

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 1944

Short Title: Foreign Tourist Tax Exemption.

(Public)

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Sponsors: Representative Redwine.

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Referred to: Commerce.

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May 10, 1989

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROMOTE INTERNATIONAL TOURISM IN NORTH CAROLINA  
3 BY PROVIDING A TAX INCENTIVE FOR FOREIGN TOURISTS TO  
4 PURCHASE NORTH CAROLINA PRODUCTS.

5 Whereas, the State of North Carolina, with its many attractions, has the  
6 opportunity to generate additional revenue in the form of international tourism; and

7 Whereas, foreign visitors to the United States represent a more lucrative  
8 market than domestic travelers because they use tourism services to a much greater  
9 degree than their domestic counterparts; and

10 Whereas, many foreign countries have a value-added tax refund system for  
11 purchases of tangible personal property by international travelers which has proved  
12 successful, when appropriately advertised, in increasing tourism in those countries; and

13 Whereas, a similar sales tax exemption program applicable to retail shopping  
14 by international visitors can be an effective promotional tool to increase North  
15 Carolina's share of the growing foreign tourism market; Now, therefore,

16 The General Assembly of North Carolina enacts:

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

18 "(33a) Tangible personal property, other than food for immediate consumption and  
19 other perishable items, purchased from a qualified retailer by a foreign tourist for export  
20 to a foreign country. The exemption applies only to the first twenty-five dollars  
21 (\$25.00) of tax for which exemption is claimed and is subject to the requirements  
22 provided in G.S. 143B-436.1. For the purpose of this subdivision, the term 'foreign  
23 tourist' means an individual traveling with a foreign passport, a current United States  
24 visa, and a round-trip international transportation ticket of less than three months'

1 duration. The term does not include a resident alien or foreign student living in the  
2 United States. For the purpose of this subdivision, a qualified retailer is a retailer who is  
3 a participant in the Foreign Tourist Tax Incentive Program provided in G.S. 143B-  
4 436.1. A qualified retailer who makes a sale subject to the exemption provided in this  
5 subdivision shall file a copy of the form obtained pursuant to G.S. 143B-436.1 with the  
6 retailer's next sales and use tax report for the month during which the sale is made."

7 Sec. 2. Part 2 of Article 10 of Chapter 143B of the General Statutes is  
8 amended by adding a new section to read:

9 "**§ 143B-436.1. Foreign tourist tax incentive program.**

10 (a) Program Established. The Department of Commerce shall administer a  
11 Foreign Tourist Tax Incentive Program to promote the use of the sales tax exemption  
12 provided in G.S. 105-164.13(33a) for tangible personal property purchased from a  
13 participating retailer by a foreign tourist for export to a foreign country. The  
14 Department may adopt rules to implement the provisions of this section. For the  
15 purpose of this section the term 'foreign tourist' means an individual traveling with a  
16 foreign passport, a current United States visa, and a round-trip international  
17 transportation ticket of less than three months' duration. The term does not include a  
18 resident alien or foreign student living in the United States.

19 (b) Participating Retailers. In order to participate in the Foreign Tourist Tax  
20 Incentive Program, a retailer shall file an application on a form provided by the  
21 Department and shall pay an annual fee of fifty dollars (\$50.00) for each participating  
22 place of business at a separate location. The Department shall supply each participating  
23 retailer with signs or decals to identify the retailer as a participating retailer and  
24 instructions to ensure that the retailer complies with the requirements of the program.

25 (c) Guide to Participating Retailers. The Department of Commerce shall  
26 semiannually compile and publish a guide to participating retailers. The guide shall be  
27 organized by location and shall identify the name, type of business, and address of each  
28 participating retailer. The guide shall include instructions for foreign tourists for  
29 obtaining the tax exemption provided in G.S. 105-164.13(33a). The Department shall  
30 distribute copies of the guide to welcome centers, tourist bureaus, and other locations  
31 foreign tourists are likely to visit.

32 (d) Exemption Booklets. In order to qualify for the tax exemption provided in  
33 G.S. 105-164.13(33a), the foreign tourist must obtain an exemption booklet from the  
34 Department of Commerce. A foreign tourist who applies for the booklet shall provide  
35 such information and evidence regarding the tourist's passport, visa, transportation, and  
36 other matters as the Department may require. Upon receipt of a complete application,  
37 the Department shall issue the foreign tourist an exemption booklet valid for the  
38 duration of the foreign tourist's stay in this country. The booklet shall contain the  
39 foreign tourist's name and passport number and the date the booklet will expire. The  
40 booklet shall provide appropriate space, including carbon copies, for retailers to enter  
41 the required information when making a sale subject to the exemption. No more than  
42 one booklet may be issued to a foreign tourist during each visit to this country; if the  
43 booklet is lost or destroyed, it may not be replaced.

1       (e) Procedure for Claiming Exemption. In order to claim the exemption, the  
2 foreign tourist shall present the exemption booklet to a participating retailer before  
3 making a purchase. The retailer shall verify that the person presenting the booklet is the  
4 foreign tourist identified in the booklet and that the booklet has not expired. The retailer  
5 shall enter the date of the sale, the items sold, the sales price, and the amount of tax to  
6 which the exemption applies. The foreign tourist shall then sign a statement verifying  
7 that the tourist will take the items purchased out of the country. The retailer shall retain  
8 a copy of this information and file it with the retailer's next sales and use tax report for  
9 the month during which the sale is made.

10       When the foreign tourist claiming the exemption presents the exemption booklet to  
11 the retailer, the retailer shall examine the previous entries to determine the amount of  
12 tax for which exemption has been claimed. The retailer may not allow an exemption for  
13 any amount which, when added to the amounts of tax for which the exemption has  
14 already been claimed, exceeds twenty-five dollars (\$25.00).

15       (f) Use of Fees. The revenue derived from the fees provided in this section shall  
16 be appropriated annually by the General Assembly to defray the cost to the Department  
17 of Commerce of administering and promoting the Foreign Tourist Tax Incentive  
18 Program."

19       Sec. 3. There is appropriated from the General Fund to the Department of  
20 Commerce, Division of Travel and Tourism, the sum of \$25,000 for the 1989-90 fiscal  
21 year to administer and promote the Foreign Tourist Tax Incentive Program provided in  
22 this act.

23       Sec. 4. Section 1 of this act shall become effective January 1, 1990. The  
24 remainder of this act shall become effective July 1, 1989.