

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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1

HOUSE BILL 237

Short Title: Restore Inventory Tax.

(Public)

Sponsors: Representatives Beall; Gottovi, Luebke, and Stamey.

Referred to: Finance.

March 13, 1991

A BILL TO BE ENTITLED

1
2 AN ACT TO REPEAL THE PROPERTY TAX EXEMPTION FOR INVENTORIES
3 ENACTED IN 1985 AND 1987, TO REPEAL THE CORRESPONDING
4 REIMBURSEMENTS TO LOCAL GOVERNMENTS THAT ARE PAID FROM
5 THE GENERAL FUND, AND TO APPROPRIATE FUNDS TO THE COUNTIES
6 TO HELP DEFRAY THE ADMINISTRATIVE EXPENSES OF THE
7 TRANSITION TO A TAX ON INVENTORIES.

8 The General Assembly of North Carolina enacts:

9 Section 1. Effective January 1, 1993, G.S. 105-275.1 and G. S. 105-277A are
10 repealed.

11 Sec. 2. G.S. 105-275 reads as rewritten:

12 "**§ 105-275. Property classified and excluded from the tax base.**

13 The following classes of property are hereby designated special classes under
14 authority of Article V, Sec. 2(2), of the North Carolina Constitution and shall not be
15 listed, appraised, assessed, or taxed:

- 16 (1) Repealed by Session Laws 1987, c. 813, s. 5. Cotton, tobacco, other farm
17 products, goods, wares, and merchandise held or stored for shipment to
18 any foreign country, except any such products, goods, wares, and
19 merchandise that have been so stored for more than 48 months on the
20 date as of which property is listed for taxation. Such property shall be
21 listed (by quantity only, and with a statement that it is being held for
22 export) in the county in which it is located on the tax listing date, but
23 shall not be assessed or taxed. On the first tax listing date following
24 48 months of storage, any such property which has not been exported

- 1 shall be listed, assessed, and taxed in the same manner as other taxable
2 property. The purpose of this classification is to encourage the
3 development of the ports of North Carolina.
- 4 (2) Tangible personal property that has been imported from a foreign
5 country through a North Carolina seaport terminal and which is stored
6 at such a terminal while awaiting further shipment – for the first 12
7 months of such storage. (The purpose of this classification is to
8 encourage the development of the ports of this State.)
- 9 (3) Real and personal property owned by nonprofit water or nonprofit
10 sewer associations or corporations.
- 11 (4) ~~Repealed by Session Laws 1987, c. 813, s. 5.~~
12 For the year following that in which grown, farm products (including
13 crops but excluding poultry and other livestock) that:
- 14 a. Are in unmanufactured state and
15 b. Are owned by the original producer.
- 16 (5) Vehicles that the United States government gives to veterans on
17 account of disabilities they suffered in World War II, the Korean
18 Conflict, or the Viet Nam Era so long as they are owned by:
- 19 a. A person to whom a vehicle has been given by the United
20 States government or
21 b. Another person who is entitled to receive such a gift under Title
22 38, section 252, United States Code Annotated.
- 23 (6) Special nuclear materials held for or in the process of manufacture,
24 processing, or delivery by the manufacturer or processor thereof,
25 regardless whether the manufacturer or processor owns the special
26 nuclear materials. The terms 'manufacture' and 'processing' do not
27 include the use of special nuclear materials as fuel. The term 'special
28 nuclear materials' includes (i) uranium 233, uranium enriched in the
29 isotope 233 or in the isotope 235; and (ii) any material artificially
30 enriched by any of the foregoing, but not including source material.
31 'Source material' means any material except special nuclear material
32 which contains by weight one twentieth of one percent (0.05%) or
33 more of (i) uranium, (ii) thorium, or (iii) any combination thereof.
34 Provided however, that to qualify for this exemption no such nuclear
35 materials shall be discharged into any river, creek or stream in North
36 Carolina. The classification and exclusion provided for herein shall be
37 denied to any manufacturer, fabricator or processor who permits burial
38 of such material in North Carolina or who permits the discharge of
39 such nuclear materials into the air or into any river, creek or stream in
40 North Carolina if such discharge would contravene in any way the
41 applicable health and safety standards established and enforced by the
42 Department of Environment, Health, and Natural Resources or the
43 Nuclear Regulatory Commission. The most stringent of these
44 standards shall govern.

