Representatives Robinson; and Buchanan.

Referred to: Finance.

March 20, 1995

A BILL TO BE ENTITLED

1 AN ACT TO SUBTRACT ANY TRADE-IN ALLOWANCE IN CALCULATING THE
2 ALTERNATIVE HIGHWAY USE TAX ON LEASED VEHICLES AND TO
3 ALLOW A CREDIT AGAINST THE HIGHWAY USE TAX FOR ANY
4 ALTERNATIVE HIGHWAY USE TAX PAID ON A LONG-TERM LEASE OF
5 THE SAME VEHICLE BY THE PURCHASER OR A RELATED PERSON.
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7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 105-187.5 reads as rewritten:

9 **"§ 105-187.5. Alternate tax for those who rent or lease motor vehicles.**

10 (a) ~~Election.~~ Alternate Tax. — A retailer who is engaged in the business of leasing
11 or renting motor vehicles may elect not to pay the tax imposed by this Article at the rate
12 set in G.S. 105-187.3 when applying for a certificate of title for a motor vehicle
13 purchased by the retailer for lease or rental. A retailer who makes this election shall pay
14 a tax on the gross receipts of the lease or rental of the vehicle. Like the tax imposed by
15 G.S. 105-187.3, this alternate tax is a tax on the privilege of using the highways of this
16 State. The tax is imposed on a retailer, but is to be added to the lease or rental price of a
17 motor vehicle and thereby be paid by the person who leases or rents the vehicle.

18 (b) ~~Rate.~~ Rate; Scope. — The tax rate on the gross receipts from the short-term
19 lease or rental of a motor vehicle is eight percent (8%) and the tax rate on the gross
20 receipts from the long-term lease or rental of a motor vehicle is three percent (3%). The

1 maximum tax in G.S. 105-187.3(a) applies to a continuous lease or rental of a motor
2 vehicle to the same person.

3 Gross receipts does not include the amount of any allowance given by the lessor for a
4 motor vehicle taken in trade as a partial payment on the lease or rental price.

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

10 (d) Administration. – The Division shall notify the Secretary of Revenue of a
11 retailer who makes the election under this section. A retailer who makes this election
12 shall report and remit to the Secretary the tax on the gross receipts of the lease or rental of
13 the motor vehicle. The Secretary shall administer the tax imposed by this section on
14 gross receipts in the same manner as the tax levied under G.S. 105-164.4(a)(2). The
15 administrative provisions and powers of the Secretary that apply to the tax levied under
16 G.S. 105-164.4(a)(2) apply to the tax imposed by this section. In addition, the Division
17 may request the Secretary to audit a retailer who elects to pay tax on gross receipts under
18 this section. When the Secretary conducts an audit at the request of the Division, the
19 Division shall reimburse the Secretary for the cost of the audit, as determined by the
20 Secretary. In conducting an audit of a retailer under this section, the Secretary may audit
21 any sales of motor vehicles made by the retailer."

22 Sec. 2. G.S. 105-187.7 reads as rewritten:

23 "**§ 105-187.7. Credit for tax paid in another state. Credits.**

24 (a) Tax Paid in Another State. – A person who, within 90 days before applying for
25 a certificate of title for a motor vehicle on which the tax imposed by this Article is due,
26 has paid a sales tax, an excise tax, or a tax substantially equivalent to the tax imposed by
27 this Article on the vehicle to a taxing jurisdiction outside this State is ~~entitled to~~ allowed a
28 credit against the tax due under this Article for the amount of tax paid to the other
29 jurisdiction. The credit may not reduce the person's liability under this Article below the
30 minimum forty-dollar (\$40.00) tax.

31 (b) Tax Paid on Long-term Lease. – A person who, at the end of a long-term
32 lease, buys a motor vehicle that was rented or leased to a related person under that long-
33 term lease is allowed a credit against the tax due under this Article for the amount of tax
34 paid by the related person under G.S. 105-187.5 on the vehicle. For the purpose of this
35 subsection, a related person is the same person, the person's spouse, parent, child,
36 stepparent, or stepchild or, in the case of a corporation, a shareholder, an officer, a
37 director, or an employee of that corporation."

38 Sec. 3. This act becomes effective October 1, 1995, and applies to certificates
39 of title issued on or after that date.