

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H.B. 1065
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10590-NIF-176

Short Title: Prepared Foods Sales Tax Modification. (Public)

Sponsors: Representative Alston.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO EXEMPT CERTAIN PREPARED FOODS FROM THE STATE SALES TAX.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.(a)** G.S. 105-164.4L reads as rewritten:

5 "**§ 105-164.4L. Prepared food.**

6 (a) Prepared Food Definition. – The term "prepared food" means food that meets at least
7 one of the following conditions:

8 (1) It is sold in a heated state, or it is heated by the retailer.

9 (2) It consists of two or more foods mixed or combined by the retailer for sale as
10 a single item. This does not include:

11 a. Food containing raw eggs, fish, meat, or poultry that requires cooking
12 by the consumer as recommended by the Food and Drug
13 Administration in chapter 3, part 401.11 of its Food Code so as to
14 prevent foodborne illnesses.

15 b. Food that is only sliced, repackaged, or pasteurized by the retailer.

16 c. Food sold without eating utensils by a retailer whose primary business
17 is food manufacturing as classified in NAICS Sector 311, provided the
18 food is sold in a sealed, shelf-stable container that includes a "Nutrition
19 Facts" panel as required by the federal Food, Drug and Cosmetic Act,
20 21 U.S.C. § 301, et seq.

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22 **SECTION 1.(b)** G.S. 105-164.13B reads as rewritten:

23 "**§ 105-164.13B. Food exempt from tax.**

24 (a) State Exemption. – Food is exempt from the taxes imposed by this Article unless the
25 food is included in one of the subdivisions in this subsection. The following food items are
26 subject to tax:

27 (1) Repealed by Session Laws 2005-276, s. 33.10, effective October 1, 2005.

28 (2) Dietary supplements.

29 (3) Food sold through a vending machine.

30 (4) Prepared food, other than (i) bakery items sold without eating utensils by an
31 artisan ~~bakery~~ bakery and (ii) food excluded from the definition of prepared
32 food under G.S. 105-164.4L(a)(2)c. The term "bakery item" includes bread,
33 rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes,
34 pies, tarts, muffins, bars, cookies, and tortillas. An artisan bakery is a bakery
35 that meets all of the following requirements:



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- 1 a. It derives over eighty percent (80%) of its gross receipts from bakery
- 2 items.
- 3 b. Its annual gross receipts, combined with the gross receipts of all
- 4 related persons, do not exceed one million eight hundred thousand
- 5 dollars (\$1,800,000). For purposes of this subdivision, the term
- 6 "related person" means a person described in one of the relationships
- 7 set forth in section 267(b) or 707(b) of the Code.
- 8 (5) Soft drinks.
- 9 (6) Repealed by Session Laws 2003-284, s. 45.6B, effective January 1, 2004.
- 10 (7) Candy.
- 11"
- 12 **SECTION 2.** This act becomes effective October 1, 2026, and applies to sales made
- 13 on or after that date.