

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 1340

Short Title: Reduce Sales Tax.

(Public)

Sponsors: Senators McDaniel; Ballantine, Page, Clark, Carrington, Foxx, Kincaid, McKoy, Ledbetter, Horton, Blust, Blackmon, Smith, East, Allran, Hartsell, Carpenter, Little, Webster, Forrester, Davis, and Simpson.

Referred to: Finance.

May 27, 1996

A BILL TO BE ENTITLED

AN ACT TO REPEAL THE INCREASE IN THE SALES TAX ENACTED IN 1991.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-164.4(a) reads as rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~four percent (4%)~~ three percent (3%).

(1) The general rate of tax applies to the sales price of each item or article of tangible personal property that is sold at retail and is not subject to tax under another subdivision in this section.

(1a) The rate of two percent (2%) applies to the sales price of each manufactured home sold at retail, including all accessories attached to the manufactured home when it is delivered to the purchaser. The maximum tax is three hundred dollars (\$300.00) per article. Each section of a manufactured home that is transported separately to the site where it is to be erected is a separate article.

(1b) The rate of ~~three percent (3%)~~ two percent (2%) applies to the sales price of each aircraft, boat, railway car, or locomotive sold at retail, including

1 all accessories attached to the item when it is delivered to the purchaser.
2 The maximum tax is one thousand five hundred dollars (\$1,500) per
3 article.

4 (1c) The rate of one percent (1%) applies to the sales price of the following
5 articles:

6 a. Horses or mules by whomsoever sold.
7 b. Semen to be used in the artificial insemination of animals.
8 c. Sales of fuel, other than electricity or piped natural gas, to
9 farmers to be used by them for any farm purposes other than
10 preparing food, heating dwellings and other household purposes.
11 The quantity of fuel purchased or used at any one time shall not
12 in any manner be a determinative factor as to whether any sale or
13 use of fuel is or is not subject to the one percent (1%) rate of tax
14 imposed herein.

15 d. Sales of fuel, other than electricity or piped natural gas, to
16 manufacturing industries and manufacturing plants for use in
17 connection with the operation of such industries and plants other
18 than sales of fuels to be used for residential heating purposes.
19 The quantity of fuel purchased or used at any one time shall not
20 in any manner be a determinative factor as to whether any sale or
21 use of fuel is or is not subject to the rate of tax provided in this
22 subdivision.

23 e. Sales of fuel, other than electricity or piped natural gas, to
24 commercial laundries or to pressing and dry-cleaning
25 establishments for use in machinery used in the direct
26 performance of the laundering or the pressing and cleaning
27 service.

28 f. Sales to freezer locker plants of wrapping paper, cartons and
29 supplies consumed directly in the operation of such plant.

30 (1d) The rate of one percent (1%) applies to the sales price of the following
31 articles. The maximum tax is eighty dollars (\$80.00) per article.

32 a. Sales to a farmer of machines and machinery, and parts and
33 accessories for these machines and machinery, for use by the
34 farmer in the planting, cultivating, harvesting, or curing of farm
35 crops or in the production of dairy products, eggs, or animals. A
36 'farmer' includes a dairy operator, a poultry farmer, an egg
37 producer, a livestock farmer, a farmer of crops, and a farmer of
38 an aquatic species, as defined in G.S. 106-758. Items that are
39 exempt from tax under G.S. 105-164.13(4c) are not subject to tax
40 under this section.

41 The term 'machines and machinery' as used in this
42 subdivision is defined as follows:

1 The term shall include all vehicular implements, designed and
2 sold for any use defined in this subdivision, which are operated,
3 drawn or propelled by motor or animal power, but shall not
4 include vehicular implements which are operated wholly by
5 hand, and shall not include any motor vehicles required to be
6 registered under Chapter 20 of the General Statutes.

7 The term shall include all nonvehicular implements and
8 mechanical devices designed and sold for any use defined in this
9 subdivision, which have moving parts, or which require the use
10 of any motor or animal power, fuel, or electricity in their
11 operation but shall not include nonvehicular implements which
12 have no moving parts and are operated wholly by hand.

13 The term shall also include metal flues sold for use in curing
14 tobacco, whether such flues are attached to handfired furnaces or
15 used in connection with mechanical burners.

- 16 b. Sales of mill machinery or mill machinery parts and accessories
17 to manufacturing industries and plants, and sales to contractors
18 and subcontractors purchasing mill machinery or mill machinery
19 parts and accessories for use by them in the performance of
20 contracts with manufacturing industries and plants, and sales to
21 subcontractors purchasing mill machinery or mill machinery
22 parts and accessories for use by them in the performance of
23 contracts with general contractors who have contracts with
24 manufacturing industries and plants. As used in this paragraph,
25 the term 'manufacturing industries and plants' does not include
26 delicatessens, cafes, cafeterias, restaurants, and other similar
27 retailers that are principally engaged in the retail sale of foods
28 prepared by them for consumption on or off their premises.
- 29 c. Sales of central office equipment and switchboard and private
30 branch exchange equipment to telephone companies regularly
31 engaged in providing telephone service to subscribers on a
32 commercial basis, and sales to these companies of prewritten
33 computer programs used in providing telephone service to their
34 subscribers.
- 35 d. Sales to commercial laundries or to pressing and dry cleaning
36 establishments of machinery used in the direct performance of
37 the laundering or the pressing and cleaning service and of parts
38 and accessories thereto.
- 39 e. Sales to freezer locker plants of machinery used in the direct
40 operation of said freezer locker plant and of parts and accessories
41 thereto.
- 42 f. Sales of broadcasting equipment and parts and accessories
43 thereto and towers to commercial radio and television companies