- 1 (7) Real and personal property that is:
- 2 a. Owned either by a nonprofit corporation formed under the
- 3 provisions of Chapter 55A of the General Statutes or by a bona
- 4 fide charitable organization, and either operated by such owning
- 5 organization or leased to another such nonprofit corporation or
- 6 charitable organization, and
- 7 b. Appropriated exclusively for public parks and drives.
- 8 (8) a. Real and personal property that is used or, if under
- 9 construction, is to be used exclusively for air cleaning or waste
- 10 disposal or to abate, reduce, or prevent the pollution of air or
- 11 water (including, but not limited to, waste lagoons and facilities
- 12 owned by public or private utilities built and installed primarily
- 13 for the purpose of providing sewer service to areas that are
- 14 predominantly residential in character or areas that lie outside
- 15 territory already having sewer service), if the Department of
- 16 Environment, Health, and Natural Resources or a local air
- 17 pollution control program for air-cleaning devices located in an
- 18 area where the Environmental Management Commission has
- 19 certified a local air pollution control program pursuant to G.S.
- 20 143-215.112 furnishes a certificate to the tax supervisor of the
- 21 county in which the property is situated or to be situated stating
- 22 that the Environmental Management Commission or local air
- 23 pollution control program has found that the described property:
- 24 1. Has been or will be constructed or installed;
- 25 2. Complies with or that plans therefor which
- 26 have been submitted to the Environmental
- 27 Management Commission or local air pollution control
- 28 program indicate that it will comply with the
- 29 requirements of the Environmental Management
- 30 Commission or local air pollution control program;
- 31 3. Is being effectively operated or will, when
- 32 completed, be required to operate in accordance with
- 33 the terms and conditions of the permit, certificate of
- 34 approval, or other document of approval issued by the
- 35 Environmental Management Commission or local air
- 36 pollution control program; and
- 37 4. Has or, when completed, will have as its primary rather
- 38 than incidental purpose the reduction of water pollution
- 39 resulting from the discharge of sewage and waste or the
- 40 reduction of air pollution resulting from the emission of
- 41 air contaminants.
- 42 b. Real or personal property that is used or, if under
- 43 construction, is to be used exclusively for recycling or
- 44 resource recovering of or from solid waste, if the Department

1 of Environment, Health, and Natural Resources furnishes a
2 certificate to the tax supervisor of the county in which the
3 property is situated stating the Department of Environment,
4 Health, and Natural Resources has found that the described
5 property has been or will be constructed or installed, complies
6 or will comply with the rules of the Department of
7 Environment, Health, and Natural Resources, and has, or will
8 have as its primary purpose recycling or resource recovering
9 of or from solid waste.

- 10 c. Tangible personal property that is used exclusively, or if being
11 installed, is to be used exclusively, for the prevention or
12 reduction of cotton dust inside a textile plant for the protection
13 of the health of the employees of the plant, in accordance with
14 occupational safety and health standards adopted by the State of
15 North Carolina pursuant to Article 16 of G.S. Chapter 95. The
16 Department of Revenue shall adopt guidelines to assist the tax
17 supervisors in administering this exclusion.

18 ~~(9) to (11) Repealed by Session Laws 1987, c. 813, s. 5.~~

19 All cotton while subject to transmit privileges under Interstate Commerce
20 Commission tariffs.

21 (10) Personal property shipped into this State and placed in a public
22 warehouse as intermediate consignee for the purpose of transshipment
23 in its original form or package to the owner's customers either inside or
24 outside the State. No portion of a premises owned or leased by a
25 consignor or consignee, or a subsidiary of a consignor or consignee, is
26 a public warehouse within the meaning of this subdivision despite any
27 licensing as such. The purpose of this classification is to encourage
28 the development of the State of North Carolina as a distribution center.

29 (11) Personal property shipped from a point within this State and placed in
30 a public warehouse as intermediate consignee for the purpose of
31 transshipment in its original form or package to the owner's customers
32 outside the State. No portion of a premises owned or leased by a
33 consignor or consignee, or a subsidiary of a consignor or consignee, is
34 a public warehouse within the meaning of this subdivision despite any
35 licensing as such. The purpose of this classification is to encourage
36 the development of the State of North Carolina as a distribution center.

