

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 1181

Short Title: Republican Tax Cuts.

(Public)

Sponsors: Representatives Balmer; Arnold, Barbee, Berry, Brawley, Creech, Culp, Decker, Dockham, Edwards, Esposito, Flaherty, Gardner, Grady, Hayes, Holmes, Ives, Lemmond, McCombs, Miner, Mitchell, Morgan, Nichols, J. Preston, Robinson, Tallent, G. Thompson, C. Wilson, and Wood.

Referred to: Finance.

April 20, 1993

A BILL TO BE ENTITLED

AN ACT TO PHASE OUT THE STATE SALES TAX ON FOOD, TO PROVIDE A UNIVERSAL CHILD CARE TAX CREDIT FOR THE PARENTS OF CHILDREN UNDER AGE SIX, AND TO LOWER THE CORPORATE INCOME TAX TO SEVEN PERCENT.

The General Assembly of North Carolina enacts:

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PART I.

PHASE OUT FOOD TAX

Section 1. (a) Effective July 1, 1993, G.S. 105-164.4(a) is amended by adding a new subdivision to read:

"(1e) The following rates apply to the sales price of food that would be exempt from the tax imposed by this Article if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 51:

<u>Effective Dates</u>	<u>Rate</u>
July 1, 1993, through June 30, 1994	three percent (3%)
July 1, 1994, through June 30, 1995	two percent (2%)

1 July 1, 1995, through June 30, 1996 – one percent (1%)."

2 (b) Effective July 1, 1996, G.S. 105-164.4(a)(1e), as enacted by this section, is
3 repealed.

4 Sec. 2. Effective July 1, 1996, Article 5 of Chapter 105 of the General
5 Statutes is amended by adding a new section to read:

6 **"§ 105-164.13B. Food exempt from State tax only.**

7 The taxes imposed by this Article do not apply to food that is not otherwise exempt
8 pursuant to G.S. 105-164.13 but would be exempt pursuant to G.S. 105-164.13 if it were
9 purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 51."

10 Sec. 3. Effective July 1, 1993, G.S. 105-465 reads as rewritten:

11 **"§ 105-465. County election as to adoption of local sales and use tax.**

12 The board of elections of any county, upon the written request of the board of county
13 commissioners thereof, or upon receipt of a petition signed by qualified voters of the
14 county equal in number to at least fifteen percent (15%) of the total number of votes
15 cast in the county, at the last preceding election for the office of Governor, shall call a
16 special election for the purpose of submitting to the voters of the county the question of
17 whether a one percent (1%) sales and use tax as hereinafter provided will be levied.

18 The special election shall be held under the same rules and regulations applicable to
19 the election of members of the General Assembly. No new registration of voters shall be
20 required. All qualified voters in the county who are properly registered not later than 21
21 days (excluding Saturdays and Sundays) prior to the election shall be entitled to vote at
22 said election. The county board of elections shall give at least 20 days' public notice
23 prior to the closing of the registration books for the special election.

24 The county board of election shall prepare ballots for the special election ~~which shall~~
25 ~~contain the words, election. The question presented on the ballot shall be 'FOR the one~~
26 ~~percent (1%) local sales and use tax only on those items presently covered by the four~~
27 ~~percent (4%) sales and use tax,' and the words, on items subject to State sales and use tax at~~
28 ~~the general State rate and on food' or 'AGAINST the one percent (1%) local sales and~~
29 ~~use tax only on those items presently covered by the four percent (4%) sales and use tax,' with~~
30 ~~appropriate squares so that each voter may designate his vote by his cross (X) mark. on items~~
31 ~~subject to State sales and use tax at the general State rate and on food'.~~

32 The county board of elections shall fix the date of the special election; provided,
33 however, that the special election shall not be held on the date of any biennial election
34 for county officers, nor within 60 days thereof, nor within one year from the date of the
35 last preceding special election under this section."

36 Sec. 4. Effective July 1, 1993, G.S. 105-467 reads as rewritten:

37 **"§ 105-467. Scope of sales tax.**

38 The sales tax ~~which~~ that may be imposed under this Article is limited to a tax at the
39 rate of one percent (1%) ~~of~~ of the following:

- 40 (1) The sales price of ~~those articles of~~ tangible personal property ~~now~~
41 subject to the general rate of sales tax imposed by the State under G.S.
42 105-164.4(a)(1) and ~~(4b);~~ (a)(4b).
- 43 (2) The gross receipts derived from the lease or rental of tangible personal
44 property when the lease or rental of the property is subject to the

1 general rate of sales tax imposed by the State under G.S. ~~105-~~
2 ~~164.4(a)(2);~~ 105-164.4(a)(2).