- 1 which are under the regulation and supervision of the Federal
2 Communications Commission.
- 3 g. Sales to farmers of bulk tobacco barns and racks and all parts and
4 accessories thereto and similar apparatus used for the curing and
5 drying of any farm produce.
- 6 h. Sales to farmers of grain, feed or soybean storage facilities and
7 accessories thereto, whether or not dryers are attached, and all
8 similar apparatus and accessories thereto for the storage of grain,
9 feed or soybeans.
- 10 i. Sales of containers to farmers or producers for use in the
11 planting, producing, harvesting, curing, marketing, packaging,
12 sale, or transporting or delivery of their products when such
13 containers do not go with and become part of the sale of their
14 products at wholesale or retail.
- 15 (1e) The rate of three percent (3%) applies to the sales price of each mobile
16 classroom or mobile office sold at retail, including all accessories
17 attached to the mobile classroom or mobile office when it is delivered to
18 the purchaser. The maximum tax is one thousand five hundred dollars
19 (\$1,500) per article. Each section of a mobile classroom or mobile office
20 that is transported separately to the site where it is to be placed is a
21 separate article.
- 22 (2) The applicable percentage rate applies to the gross receipts derived from
23 the lease or rental of tangible personal property by a person who is
24 engaged in the business of leasing or renting tangible personal property,
25 or is a retailer and leases or rents property of the type sold by the
26 retailer. The applicable percentage rate is the rate and the maximum tax,
27 if any, that applies to a sale of the property that is leased or rented. A
28 person who leases or rents property shall also collect the tax imposed by
29 this section on the separate retail sale of the property.
- 30 (3) Operators of hotels, motels, tourist homes, tourist camps, and similar
31 type businesses and persons who rent private residences and cottages to
32 transients are considered retailers under this Article. A tax at the general
33 rate of tax is levied on the gross receipts derived by these retailers from
34 the rental of any rooms, lodgings, or accommodations furnished to
35 transients for a consideration. This tax does not apply to any private
36 residence or cottage that is rented for less than 15 days in a calendar
37 year or to any room, lodging, or accommodation supplied to the same
38 person for a period of 90 or more continuous days.
- 39 As used in this subdivision, the term 'persons who rent to transients'
40 means (i) owners of private residences and cottages who rent to
41 transients and (ii) rental agents, including 'real estate brokers' as defined
42 in G.S. 93A-2, who rent private residences and cottages to transients on

1 behalf of the owners. If a rental agent is liable for the tax imposed by
2 this subdivision, the owner is not liable.

3 (4) Every person engaged in the business of operating a dry cleaning,
4 pressing, or hat-blocking establishment, a laundry, or any similar
5 business, engaged in the business of renting clean linen or towels or
6 wearing apparel, or any similar business, or engaged in the business of
7 soliciting cleaning, pressing, hat blocking, laundering or linen rental
8 business for any of these businesses, is considered a retailer under this
9 Article. A tax at the general rate of tax is levied on the gross receipts
10 derived by these retailers from services rendered in engaging in any of
11 the occupations or businesses named in this subdivision. The tax
12 imposed by this subdivision does not apply to receipts derived from
13 coin or token-operated washing machines, extractors, and dryers. The
14 tax imposed by this subdivision does not apply to gross receipts derived
15 from services performed for resale by a retailer that pays the tax on the
16 total gross receipts derived from the services.

17 (4a) The rate of three percent (3%) applies to the gross receipts derived by a
18 utility from sales of electricity, piped natural gas, or local
19 telecommunications service as defined by G.S. 105-120(e). Gross
20 receipts from sales of piped natural gas shall not include natural gas
21 expansion surcharges imposed under G.S. 62-158. A person who
22 operates a utility is considered a retailer under this Article.

23 (4b) A person who sells tangible personal property at a flea market, other
24 than the person's own household personal property, is considered a
25 retailer under this Article. A tax at the general rate of tax is levied on the
26 sales price of each article sold by the retailer at the flea market. A
27 person who leases or rents space to others at a flea market may not lease
28 or rent this space unless the retailer requesting to rent or lease the space
29 shows the license or a copy of the license required by this Article or
30 other evidence of compliance. A person who leases or rents space at a
31 flea market shall keep records of retailers who have leased or rented
32 space at the flea market. As used in this subdivision, the term 'flea
33 market' means a place where space is rented to a person for the purpose
34 of selling tangible personal property.

35 (4c) The rate of six and one-half percent (6 1/2%) applies to the gross
36 receipts derived from providing toll telecommunications services or
37 private telecommunications services as defined by G.S. 105-120(e) that
38 both originate from and terminate in the State and are not subject to the
39 privilege tax under G.S. 105-120. Any business entity that provides
40 these services is considered a retailer under this Article. This
41 subdivision does not apply to telephone membership corporations as
42 described in Chapter 117 of the General Statutes."

1 Sec. 2. This act becomes effective July 1, 1996, and applies to sales made on
2 or after that date.