37 (12) Real property owned by a nonprofit corporation or association
38 exclusively held and used by its owner for educational and scientific
39 purposes as a protected natural area. (For purposes of this subdivision,
40 the term 'protected natural area' means a nature reserve or park in
41 which all types of wild nature, flora and fauna, and biotic communities
42 are preserved for observation and study.)

43 (13) Repealed by Session Laws 1973, c. 904.

- 1 (14) Motor vehicles chassis belonging to nonresidents, which chassis
2 temporarily enters the State for the purpose of having a body mounted
3 thereon.
- 4 (15) Upon the date on which each county's next general reappraisal of real
5 property under the provisions of G.S. 105-286(a) becomes effective,
6 standing timber, pulpwood, seedlings, saplings, and other forest
7 growth. (The purpose of this classification is to encourage proper
8 forest management practices and to develop and maintain the forest
9 resources of the State.)
- 10 (16) Non-business Property. – As used in this subdivision, the term 'non-
11 business property' means personal property that is used by the owner
12 of the property for a purpose other than the production of income and
13 is not used in connection with a business. The term includes household
14 furnishings, clothing, pets, lawn tools, and lawn equipment. The term
15 does not include motor vehicles, mobile homes, aircraft, watercraft, or
16 engines for watercraft.
- 17 (17) Real and personal property belonging to the American Legion,
18 Veterans of Foreign Wars, Disabled American Veterans, or to any
19 similar veterans organizations chartered by the Congress of the United
20 States or organized and operated on a statewide or nationwide basis,
21 and any post or local organization thereof, when used exclusively for
22 meeting or lodge purposes by said organization, together with such
23 additional adjacent real property as may be necessary for the
24 convenient and normal use of the buildings thereon. Notwithstanding
25 the exclusive-use requirement hereinabove established, if a part of a
26 property that otherwise meets this subdivision's requirements is used
27 for a purpose that would require that it not be listed, appraised,
28 assessed or taxed if the entire property were so used, that part,
29 according to its value, shall not be listed, appraised, assessed or taxed.
30 The fact that a building or facility is incidentally available to and
31 patronized by the general public, so far as there is no material amount
32 of business or patronage with the general public, shall not defeat the
33 classification granted by this section.
- 34 (18) Real and personal property belonging to the Grand Lodge of Ancient,
35 Free and Accepted Masons of North Carolina, the Prince Hall Masonic
36 Grand Lodge of North Carolina, their subordinate lodges and
37 appendant bodies including the Ancient and Arabic Order Nobles of
38 the Mystic Shrine, and the Ancient Egyptian Order Nobles of the
39 Mystic Shrine, when used exclusively for meeting or lodge purposes
40 by said organization, together with such additional adjacent real
41 property as may be necessary for the convenient normal use of the
42 buildings thereon. Notwithstanding the exclusive-use requirement
43 hereinabove established, if a part of a property that otherwise meets
44 this subdivision's requirements is used for a purpose that would require

1 that it not be listed, appraised, assessed or taxed if the entire property
2 were so used, that part, according to its value, shall not be listed,
3 appraised, assessed or taxed. The fact that a building or facility is
4 incidentally available to and patronized by the general public, so far as
5 there is no material amount of business or patronage with the general
6 public, shall not defeat the classification granted by this section.

7 (19) Real and personal property belonging to the Loyal Order of Moose, the
8 Benevolent and Protective Order of Elks, the Knights of Pythias, the
9 Odd Fellows and similar fraternal or civic orders and organizations
10 operated for nonprofit benevolent, patriotic, historical, charitable, or
11 civic purposes, when used exclusively for meeting or lodge purposes
12 by said organization, together with such additional adjacent real
13 property as may be necessary for the convenient normal use of the
14 buildings thereon. Notwithstanding the exclusive-use requirement
15 hereinabove established, if a part of a property that otherwise meets
16 this subdivision's requirements is used for a purpose that would require
17 that it not be listed, appraised, assessed or taxed if the entire property
18 were so used, that part, according to its value shall not be listed,
19 appraised, assessed or taxed. The fact that a building or facility is
20 incidentally available to and patronized by the general public, so far as
21 there is no material amount of business or patronage with the general
22 public, shall not defeat the classification granted by this section.
23 Nothing in this section shall be construed so as to include social
24 fraternities, sororities, and similar college, university, or high school
25 organizations in the classification for exclusion from ad valorem taxes.

