SENATE BILL 628:
Various Changes to the Revenue Laws.

2017-2018 General Assembly

Committee:		**Date:**	September 13, 2017
Introduced by:		**Prepared by:**	Cindy Avrette
Analysis of:	S.L. 2017-204		Staff Attorney

OVERVIEW: S.L. 2017-204 makes various substantive, technical, clarifying, and administrative changes to the revenue laws. This act has various effective dates. Please see the full summary for more detail.

CURRENT LAW, BILL ANALYSIS, AND EFFECTIVE DATE:

Section	Bill Analysis	Effective Date
PART I. BUSINESS TAX CHANGES		
1.1	Removes unnecessary language in the franchise tax statutes.	August 11, 2017
1.2	Recognizes that a holding company may own companies that do not own stock.	August 11, 2017
1.3	Allows taxpayers to reduce the tangible property base for franchise tax purposes by the amount of any debt owed on the property. The adjustment was eliminated in the 2015 franchise tax simplification changes. The section also modernizes the statute. Subsection (c) of this section rewrites a provision in the budget bill, S.L. 2017-57, that reduces the franchise tax rate for S-corporations to include the technical changes made by this act.	The modernization changes became effective August 11, 2017. The reenactment of the deduction becomes effective for taxable years on or after Jan. 1, 2020
1.4	Specifies that a transferor of the historic tax credit for restoring non-income producing property must provide the transferee with information detailing the rehabilitation expenses and the credit amount.	Taxable years on or after Jan. 1, 2017
1.5	Clarifies that petroleum-based liquid pipeline companies apportion income for corporate income and franchise tax based upon the number of barrel miles transported in this State. This change codifies existing practice. The	Taxable years beginning on or after

	subsection also modernizes the statute. This subsection becomes effective for taxable years beginning on or after January 1, 2017.	January 1, 2017.
1.6	Modifies corporate income tax deduction for interest expense paid or accrued to affiliates. Under current law, a corporation may deduct the greater of an amount limited to 15% of its adjusted taxable income or its proportionate share of interest paid or accrued by the affiliated group to an unrelated party. However there is no limitation on the deduction under certain conditions, such as if the recipient is subject to state tax on the interest income. The act eliminates the 15% provision. The act also clarifies that if one of the conditions is met, the Department cannot disallow the deduction by applying one of the rules of the regulations under Section 385 of the Internal Revenue Code.	Taxable years on or after Jan. 1, 2017
1.7	Corrects a statutory cross-reference. The current statutory reference became obsolete when the income tax statutes were substantially changed, effective for taxable years beginning on or after January 1, 2014.	Taxable years on or after Jan. 1, 2014
1.8	Corrects a statutory cross-reference.	August 11, 2017
1.9	An out of state owner in an S corporation or partnership is subject to North Carolina tax on the pro rata share of income attributable to North Carolina. This section clarifies that this amount includes guaranteed payments received in addition to profit distributions; the changes do not represent a change in the law.	Applicable to all taxable years
1.10	This section was removed by the conference report. [1]	
1.11	Subsection (a) clarifies that the additional rate of 0.74% applicable to the gross premiums on insurance contracts for property coverage is not part of the gross premiums tax, but is a special purpose assessment based upon gross premiums. Subsection (b) allows a taxpayer that elected to take a business and energy tax credit against the gross premiums tax for a taxable year prior to January 1, 2017, may take an installment or carryforward of the credit against the additional tax for taxable years beginning before January 1, 2017, but may not take an installment or carryforward of the credit against the additional tax for taxable years beginning on or after January 1, 2017. A taxpayer may apply to the Department for a refund of any excess tax paid to the extent the refund is the result of the benefit provided by this subsection. A request for a refund must be made on or before January 1, 2018. An request for a refund received after this date is barred. The issue of whether the special assessment is part of a taxpayer's gross premiums tax liability has been challenged. If the assessment is part of the tax liability, then a taxpayer may offset the liability with tax credits. This section codifies the Department's long-standing interpretation of the law, and provides some relief to taxpayers that failed to properly take an installment or carryforward of a business and energy tax credit against only the gross premiums tax by permitting them to take installments and	August 11, 2017

