

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 1003

Short Title: Contractors' Inventories Tax Exempt.

(Public)

Sponsors: Senator Block.

Referred to: Finance.

May 28, 1992

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CONTRACTORS' INVENTORIES WILL BE ENTITLED TO THE SAME PROPERTY TAX EXEMPTION AS MANUFACTURERS', RETAILERS', AND WHOLESALERS' INVENTORIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-273 reads as rewritten:

"§ 105-273. Definitions.

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

- (1) 'Abstract' means the document on which the property of a taxpayer is listed for ad valorem taxation and on which the appraised and assessed values of the property are recorded.
- (2) 'Appraisal' means both the true value of property and the process by which true value is ascertained.
- (3) 'Assessment' means both the tax value of property and the process by which the assessment is determined.
- (4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1, 1974.
- (5) 'Collector' or 'tax collector' means any person charged with the duty of collecting taxes for a county or municipality.
- (5a) 'Contractor' means a taxpayer who is regularly engaged in building, installing, repairing, or improving real property.
- (6) 'Corporation' includes nonprofit corporation and every type of organization having capital stock represented by shares.
- (6a) 'Discovered property' includes all of the following:

- 1 a. Property that was not listed during a listing period.
- 2 b. Property that was listed but the listing included a substantial
- 3 understatement.
- 4 c. Property that has been granted an exemption or exclusion and
- 5 does not qualify for the exemption or exclusion.
- 6 (6b) 'To discover property' means to determine any of the following:
- 7 a. Property has not been listed during a listing period.
- 8 b. A taxpayer made a substantial understatement of listed
- 9 property.
- 10 c. Property was granted an exemption or exclusion and the
- 11 property does not qualify for an exemption or exclusion.
- 12 (7) 'Document' includes book, paper, record, statement, account, map,
- 13 plat, film, picture, tape, object, instrument, and any other thing
- 14 conveying information.
- 15 (7a) 'Failure to list property' includes all of the following:
- 16 a. Failure to list property during a listing period.
- 17 b. A substantial understatement of listed property.
- 18 c. Failure to notify the assessor that property granted an
- 19 exemption or exclusion under an application for exemption or
- 20 exclusion does not qualify for the exemption or exclusion.
- 21 (8) 'Intangible personal property' means patents, copyrights, secret
- 22 processes, formulae, good will, trademarks, trade brands, franchises,
- 23 stocks, bonds, cash, bank deposits, notes, evidences of debt, leasehold
- 24 interests in exempted real property, bills and accounts receivable, and
- 25 other like property.
- 26 (8a) 'Inventories' means (i) goods held for sale in the regular course of
- 27 business by ~~manufacturers and manufacturers,~~ retail and wholesale
- 28 ~~merchants.~~ ~~merchants,~~ and contractors, and (ii) goods held by
- 29 contractors to be furnished in the course of building, installing,
- 30 repairing, or improving real property. As to manufacturers, the term
- 31 includes raw materials, goods in process, and finished goods, as well
- 32 as other materials or supplies that are consumed in manufacturing or
- 33 processing, or that accompany and become a part of the sale of the
- 34 property being sold. The term also includes crops, livestock, poultry,
- 35 feed used in the production of livestock and poultry, and other
- 36 agricultural or horticultural products held for sale, whether in process
- 37 or ready for sale. The term does not include fuel used in
- 38 manufacturing or processing, nor does it include materials or supplies
- 39 not used directly in manufacturing or processing. As to retail and
- 40 wholesale ~~merchants,~~ merchants and contractors, the term includes, in
- 41 addition to articles held for sale, packaging materials that accompany
- 42 and become a part of the sale of the property being sold.
- 43 (9) 'List' or 'listing,' when used as a noun, means abstract.
- 44 (10) Repealed by Session Laws 1987, c. 43, s. 1, effective April 2, 1987.

- 1 (10a) 'Local tax official' includes a county assessor, an assistant county
2 assessor, a member of a county board of commissioners, a member
3 of a county board of equalization and review, a county tax collector,
4 and the municipal equivalents of these officials.
- 5 (10b) 'Manufacturer' means a taxpayer who is regularly engaged in the
6 mechanical or chemical conversion or transformation of materials or
7 substances into new products for sale or in the growth, breeding,
8 raising, or other production of new products for sale. The term does
9 not include delicatessens, cafes, cafeterias, restaurants, and other
10 similar retailers that are principally engaged in the retail sale of
11 foods prepared by them for consumption on or off their premises.
- 12 (11) 'Municipal corporation' and 'municipality' mean city, town,
13 incorporated village, sanitary district, rural fire protection district, rural
14 recreation district, mosquito control district, hospital district,
15 metropolitan sewerage district, watershed improvement district, or
16 other district or unit of local government by or for which ad valorem
17 taxes are levied.
- 18 (12) 'Person' and 'he' include any individual, trustee, executor,
19 administrator, other fiduciary, corporation, unincorporated association,
20 partnership, sole proprietorship, company, firm, or other legal entity.
- 21 (13) 'Real property,' 'real estate,' and 'land' mean not only the land itself,
22 but also buildings, structures, improvements, and permanent fixtures
23 thereon, and all rights and privileges belonging or in any wise
24 appertaining thereto. These terms also mean a manufactured home as
25 defined in G.S. 143-143.9(6) if it is a multi-section residential structure
26 (consisting of two or more sections); has the moving hitch, wheels, and
27 axles removed; and is placed upon a permanent enclosed foundation
28 on land owned by the owner of the manufactured home.
- 29 (13a) 'Retail Merchant' means a taxpayer who is regularly engaged in the
30 sale of tangible personal property, acquired by a means other than
31 manufacture, processing, or producing by the merchant, to users or
32 consumers.
- 33 (13b) 'Substantial understatement' means the omission of a material
34 portion of the value, quantity, or other measurement of taxable
35 property. The determination of materiality in each case shall be
36 made by the assessor, subject to the taxpayer's right to review of the
37 determination by the county board of equalization and review or
38 board of commissioners and appeal to the Property Tax
39 Commission.
- 40 (14) 'Tangible personal property' means all personal property that is not
41 intangible and that is not permanently affixed to real property.
- 42 (15) 'Tax' and 'taxes' include the principal amount of any tax, costs,
43 penalties, and interest imposed upon property tax or dog license tax.

- 1 (16) 'Taxing unit' means a county or municipality authorized to levy ad
2 valorem property taxes.
- 3 (17) 'Taxpayer' means any person whose property is subject to ad valorem
4 property taxation by any county or municipality and any person who,
5 under the terms of this Subchapter, has a duty to list property for
6 taxation.
- 7 (18) 'Valuation' means appraisal and assessment.
- 8 (19) 'Wholesale Merchant' means a taxpayer who is regularly engaged in
9 the sale of tangible personal property, acquired by a means other than
10 manufacture, processing, or producing by the merchant, to other retail
11 or wholesale merchants for resale or to manufacturers for use as
12 ingredient or component parts of articles being manufactured for sale."
- 13 Sec. 2. G.S. 105-275 is amended by adding a new subdivision to read:
14 "(32a) Inventories owned by contractors."
- 15 Sec. 3. G.S. 105-282.1(a)(2) reads as rewritten:
16 "(2) Owners of the special classes of property excluded from taxation under
17 G.S. 105-275(5), (15), (16), (26), (31), (32a), (33), or (34), or
18 exempted under G.S. 105-278.2 are not required to file applications for
19 the exclusion or exemption of that property."
- 20 Sec. 4. This act is effective for taxes imposed for taxable years beginning on
21 or after July 1, 1992.