26 (20) Real and personal property belonging to Goodwill Industries and other
27 charitable organizations organized for the training and rehabilitation of
28 disabled persons when used exclusively for training and rehabilitation,
29 including commercial activities directly related to such training and
30 rehabilitation.

31 (21) The first thirty-eight thousand dollars (\$38,000) in assessed value of
32 housing together with the necessary land therefor, owned and used as a
33 residence by a disabled veteran who receives benefits under Title 38,
34 section 801, United States Code Annotated. This exclusion shall be the
35 total amount of the exclusion applicable to such property.

36 (22) ~~Repealed by Session Laws 1987, c. 813, s. 5.~~

37 All nursery stock, herbaceous and nonherbaceous (annual, biennial, or
38 perennial plants including rooted cuttings) in the ground, pots,
39 hothouses, greenhouses, raised beds, or containers or otherwise held
40 by the original producer. Provided, this exemption does not apply to
41 pots or similar containers in which nursery stock is planted.

42 (23) Tangible personal property imported from outside the United States
43 and held in a Foreign Trade Zone for the purpose of sale, manufacture,
44 processing, assembly, grading, cleaning, mixing or display and

1 tangible personal property produced in the United States and held in a
2 Foreign Trade Zone for exportation, either in its original form or as
3 altered by any of the above processes.

- 4 (24) Cargo containers and container chassis used for the transportation of
5 cargo by vessels in ocean commerce.

6 The term 'container' applies to those nondisposable receptacles of a
7 permanent character and strong enough for repeated use and specially
8 designed to facilitate the carriage of goods, by one or more modes of
9 transport, one of which shall be by ocean vessels, without intermediate
10 reloadings and fitted with devices permitting its ready handling
11 particularly in the transfer from one transport mode to another.

- 12 (25) Tangible personal property shipped into this State for the purpose of
13 repair, alteration, maintenance or servicing and reshipment to the
14 owner outside this State. This classification does not include raw
15 materials, supplies, or goods in process of manufacture in this State.

- 16 (26) For the tax year immediately following transfer of title, tangible
17 personal property manufactured in this State for the account of a
18 nonresident customer and held by the manufacturer for shipment. For
19 the purpose of this subdivision, the term 'nonresident' means a
20 taxpayer having no place of business in North Carolina.

- 21 (27), (28) Repealed by Session Laws 1983, c. 643, s. 1.

- 22 (29) Real property and easements wholly and exclusively held and used for
23 nonprofit historic preservation purposes by a nonprofit historical
24 association or institution, including real property owned by a nonprofit
25 corporation organized for historic preservation purposes and held by
26 its owner exclusively for sale under an historic preservation agreement
27 prepared and recorded under the provisions of the Conservation and
28 Historic Preservation Agreements Act, Article 4, Chapter 121 of the
29 General Statutes of North Carolina.

- 30 (30) ~~Repealed by Session Laws 1987, c. 813, s. 5.~~

31 Works of fine art created by an individual artist, other than in the
32 course of employment, and either held by the artist for sale in the
33 regular course of business as an artist or consigned by the artist to
34 another person for sale. As used in this subdivision, 'work of fine art'
35 means an original art work that is:

36 a. A visual rendition, including a painting, drawing, sculpture,
37 mosaic, or photograph;

38 b. A work of calligraphy;

39 c. A work of graphic art, including an etching, lithograph, offset
40 print, or silk screen;

41 d. A craft work in materials, including clay, textile, fiber, wood,
42 metal, plastic, or glass; or

