

GENERAL ASSEMBLY OF NORTH CAROLINA
1985 SESSION

CHAPTER 947
HOUSE BILL 2114

AN ACT CLARIFYING THE INVENTORY TAX CREDITS AND REDUCTIONS
ENACTED BY THE TAX REDUCTION ACT OF 1985.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-163.06(a) is rewritten to read:

"(a) Credit. Every manufacturer in this State is allowed a credit against the tax imposed by this Article equal to twenty percent (20%) of the amount of property taxes paid by the manufacturer during the taxable year upon the portion of its inventories that consists of raw materials, goods in process, and finished goods that are manufactured by it and are located either at an establishment of the manufacturer or at a retail outlet of the manufacturer on the premises of its manufacturing plant. A manufacturer who claims a tax credit under this subsection may not claim a credit under G.S. 105-163.03 or receive a reduction in the property tax rate under G.S. 105-277(i) for the inventory for which a credit is claimed under this subsection."

Sec. 2. G.S. 105-163.02(7) is rewritten to read:

"(7) 'Manufacturer' means a taxpayer who is regularly engaged, at a manufacturing or processing plant, mill, or factory in this State, in the mechanical or chemical conversion or transformation of materials or substances into new products for sale. The term does not include delicatessens, cafes, cafeterias, restaurants, and other similar retailers that are principally engaged in the retail sale of foods prepared by them for consumption on or off their premises."

Sec. 3. G.S. 105-273 is amended by inserting the following definitions in the appropriate alphabetical order to read:

"(10a) 'Manufacturer' means a taxpayer who is regularly engaged, at a manufacturing or processing plant, mill, or factory in this State, in the mechanical or chemical conversion or transformation of materials or substances into new products for sale. The term does not include delicatessens, cafes, cafeterias, restaurants, and other similar retailers that are principally engaged in the retail sale of foods prepared by them for consumption on or off their premises.

"(13a) 'Retail Merchant' means a taxpayer who is regularly engaged in the sale of tangible personal property, acquired by a means other than manufacture, processing, or producing by the merchant, to users or consumers. For the purpose of the classification in G.S. 105-277(i), the term includes a manufacturer who holds property for sale that it did not manufacture or who holds finished goods for sale at a location other than its establishment.

"(19) 'Wholesale Merchant' means a taxpayer who is regularly engaged in the sale of tangible personal property, acquired by a means other than manufacture, processing, or producing by the merchant, to other retail or wholesale merchants for resale or to manufacturers for use as ingredient or component parts of articles being manufactured for sale. For the purpose of the classification in G.S. 105-277(i), the term includes a manufacturer who holds property for sale that it did not manufacture or who holds finished goods for sale at a location other than its establishment."

Sec. 4. G.S. 105-273 is amended by rewriting subdivision (8a) to read:

"(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 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."

Sec. 5. G.S. 105-277(i) is rewritten to read:

"(i) Inventories of Retail and Wholesale Merchants.
Inventories owned by retail and wholesale merchants are designated a special class of property pursuant to Article V,

Sec. 2(2) of the North Carolina Constitution and are taxable at ninety percent (90%) of the rate levied on other tangible personal property by the taxing unit in which the property is situated."

Sec. 6. G.S. 105-320 is amended as follows:

(1) by rewriting subdivisions 14 and 15 of subsection (a) to read as follows and by adding a new subdivision to subsection (a) to read as follows:

"(14) The total assessed value of the inventory of a manufacturer subject to the income tax credit in G.S. 105-163.06 and the amount of ad valorem taxes due by the manufacturer on its inventory subject to that credit.

(15) The total assessed value of livestock and poultry of a producer subject to the income tax credit in G.S. 105-163.05 and the amount of ad valorem taxes due by the producer on its livestock and poultry subject to that credit.

(16) The total assessed value of farm machinery, attachments, and repair parts of individual owners and Subchapter 'S' corporations engaged in farming subject to the income tax credit in G.S. 105-163.07 and the amount of ad valorem taxes due by an individual farmer or a Subchapter 'S' corporation engaged in farming on farm machinery, attachments, and repair parts subject to that credit."; and

(2) by redesignating subsection (b) as subsection (c) and inserting a new subsection (b) to read:

"(b) Instead of being shown on the tax receipt, the information required in subdivisions (14), (15), and (16) of subsection (a) may be shown on a separate sheet furnished to the affected taxpayers."

Sec. 7. G.S. 105-277A(a) is amended by adding a new sentence at the end of that subsection to read:

"As used in this subsection, the term 'taxing unit' means a unit that levied a property tax for the fiscal year beginning July 1 of the year preceding the date a distribution is made under this section."

Sec. 8. G.S. 105-277A(b) is rewritten to read:

"(b) A city or county that receives funds under this section and that collects taxes for another taxing unit shall distribute part of the taxes received by it to the taxing unit for which it collects tax. The distribution shall be made on the basis of the proportionate amount of ad valorem taxes levied, for the most recent fiscal year beginning July 1, by the city or county and by all the taxing units for which the city or county collects tax. This distribution shall be made as soon as practicable after a city or county receives funds from the State under this section."

Sec. 9. G.S. 105-309(d) is amended by adding a new sentence before subdivision (1) of that subsection to read:

"Personal property shall also be listed to indicate which property, if any, is subject to a tax credit under Division IV of Article 4 of this Chapter."

Sec. 10. This act is effective for taxable years beginning on or after January 1, 1986.

In the General Assembly read three times and ratified, this the 8th day of July, 1986.