3 (3) The gross receipts derived from the rental of any room or lodging
4 ~~furnished by any hotel, motel, inn, tourist camp or other similar~~
5 ~~accommodations now~~ subject to the general rate of sales tax imposed
6 by the State under G.S. ~~105-164.4(a)(3); and~~ 105-164.4(a)(3).

7 (4) The gross receipts derived from services rendered by laundries, dry
8 cleaners, and other businesses ~~now~~ subject to the general rate of sales
9 tax imposed by the State under G.S. 105-164.4(a)(4).

10 (5) The sales price of food that is not otherwise exempt from tax pursuant
11 to G.S. 105-164.13 but would be exempt from the State sales and use
12 tax pursuant to G.S. 105-164.13 if it were purchased with coupons
13 issued under the Food Stamp Program, 7 U.S.C. § 51.

14 The sales tax authorized by this Article does not apply to sales that are taxable by the
15 State under G.S. 105-164.4 but are not specifically included in subdivisions (1) through
16 ~~(4)-(5)~~ of this section.

17 The State exemptions and exclusions contained in G.S. 105-164.13 and the State
18 refund provisions contained in G.S. 105-164.14 ~~shall apply with equal force and in like~~
19 ~~manner to the local sales and use tax authorized to be levied and imposed under this~~
20 ~~Article. A taxing county shall have no authority, with respect to the local sales and use tax~~
21 ~~imposed under this Article to change, alter, add to or delete any refund provisions contained in~~
22 ~~G.S. 105-164.14, or any exemptions or exclusions contained in G.S. 105-164.13 or which are~~
23 ~~elsewhere provided for. may not allow an exemption, exclusion, or refund that is not~~
24 ~~allowed under the State sales and use tax.~~

25 The local sales tax authorized to be imposed and levied under ~~the provisions of this~~
26 ~~Article shall apply to such retail sales, leases, rentals, the rendering of services,~~
27 ~~furnishing of rooms, lodgings or accommodations and other applies to taxable~~
28 ~~transactions which are made, furnished or rendered by retailers whose place of business~~
29 ~~is located within the taxing county. The tax imposed shall apply to the furnishing of~~
30 ~~rooms, lodging or other accommodations within the county which are rented to~~
31 ~~transients. For the purpose of this Article, the situs of a transaction is the location of the~~
32 ~~retailer's place of business."~~

33 Sec. 5. Effective July 1, 1993, G.S. 105-468 reads as rewritten:

34 "**§ 105-468. Scope of use tax.**

35 The use tax ~~which may be imposed under~~ authorized by this Article shall be is a tax at
36 the rate of one percent (1%) of the cost price of each item or article of tangible personal
37 property ~~when it that~~ is not sold in the taxing county but is used, consumed ~~consumed,~~ or
38 stored for use or consumption in the taxing county, ~~except that no tax shall be imposed~~
39 ~~upon tangible personal property when the property would be taxed by the State at a rate other~~
40 ~~than the general rate of tax set in G.S. 105-164.4 if it were taxable under G.S. 105-164.6.~~
41 county. The tax applies to the same items that are subject to tax under G.S. 105-467.

42 Every retailer who is engaged in business in this State and in the taxing county and
43 is required to collect the use tax levied by G.S. 105-164.6 shall also collect the one
44 percent (1%) use tax when such ~~the~~ property is to be used, ~~consumed~~ consumed, or

1 stored in the taxing county, ~~one percent (1%) use tax to be collected concurrently with the~~
2 ~~State's use tax; but no retailer not required to collect the use tax levied by G.S. 105-164.6 shall~~
3 ~~be required to collect the one percent (1%) use tax. county.~~ The use tax contemplated by
4 this section shall be levied against the purchaser, and the purchaser's liability for the use
5 tax shall be extinguished only upon payment of the use tax to the retailer, where the
6 retailer is required to collect the tax, or to the Secretary of Revenue, or to the taxing
7 county, as appropriate, where the retailer is not required to collect the tax.

8 Where a local sales or use tax has been paid with respect to tangible personal
9 property by the purchaser, either in another taxing county within the State, or in a taxing
10 jurisdiction outside the State where the purpose of the tax is similar in purpose and
11 intent to the tax which may be imposed pursuant to this Article, the tax paid may be
12 credited against the tax imposed under this section by a taxing county upon the same
13 property. If the amount of sales or use tax so paid is less than the amount of the use tax
14 due the taxing county under this section, the purchaser shall pay to the Secretary of
15 Revenue or to the taxing county, as appropriate, an amount equal to the difference
16 between the amount so paid in the other taxing county or jurisdiction and the amount
17 due in the taxing county. The Secretary of Revenue or the taxing county, as
18 appropriate, may require such proof of payment in another taxing county or jurisdiction
19 as is deemed to be necessary. The use tax levied under this Article is not subject to
20 credit for payment of any State sales or use tax not imposed for the benefit and use of
21 counties and municipalities. No credit shall be given under this section for sales or use
22 taxes paid in a taxing jurisdiction outside this State if that taxing jurisdiction does not
23 grant similar credit for sales taxes paid under this Article."

