

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE BILL 100*
Finance Committee Substitute Adopted 3/25/03

Short Title: State Govt. Sales Tax Exempt.

(Public)

Sponsors:

Referred to:

February 19, 2003

A BILL TO BE ENTITLED

AN ACT TO PROMOTE EFFICIENCY IN STATE GOVERNMENT BY
ALLOWING A SALES AND USE TAX EXEMPTION FOR STATE AGENCIES
INSTEAD OF A SALES AND USE TAX REFUND TO STATE AGENCIES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-164.13 is amended by adding a new subdivision to
read:

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

The sale at retail, the use, storage or consumption in this State of the following
tangible personal property is specifically exempted from the tax imposed by this Article:

...

(51) Items subject to sales and use tax under G.S. 105-164.4, other than
electricity and telecommunications service, if all of the following
conditions are met:

a. The items are purchased by a State agency.

b. The items are purchased pursuant to a valid purchase order
issued by the State agency that contains the exemption number
of the agency and a description of the property purchased, or
the items purchased are paid for with a State-issued check,
electronic deposit, credit card, procurement card, or credit
account of the State agency.

c. For all purchases other than by an agency-issued purchase
order, the agency must provide to or have on file with the
retailer the agency's exemption number."

SECTION 2. G.S. 105-164.14(c) reads as rewritten:

"(c) Certain Governmental Entities. – A governmental entity listed in this
subsection is allowed an annual refund of sales and use taxes paid by it under this
Article, ~~except under G.S. 105-164.4(a)(4a) and G.S. 105-164.4(a)(4c), Article~~ on direct
purchases of tangible personal ~~property~~-property and services, other than electricity and

1 telecommunications service. Sales and use tax liability indirectly incurred by a
2 governmental entity on building materials, supplies, fixtures, and equipment that
3 become a part of or annexed to any building or structure that is owned or leased by the
4 governmental entity and is being erected, altered, or repaired for use by the
5 governmental entity is considered a sales or use tax liability incurred on direct
6 purchases by the governmental entity for the purpose of this subsection. A request for a
7 refund must be in writing and must include any information and documentation required
8 by the Secretary. A request for a refund is due within six months after the end of the
9 governmental entity's fiscal year.

10 This subsection applies only to the following governmental entities:

- 11 (1) A county.
- 12 (2) A city as defined in G.S. 160A-1.
- 13 (2a) A consolidated city-county as defined in G.S. 160B-2.
- 14 (2b) A local school administrative unit.
- 15 (3) A metropolitan sewerage district or a metropolitan water district in this
16 State.
- 17 (4) A water and sewer authority created under Chapter 162A of the
18 General Statutes.
- 19 (5) A lake authority created by a board of county commissioners pursuant
20 to an act of the General Assembly.
- 21 (6) A sanitary district.
- 22 (7) A regional solid waste management authority created pursuant to G.S.
23 153A-421.
- 24 (8) An area mental health, developmental disabilities, and substance abuse
25 authority, other than a single-county area authority, established
26 pursuant to Article 4 of Chapter 122C of the General Statutes.
- 27 (9) A district health department, or a public health authority created
28 pursuant to Part 1A of Article 2 of Chapter 130A of the General
29 Statutes.
- 30 (10) A regional council of governments created pursuant to G.S. 160A-470.
- 31 (11) A regional planning and economic development commission or a
32 regional economic development commission created pursuant to
33 Chapter 158 of the General Statutes.
- 34 (12) A regional planning commission created pursuant to G.S. 153A-391.
- 35 (13) A regional sports authority created pursuant to G.S. 160A-479.
- 36 (14) A public transportation authority created pursuant to Article 25 of
37 Chapter 160A of the General Statutes.
- 38 (14a) A facility authority created pursuant to Part 4 of Article 20 of Chapter
39 160A of the General Statutes.
- 40 (15) A regional public transportation authority created pursuant to Article
41 26 of Chapter 160A of the General Statutes, or a regional
42 transportation authority created pursuant to Article 27 of Chapter 160A
43 of the General Statutes.

- 1 (16) A local airport authority that was created pursuant to a local act of the
2 General Assembly.
- 3 (17) A joint agency created by interlocal agreement pursuant to G.S.
4 160A-462 to operate a public broadcasting television station.
- 5 (18) Repealed by Session Laws 2001-474, s. 7.
- 6 (19) Repealed by Session Laws 2001-474, s. 7.
- 7 ~~(20) A constituent institution of The University of North Carolina, but only~~
8 ~~with respect to sales and use tax paid by it for tangible personal~~
9 ~~property acquired by it through the expenditure of contract and grant~~
10 ~~funds.~~
- 11 ~~(21) The University of North Carolina Hospitals at Chapel Hill.~~
- 12 (22) A regional natural gas district created pursuant to Article 28 of Chapter
13 160A of the General Statutes."

14 **SECTION 3.** G.S. 105-164.14(e) reads as rewritten:

15 "(e) State Agencies. – The State is allowed quarterly refunds of local sales and use
16 taxes paid by a State agency on direct purchases of tangible personal property and local
17 sales and use taxes paid indirectly by the State agency on building materials, supplies,
18 fixtures, and equipment that become a part of or annexed to a building or structure that
19 is owned or leased by the State agency and is being erected, altered, or repaired for use
20 by the State agency. ~~This subsection does not apply to purchases for which a State~~
21 ~~agency is allowed a refund under subsection (c) of this section.~~

22 A person who pays local sales and use taxes on building materials or other tangible
23 personal property for a State building project shall give the State agency for whose
24 project the property was purchased a signed statement containing all of the following
25 information:

- 26 (1) The date the property was purchased.
- 27 (2) The type of property purchased.
- 28 (3) The project for which the property was used.
- 29 (4) If the property was purchased in this State, the county in which it was
30 purchased.
- 31 (5) If the property was not purchased in this State, the county in which the
32 property was used.
- 33 (6) The amount of sales and use taxes paid.

34 If the property was purchased in this State, the person shall attach a copy of the sales
35 receipt to the statement. A State agency to whom a statement is submitted shall verify
36 the accuracy of the statement.

37 Within 15 days after the end of each calendar quarter, every State agency shall file
38 with the Secretary a written application for a refund of taxes to which this subsection
39 applies paid by the agency during the quarter. The application shall contain all
40 information required by the Secretary. The Secretary shall credit the local sales and use
41 tax refunds directly to the General Fund."

42 **SECTION 4.** Part 5 of Article 5 of Chapter 105 of the General Statutes is
43 amended by adding a new section to read:

44 **"§ 105-164.29A. State government exemption process.**

1 (a) Application. – To be eligible for the exemption provided in G.S.
2 105-164.13(51), a State agency must obtain from the Department of Revenue a sales tax
3 exemption number. The application for exemption must be in the form required by the
4 Secretary, be signed by the State agency's head, and contain any information required
5 by the Secretary. The Secretary must assign a sales tax exemption number to a State
6 agency that submits a proper application.

7 (b) Liability. – A State agency that does not use the items purchased with its
8 exemption number must pay the tax that should have been paid on the items purchased,
9 plus interest calculated from the date the tax would otherwise have been paid."

10 **SECTION 5.** The Office of State Budget and Management must reduce each
11 State agency's certified budget for fiscal years 2003-2004 and 2004-2005 by an
12 appropriate amount to reflect the tax savings generated by the sales and use tax
13 exemption for State agencies allowed under this act.

14 **SECTION 6.** Section 4 of this act becomes effective January 1, 2004. The
15 remainder of this act becomes effective July 1, 2004, and applies to sales made on or
16 after that date.