- 1 e. A work in mixed media, including a collage or a work
2 consisting of any combination of works included in this
3 subdivision.
- 4 (31) Money, whether on hand or on deposit at a bank, a credit union, a
5 savings and loan association, or an insurance company.
- 6 (32) Real and personal property owned by a home for the aged, sick, or
7 infirm, that is exempt from tax under Article 4 of this Chapter, and
8 used in the operation of that home. The term 'home for the aged, sick,
9 or infirm' means a self-contained community that (i) is designed for
10 elderly residents; (ii) operates a skilled nursing facility, an
11 intermediate care facility, or a home for the aged; (iii) includes
12 residential dwelling units, recreational facilities, and service facilities;
13 (iv) the charter of which provides that in the event of dissolution, its
14 assets will revert or be conveyed to an entity organized exclusively for
15 charitable, educational, scientific, or religious purposes, and which
16 qualifies as an exempt organization under Section 501(c)(3) of the
17 Internal Revenue Code of 1986; (v) is owned, operated, and managed
18 by one of the following entities:
- 19 A. A congregation, parish, mission, synagogue, temple, or similar
20 local unit of a church or religious body;
- 21 B. A conference, association, division, presbytery, diocese,
22 district, synod, or similar unit of a church or religious body;
- 23 C. A Masonic organization whose property is excluded from
24 taxation pursuant to G.S. 105-275(18); or
- 25 D. A nonprofit corporation governed by a board of directors at
26 least a majority of whose members elected for terms
27 commencing on or before December 31, 1987, shall have been
28 elected or confirmed by, and all of whose members elected for
29 terms commencing after December 31, 1987, shall be selected
30 by, one or more entities described in A., B., or C. of this
31 subdivision, or organized for a religious purpose as defined in
32 G.S. 105-278.3(d)(1); and
- 33 (vi) has an active program to generate funds through one or more
34 sources, such as gifts, grants, trusts, bequests, endowment, or an
35 annual giving program, to assist the home in serving persons who
36 might not be able to reside at the home without financial assistance or
37 subsidy.
- 38 ~~(33) Inventories owned by manufacturers.~~
- 39 ~~(34) Inventories owned by retail and wholesale merchants.~~
- 40 (35) Severable development rights, as defined in G.S. 136-66.11(a), when
41 severed and evidenced by a deed recorded in the office of the register
42 of deeds pursuant to G.S. 136-66.11(c).

- 1 (36) Real and personal property belonging to the North Carolina Low-Level
 2 Radioactive Waste Management Authority created under Chapter
 3 104G of the General Statutes.
- 4 ~~(37) Poultry and livestock and feed used in the production of poultry and~~
 5 ~~livestock.~~
- 6 (38) Real and personal property belonging to the North Carolina Hazardous
 7 Waste Management Commission created under Chapter 130B of the
 8 General Statutes.
- 9 (39) Real and personal property that is: (i) owned by a nonprofit
 10 corporation organized upon the request of a local government unit for
 11 the sole purpose of financing projects for public use, (ii) leased to a
 12 unit of local government whose property is exempt from taxation
 13 under G.S. 105-278.1, and (iii) used in whole or in part for a public
 14 purpose by such unit of local government. If only part of the property
 15 is used for a public purpose, only that part is exempt from the tax. This
 16 subdivision shall not apply if any distributions are made to members,
 17 officers, or directors of the nonprofit corporation."

18 Sec. 3. G.S. 105-273 reads as rewritten:

19 **"§ 105-273. Definitions.**

20 When used in this Subchapter (unless the context requires a different meaning):

- 21 (1) 'Abstract' means the document on which the property of a taxpayer is
 22 listed for ad valorem taxation and on which the appraised and assessed
 23 values of the property are recorded.
- 24 (2) 'Appraisal' means both the true value of property and the process by
 25 which true value is ascertained.
- 26 (3) 'Assessment' means both the tax value of property and the process by
 27 which the assessment is determined.
- 28 (4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1,
 29 1974.
- 30 (5) 'Collector' or 'tax collector' means any person charged with the duty of
 31 collecting taxes for a county or municipality.
- 32 (6) 'Corporation' includes nonprofit corporation and every type of
 33 organization having capital stock represented by shares.
- 34 (7) 'Document' includes book, paper, record, statement, account, map,
 35 plat, film, picture, tape, object, instrument, and any other thing
 36 conveying information.
- 37 (8) 'Intangible personal property' means patents, copyrights, secret
 38 processes, formulae, good will, trademarks, trade brands, franchises,
 39 stocks, bonds, cash, bank deposits, notes, evidences of debt, leasehold
 40 interests in exempted real property, bills and accounts receivable, and
 41 other like property.
- 42 (8a) 'Inventories' means goods held for sale in the regular course of
 43 business by manufacturers and retail and wholesale merchants. As to
 44 manufacturers, the term includes raw materials, goods in process, and