24 Sec. 6. Effective July 1, 1993, the first paragraph of Section 4 of Chapter
25 1096 of the 1967 Session Laws, as amended, is amended as follows:

26 (1) By deleting the word "and" before subdivision (4).

27 (2) By changing the period at the end of subdivision (4) to a semicolon
28 and adding the word "and".

29 (3) By adding a new subdivision to read:

30 "(5) The sales price of food that is not otherwise exempt from tax pursuant
31 to G.S. 105-164.13 but would be exempt from the State sales and use
32 tax pursuant to G.S. 105-164.13 if it were purchased with coupons
33 issued under the Food Stamp Program, 7 U.S.C. § 51."

34 Sec. 7. Effective July 1, 1993, Section 5 of Chapter 1096 of the 1967 Session
35 Laws is amended by deleting the first sentence of that section and substituting the
36 following sentences to read:

37 "The use tax that Mecklenburg County may impose under this division is a tax at the
38 rate of one percent (1%) of the cost price of each item or article of tangible personal
39 property that is not sold but is used, consumed, or stored for use or consumption in
40 Mecklenburg County. The tax applies to the same items that are subject to tax under
41 Section 4 of this act."

42 Sec. 8. Approval under Article 39, 40, or 42 of Chapter 105 of the General
43 Statutes, or under the Mecklenburg County Sales and Use Tax Act, Chapter 1096 of the
44 1967 Session Laws, as amended, of local sales and use taxes on items subject to State

1 sales and use tax at the general State rate constitutes approval of local sales and use
2 taxes on food.

3 PART II.

4 UNIVERSAL CHILD CARE CREDIT

5 Sec. 9. Division II of Article 4 of Chapter 105 of the General Statutes is
6 amended by adding a new section to read:

7 **"§ 105-151.11A. Universal child care credit.**

8 (a) There is allowed as a credit against the tax imposed by this Division an
9 amount equal to two hundred sixty dollars (\$260.00) for each of a taxpayer's children
10 under the age of six that the taxpayer claims as a dependent under section 151 of the
11 Code for the taxable year. For the purpose of this section, a taxpayer's child includes
12 the taxpayer's daughter, stepdaughter, son, or stepson.

13 (b) The credit allowed by this section may not exceed the amount of tax imposed
14 by this Division for the taxable year reduced by the sum of all credits allowable, except
15 for payments of tax by or on behalf of the taxpayer. A taxpayer who is eligible for the
16 credit allowed under this section is not eligible for the credit allowed under G.S. 105-
17 151.11."

18 Sec. 10. G.S. 105-151.11(e) reads as rewritten:

19 "(e) No credit shall be allowed under this section with respect to employment-
20 related expenses paid by a nonresident of this State. A taxpayer who is eligible for the
21 credit allowed under G.S. 105-151.11A is not eligible for the credit allowed under this
22 section."

23 PART III.

24 REDUCE CORPORATE INCOME TAX

25 Sec. 11. G.S. 105-130.3 reads as rewritten:

26 **"§ 105-130.3. Corporations.**

27 A tax is imposed on the State net income of every C Corporation doing business in
28 this State at seven ~~and seventy five one hundredths~~ percent ~~(7.75%)~~ (7%) of the
29 corporation's State net income. An S Corporation is not subject to the tax levied in this
30 section."

31 Sec. 12. G.S. 115C-546.1 reads as rewritten:

32 **"§ 115C-546.1. Creation of Fund; administration.**

33 (a) There is created the Public School Building Capital Fund. The Fund shall be
34 used to assist county governments in meeting their public school building capital needs.

35 (b) Each calendar quarter, the Secretary of Revenue shall remit to the State
36 Treasurer for credit to the Public School Building Capital Fund an amount equal to ~~two~~
37 ~~thirty firsts~~ ~~(2/31)~~ one-fourteenth (1/14) of the net collections received during the
38 previous quarter by the Department of Revenue under G.S. 105-130.3 minus two
39 million five hundred thousand dollars (\$2,500,000). All funds deposited in the Public
40 School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S.
41 147-69.3.

42 (c) The Fund shall be administered by the Office of State Budget and
43 Management."

44 PART IV.

EFFECTIVE DATES

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Sec. 13. Part I of this act becomes effective July 1, 1993, and applies to sales made on or after that date. Part II of this act is effective for taxable years beginning on or after January 1, 1993. Section 12 of Part III of this act becomes effective October 1, 1993, and applies to remittances made on or after that date; the remainder of Part III of this act is effective for taxable years beginning on or after January 1, 1993.