

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

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SENATE BILL 700

Short Title: Limit Sales Tax Refund for Nonprofits. (Public)

Sponsors: Senators Wells, Rucho (Primary Sponsors); and Rabon.

Referred to: Rules and Operations of the Senate.

March 30, 2015

A BILL TO BE ENTITLED

AN ACT TO LIMIT THE STATE AND LOCAL SALES TAX REFUND FOR NONPROFITS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-164.14(b) reads as rewritten:

"(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services for use in carrying on the work of the nonprofit entity. Sales and use tax liability indirectly incurred by a nonprofit entity through reimbursement to an authorized person of the entity for the purchase of tangible personal property and services for use in carrying on the work of the nonprofit entity is considered a direct purchase by the entity. Sales and use tax liability indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity. The refund allowed under this subsection does not apply to purchases of electricity, telecommunications service, ancillary service, piped natural gas, video programming, or a prepaid meal plan. A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund for the first six months of a calendar year is due the following October 15; a request for a refund for the second six months of a calendar year is due the following April 15. The aggregate annual refund amount allowed an entity under this subsection for a fiscal year may not exceed ~~thirty one million seven hundred thousand dollars (\$31,700,000)~~ seventy thousand three hundred seventy dollars (\$70,370).

The refunds allowed under this subsection do not apply to an entity that is owned and controlled by the United States or to an entity that is owned or controlled by the State and is not listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying out its work. The following nonprofit entities are allowed a refund under this subsection:

...."

SECTION 2. G.S. 105-467(b) reads as rewritten:

"(b) Exemptions and Refunds. – The State exemptions and exclusions contained in G.S. 105-164.13 apply to the local sales and use tax authorized to be levied and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under this Article. A refund of an excessive or erroneous State sales tax collection allowed



1 under G.S. 105-164.11 and a refund of State sales tax paid on a rescinded sale or cancelled
2 service contract under G.S. 105-164.11A apply to the local sales and use tax authorized to be
3 levied and imposed under this Article. The aggregate annual local refund amount allowed an
4 entity under G.S. 105-164.14(b) for a fiscal year may not exceed ~~thirteen million three hundred~~
5 ~~thousand dollars (\$13,300,000).~~ twenty-nine thousand six hundred thirty dollars (\$29,630).

6 Except as provided in this subsection, a taxing county may not allow an exemption,
7 exclusion, or refund that is not allowed under the State sales and use tax. A local school
8 administrative unit and a joint agency created by interlocal agreement among local school
9 administrative units pursuant to G.S. 160A-462 to jointly purchase food service-related
10 materials, supplies, and equipment on their behalf is allowed an annual refund of sales and use
11 taxes paid by it under this Article on direct purchases of tangible personal property and
12 services. Sales and use tax liability indirectly incurred by the entity on building materials,
13 supplies, fixtures, and equipment that become a part of or annexed to any building or structure
14 that is owned or leased by the entity and is being erected, altered, or repaired for use by the
15 entity is considered a sales or use tax liability incurred on direct purchases by the entity for the
16 purpose of this subsection. The refund allowed under this subsection does not apply to
17 purchases of electricity, telecommunications service, ancillary service, piped natural gas, video
18 programming, or a prepaid meal plan. A request for a refund is due in the same time and
19 manner as provided in G.S. 105-164.14(c). Refunds applied for more than three years after the
20 due date are barred."

21 **SECTION 3.** This act becomes effective July 1, 2016, and applies to refund
22 applications filed on or after that date.