1 finished goods, as well as other materials or supplies that are
2 consumed in manufacturing or processing, or that accompany and
3 become a part of the sale of the property being sold. The term also
4 includes crops, livestock, poultry, feed used in the production of
5 livestock and poultry, and other agricultural or horticultural products
6 held for sale, whether in process or ready for sale. The term does not
7 include fuel used in manufacturing or processing, nor does it include
8 materials or supplies not used directly in manufacturing or processing.
9 As to retail and wholesale merchants, the term includes, in addition to
10 articles held for sale, packaging materials that accompany and become
11 a part of the sale of the property being sold.

12 (9) 'List' or 'listing,' when used as a noun, means abstract.

13 (10) Repealed by Session Laws 1987, c. 43, s. 1, effective April 2, 1987.

14 (10a) 'Local tax official' includes a county assessor, an assistant county
15 assessor, a member of a county board of commissioners, a member
16 of a county board of equalization and review, a county tax
17 collector, and the municipal equivalents of these officials.

18 ~~(10b) "Manufacturer" means a taxpayer who is regularly engaged in the
19 mechanical or chemical conversion or transformation of materials
20 or substances into new products for sale or in the growth, breeding,
21 raising, or other production of new products for sale. The term
22 does not include delicatessens, cafes, cafeterias, restaurants, and
23 other similar retailers that are principally engaged in the retail sale
24 of foods prepared by them for consumption on or off their
25 premises.~~

26 (11) 'Municipal corporation' and 'municipality' mean city, town,
27 incorporated village, sanitary district, rural fire protection district,
28 rural recreation district, mosquito control district, hospital district,
29 metropolitan sewerage district, watershed improvement district, or
30 other district or unit of local government by or for which ad
31 valorem taxes are levied.

32 (12) 'Person' and 'he' include any individual, trustee, executor,
33 administrator, other fiduciary, corporation, unincorporated
34 association, partnership, sole proprietorship, company, firm, or
35 other legal entity.

36 (13) 'Real property,' 'real estate,' and 'land' mean not only the land itself,
37 but also buildings, structures, improvements, and permanent
38 fixtures thereon, and all rights and privileges belonging or in any
39 wise appertaining thereto. These terms also means a manufactured
40 home as defined in G.S. 143-143.9(6) if it is a multi-section
41 residential structure (consisting of two or more sections); has the
42 moving hitch, wheels, and axles removed; and is placed upon a
43 permanent enclosed foundation on land owned by the owner of the
44 manufactured home.

- 1 (13a) ~~" Retail Merchant" means a taxpayer who is regularly engaged in~~
 2 ~~the sale of tangible personal property, acquired by a means other~~
 3 ~~than manufacture, processing, or producing by the merchant, to~~
 4 ~~users or consumers.~~
- 5 (14) 'Tangible personal property' means all personal property that is not
 6 intangible and that is not permanently affixed to real property.
- 7 (15) 'Tax' and 'taxes' include the principal amount of any tax, costs,
 8 penalties, and interest imposed upon property tax or dog license
 9 tax.
- 10 (16) 'Taxing unit' means a county or municipality authorized to levy ad
 11 valorem property taxes.
- 12 (17) 'Taxpayer' means any person whose property is subject to ad
 13 valorem property taxation by any county or municipality and any
 14 person who, under the terms of this Subchapter, has a duty to list
 15 property for taxation.
- 16 (18) 'Valuation' means appraisal and assessment.
- 17 (19) ~~" Wholesale Merchant" means a taxpayer who is regularly engaged~~
 18 ~~in the sale of tangible personal property, acquired by a means other~~
 19 ~~than manufacture, processing, or producing by the merchant, to~~
 20 ~~other retail or wholesale merchants for resale or to manufacturers~~
 21 ~~for use as ingredient or component parts of articles being~~
 22 ~~manufactured for sale."~~

23 Sec. 4. G.S. 105-277(a), (b), (c), and (e), as repealed by Section 9 of Chapter
 24 813 of the 1987 Session Laws, are reenacted.

