

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 997

Short Title: No Property Tax on Rental Vehicle.

(Public)

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Sponsors: Senator Hoyle.

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Referred to: Finance

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May 4, 1995

A BILL TO BE ENTITLED

1 AN ACT TO PHASE OUT THE PROPERTY TAX ON MOTOR VEHICLES HELD  
2 FOR RENT OR LEASE BY CLASSIFYING THIS PROPERTY AS INVENTORY,  
3 AND TO REIMBURSE LOCAL GOVERNMENTAL UNITS FOR THE  
4 RESULTING LOSS IN REVENUE.  
5

6 The General Assembly of North Carolina enacts:

7 Section 1. 105-273 reads as rewritten:

8 **"§ 105-273. Definitions.**

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

- 10 (1) 'Abstract' means the document on which the property of a taxpayer is  
11 listed for ad valorem taxation and on which the appraised and assessed  
12 values of the property are recorded.
- 13 (2) 'Appraisal' means both the true value of property and the process by  
14 which true value is ascertained.
- 15 (3) 'Assessment' means both the tax value of property and the process by  
16 which the assessment is determined.
- 17 (4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1,  
18 1974.
- 19 (5) 'Collector' or 'tax collector' means any person charged with the duty of  
20 collecting taxes for a county or municipality.

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

1 include materials or supplies not used directly in manufacturing or  
2 processing. As to retail and wholesale merchants and contractors,  
3 the term includes, in addition to articles held for sale, packaging  
4 materials that accompany and become a part of the sale of the  
5 property being sold.

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

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

8 (10a) 'Local tax official' includes a county assessor, an assistant county  
9 assessor, a member of a county board of commissioners, a member  
10 of a county board of equalization and review, a county tax collector,  
11 and the municipal equivalents of these officials.

12 (10b) 'Manufacturer' means a taxpayer who is regularly engaged in the  
13 mechanical or chemical conversion or transformation of materials or  
14 substances into new products for sale or in the growth, breeding,  
15 raising, or other production of new products for sale. The term does  
16 not include delicatessens, cafes, cafeterias, restaurants, and other  
17 similar retailers that are principally engaged in the retail sale of  
18 foods prepared by them for consumption on or off their premises.

19 (10c) 'Motor vehicle' has the same meaning as in G.S. 20-4.01(23).

20 (11) 'Municipal corporation' and 'municipality' mean city, town,  
21 incorporated village, sanitary district, rural fire protection district,  
22 rural recreation district, mosquito control district, hospital district,  
23 metropolitan sewerage district, watershed improvement district, or  
24 other district or unit of local government by or for which ad valorem  
25 taxes are levied.

26 (12) 'Person' and 'he' include any individual, trustee, executor,  
27 administrator, other fiduciary, corporation, limited liability  
28 company, unincorporated association, partnership, sole  
29 proprietorship, company, firm, or other legal entity.

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

38 (13a) 'Retail Merchant' means a taxpayer who is regularly engaged in ~~the~~  
39 any of the following:

40 a. The sale of tangible personal property, acquired by a means other  
41 than manufacture, processing, or producing by the merchant, to  
42 users or consumers.

43 b. The lease or rental of motor vehicles.

- (13b) 'Substantial understatement' means the omission of a material portion of the value, quantity, or other measurement of taxable property. The determination of materiality in each case shall be made by the assessor, subject to the taxpayer's right to review of the determination by the county board of equalization and review or board of commissioners and appeal to the Property Tax Commission.
- (14) 'Tangible personal property' means all personal property that is not intangible and that is not permanently affixed to real property.
- (15) 'Tax' and 'taxes' include the principal amount of any tax, costs, penalties, and interest imposed upon property tax or dog license tax.
- (16) 'Taxing unit' means a county or municipality authorized to levy ad valorem property taxes.
- (17) 'Taxpayer' means any person whose property is subject to ad valorem property taxation by any county or municipality and any person who, under the terms of this Subchapter, has a duty to list property for taxation.
- (18) 'Valuation' means appraisal and assessment.
- (19) 'Wholesale Merchant' means a taxpayer who is regularly engaged in the sale of tangible personal property, acquired by a means other than manufacture, processing, or producing by the merchant, to other retail or wholesale merchants for resale or to manufacturers for use as ingredient or component parts of articles being manufactured for sale."

Sec. 2. G.S. 105-275(34) reads as rewritten:

"(34) Inventories owned by ~~retail and wholesale merchants~~ merchants and inventories, other than motor vehicles held for rent or lease, owned by retail merchants. A percentage of the assessed value of motor vehicles owned by retail merchants and held for rent or lease is excluded from tax in accordance with the following table:

<u>Fiscal Year</u>	<u>Percentage Excluded</u>
<u>1995-96</u>	<u>33%</u>
<u>1996-97</u>	<u>66%</u>
<u>1997-98 and later years</u>	<u>100%."</u>

Sec. 3. Article 12 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-277B. Reimbursement for exclusion of motor vehicles held for rent or lease.**

(a) List Of Vehicles. – On or before December 1 of each year, the tax collector of each county and the tax collector of each city shall give to the Secretary of Revenue a list of motor vehicles held for rent or lease that were excluded under G.S. 105-275(34) from taxes imposed by the county or city for the fiscal year that began July 1 of the same year. The list must state the value of the excluded motor vehicles, the tax rate that would have applied to the excluded motor vehicles, and the product obtained by multiplying those

1 two numbers by each other. The list must be accompanied by an affidavit attesting to the  
2 accuracy of the list and must be on a form prescribed by the Secretary. The Secretary  
3 may, for good cause shown, grant an extension for submission of the list required by this  
4 subsection.

5 (b) Payment Of Reimbursement. – On or before January 15 of each year, the  
6 Secretary of Revenue must distribute to each county and city the amount of property  
7 taxes lost to the county or city for the fiscal year that began the preceding July 1 as a  
8 result of the exclusion for motor vehicles held for rent or lease, as reflected on the lists  
9 submitted under subsection (a) of this section by the counties and cities. Funds received  
10 by a county or city under this section because the county or city was collecting taxes for  
11 another unit of government or special district shall be credited to that other unit or district  
12 in accordance with rules adopted by the Local Government Commission. To pay for the  
13 reimbursement required by this section, the Secretary of Revenue shall draw from  
14 collections received under Division I of Article 4 of this Chapter an amount equal to the  
15 reimbursement and the cost of administering the reimbursement."

16 Sec. 4. G.S. 105-282.1(a)(2) reads as rewritten:

17 "(2) Owners of the special classes of property excluded from taxation  
18 under G.S. 105-275(5), (15), (16), (26), (31), (32a), (33), ~~(34)~~, or  
19 (40), or exempted under G.S. 105-278.2 are not required to file  
20 applications for the exclusion or exemption of that property. Owners  
21 of property, other than motor vehicles held for rent or lease,  
22 excluded from taxation under G.S. 105-275(34) are not required to  
23 file applications for the exclusion of that property."

24 Sec. 5. G.S. 105-330(2) is repealed.

25 Sec. 6. This act is effective for taxes imposed for taxable years beginning on  
26 or after July 1, 1995.