25 Sec. 5. G.S. 105-285(c) and G.S. 105-289.1, as repealed by Section 12 of
 26 Chapter 813 of the 1987 Session Laws, are reenacted.

27 Sec. 6. G.S. 105-163.02 reads as rewritten:

28 **"§ 105-163.02. Definitions.**

29 For the purposes of this Division and unless otherwise required by the context:

- 30 (1) ~~to (7) Repealed by Session Laws 1987, c. 622, s. 4, effective for~~
 31 ~~taxable years beginning on or after January 1, 1988.~~

32 'Book value' of qualifying inventories means the net amount at which
 33 qualifying inventories are valued for North Carolina income tax
 34 purposes, and the date of such valuation shall be the first day of the
 35 taxable year.

- 36 (2) 'Cost of manufacturing' means the costs of producing the goods
 37 manufactured in this State. The term shall be interpreted so as to
 38 conform to generally accepted accounting practices in the industry.
 39 Unless in the opinion of the Secretary of Revenue the peculiar
 40 circumstances in any case justify a different meaning, the term
 41 shall be construed to include as elements of cost the following: the
 42 cost of materials put into production; the cost of labor applied to
 43 material conversions; and all of the other costs for services and
 44 facilities utilized in manufacturing, including factory

1 superintendence, indirect labor, depreciation and other costs
2 relating to factory buildings, machinery and equipment, factory
3 supplies used, patent amortization, and factory light, heat, and
4 power. The 'cost of materials put into production' means the
5 inventories of raw materials and goods in process of manufacture at
6 the beginning of the taxable year plus purchases of raw materials,
7 less inventories of raw materials and goods in process of
8 manufacture at the end of the taxable year. The 'cost of
9 manufacturing' shall be for the taxable year. Where the 'taxable
10 year' of the taxpayer is less than 12 months (or 52 weeks) the
11 taxpayer shall annualize the cost of manufacturing. 'Annualize'
12 means the projection of an annual amount or rate ordinarily
13 expressed in terms of a year, where the amount or rate to be
14 projected has been experienced for less than a year, as in the case
15 of a manufacturer having a short taxable year due to changing the
16 taxable year or due to commencing operations in this State during
17 the taxable year.

18 (3) 'Establishment' means a mill or plant in North Carolina at which
19 manufacturing operations are performed, and which constitutes an
20 economic unit at a single physical location or site, unless otherwise
21 indicated herein. The word 'establishment' includes along with a
22 manufacturing plant all sites in North Carolina where raw materials
23 and/or partially manufactured goods are stored away from the
24 manufacturing plant for use in the plant. Two or more plants
25 engaged in different steps of a manufacturing process constitute an
26 establishment if goods must move through each plant before
27 becoming a finished product even though the plants are at different
28 sites in North Carolina. Two or more plants having a common
29 ownership in North Carolina located at different sites and
30 producing the same class or type of products may be treated at the
31 option of the taxpayer as a single establishment for the purposes of
32 this Division.

33 (4) 'Finished goods' means those articles of tangible personal property
34 which are the products of the manufacturing process after all
35 production in North Carolina by the manufacturer in this State has
36 been completed and the products are being held for sale or are
37 being held for shipment out of this State for further manufacture by
38 the same manufacturer in another state before they are ready for
39 sale.

40 (5) 'Goods in process of manufacture' means materials to which
41 manufacturing services have been applied by the manufacturer in
42 this State and which do not meet the definition of finished goods in
43 (4) above.

44 (6) 'Inventories' has the meaning provided in G.S. 105-273(8a).

- 1 (7) 'Manufacturer' means a taxpayer taxable under Article 4 of this
2 Chapter whose business would cause the taxpayer to be classified
3 as a manufacturer in the Standard Industrial Classification Manual
4 whose publication by the Executive Office of the President, Office
5 of Management and Budget, occurred next before January 1, 1978;
6 provided, however, that fabricating processors whose cost of
7 materials consumed is seventy-five percent (75%) or more of their
8 cost of manufacturing shall not be deemed to be manufacturers
9 under this Division. Costs incurred in performance of construction
10 activities by a fabricator shall not be included in cost of
11 manufacturing for purposes of this Division.
- 12 (8) 'Property taxes' means the principal amount of taxes levied and
13 assessed by a taxing unit under the Machinery Act. It does not
14 include costs, penalties, interest, or other charges that may be
15 added to the principal amount.
- 16 ~~(9),~~ ~~(10) Repealed by Session Laws 1987, c. 622, s. 4, effective for~~
17 ~~taxable years beginning on or after January 1, 1988.~~
- 18 (9) 'Qualifying inventories' means inventories of raw materials and
19 goods in process of manufacture in this State which have been
20 assessed for property tax purposes. The book value of qualifying
21 inventories shall be determined as of the valuation date established
22 for inventories for property tax purposes, pursuant to G.S. 105-
23 285(c), which inventories give rise to the total property tax used in
24 computing the manufacturer's income tax credit allowed under G.S.
25 105-163.03(a).
- 26 (10) 'Raw materials' means those articles of tangible personal property
27 which are held by a manufacturer for use as ingredient or
28 component parts of finished goods to be manufactured by the
29 manufacturer in North Carolina.
- 30 (11) 'Taxable year' shall have the meaning provided in G.S. 105-134.1
31 and G.S. 105-130.2(5), as appropriate. In addition, 'taxable year'
32 shall be that taxable year for which a manufacturer files an income
33 tax return upon which the tax credit provided for under this
34 Division is claimed.
- 35 (12) Repealed by Session Laws 1985, c. 656, s. 15, effective January 1,
36 1986.
- 37 (13) 'Taxpayer' means an individual, a person, a firm, a corporation, or
38 other entity subject to income tax under this Article.
- 39 (14) 'Taxing unit' has the same meaning as in G.S. 105-273(16)."
- 40 Sec. 7. G.S. 105-163.03, as repealed by Section 3 of Chapter 622 of the 1987
41 Session Laws, is reenacted.
- 42 Sec. 8. G.S. 105-163.05, as repealed by Section 5 of Chapter 37 of the 1989
43 Session Laws, is reenacted.
- 44 Sec. 9. G.S. 105-315(a) reads as rewritten:

1 "(a) As of January 1, every person having custody of taxable tangible personal
2 property that has been entrusted to him by another for storage, sale, renting, or any other
3 business purpose shall furnish the appropriate assessor the reports required by
4 ~~subdivision~~ subdivisions (a)(1) and (a)(2), below:

5 (1) ~~Repealed by Session Laws 1987, c. 813, s. 14.~~

6 For farm products that are owned by the original producer and that
7 were produced in a county of this State other than that in which the
8 products are situated, there shall be furnished to the assessor of the
9 county in which the products were produced a statement showing the
10 name of the producer, a description of the property, the quantity of the
11 property, and the amount of money, if any, advanced against the
12 products by the person having custody of them.

13 (2) For all other tangible personal property, ~~except inventories~~
14 ~~exempt under G.S. 105-275(33) and (34),~~ there shall be furnished
15 to the assessor of the county in which the property is situated a
16 statement showing the name of the owner of the property, a
17 description of the property, the quantity of the property, and the
18 amount of money, if any, advanced against the property by the
19 person having custody of it.

20 (3) For purposes of illustration, but not by way of limitation, the term
21 'person having custody of taxable tangible personal property' as
22 used in this subsection (a) shall include warehouses, cooperative
23 growers' and marketing associations, consignees, factors,
24 commission merchants, and brokers."

25 Sec. 10. There is appropriated from the General Fund to each county in the
26 State the sum of \$2,000 for the 1991-92 fiscal year to help defray the administrative
27 costs involved in making the transition to a tax on inventories.

28 Sec. 11. This act does not affect the rights or liabilities of the State, a
29 taxpayer, or another person arising under a statute amended or repealed by this act
30 before its amendment or repeal; nor does it affect the right to any refund or credit of a
31 tax that would otherwise have been available under the amended or repealed statute
32 before its amendment or repeal.

33 Sec. 12. Section 1 of this act becomes effective January 1, 1993. The
34 remainder of this act is effective for taxes imposed for taxable years beginning on or
35 after July 1, 1992.