[1] This section would have made modifications to the gross premiums tax applicable to captive insurance companies

	carryforwards of that tax credit for taxable years beginning before January 1, 2017.	
1.12	Makes a technical change by changing "rates" to "rate" to reflect the fact that North Carolina has a single flat individual income tax rate.	August 11, 2017
1.13	Requires the filing of an annual report with the Secretary of State, rather than the Department of Revenue. The report would be due by the 15th day of the fourth month following the close of the corporation's fiscal year. This date coincides with the filing of the corporation's income tax return. Since 1998, most corporations have submitted their annual reports with their corporate income and franchise tax return. The General Statutes Commission recommended this change in the law in 1998 to make filing the annual report easier for corporations by allowing a single filing with one agency and to reduce inadvertent failures to file the annual report.	August 11, 2017
1.14	Under current law, a taxpayer seeking an extension of time to file a corporate franchise and income tax return or an individual income tax return must file an application with the Department, which can be submitted electronically. The NCACPA has expressed interest in the ability to use the filing of a federal extension to serve as an application for a State extension. However, the Department's current system functionality is unable to receive and process federal extension information. This section would require the Department of Revenue to study the feasibility of allowing the federal extension to be used as an application for a State extension, which will require contact with the IRS and identifying other states that use a similar process. The Department is directed to report its findings and recommendations to the Revenue Laws Study Committee by March 1, 2018.	August 11, 2017
PART II. SALES AND USE TAX CHANGES		
Last biennium, the General Assembly expanded the sales tax base to repair, maintenance, and installation (RMI) services. The Department of Revenue worked with Finance chairs, legislative staff, and interested parties to implement those sales tax changes. Sections 2.1 through 2.7 of this Part make technical, clarifying, and minor substantive changes to the sales tax applicable to RMI services and real property contracts. Section 2.8 of this Part provides transitional adjustments for retailers of RMI services and real property contracts. Section 2.8A of this Part provides tax relief to certain retailers in the hospitality industry. Section 2.12 provides a sales tax exemption from RMI services for certain aircraft. The remaining sections of this Part make technical, administrative, and clarifying changes to the sales tax laws.		
2.1	Moves definitions from G.S. 105-164.4H into the sales tax definition statute, G.S. 105-164.3. The following definitions have been amended to provide greater clarity: • Capital improvement. – Simplifies the definition and treats lessees of property the same as property owners. It also clarifies that painting provided as part of a repair, maintenance, and installation service is part of that service. • Free-standing appliance. – A new defined term. A free-standing appliance is tangible personal property and remains TPP once	Effective Jan. 1, 2017

	installed. It is taxable as TPP. There is a sales tax exemption for installation charges that are part of the sale price of TPP purchased by a real property contractor to fulfill a real property contract. GS 105-164.13(61c). • Landscaping. – Clarifies that landscaping modifies living elements. It does not include hardscape or services to items in pots or buildings. Provides that landscaping, by definition, is a capital improvement, and taxed accordingly. • Mixed transaction. – Clarifies that it is a contract for a capital improvement as well as a repair, maintenance, or installation service unrelated to the capital improvement. • Motor vehicle service contract. – Clarifies that the term includes a contract sold by a motor vehicle dealer on behalf of a motor vehicle service company. • Remodeling. – Clarifies the definition by using the language more similar to the language contained in the Department's directives and notices. • Repair, maintenance, and installation service. – Clarifies that the term includes the installation of an item being installed to replace a similar existing item when the replacement is not part of a capital improvement. The replacement of more than one of a like-kind item, such as more than one window, is a single RMI service.	
2.2	Clarifies that a sale of a free-standing appliance is a retail sale of tangible personal property. Removes an imposition that is unnecessary because the tax treatment of an item purchased by a real property contractor to fulfill a real property contract is addressed in G.S. 105-164.4H; provides a cross-reference to this tax treatment in G.S. 105-164.4(a)(16).	Effective Jan. 1, 2017
2.3	Clarifies the sourcing of services.	Effective Jan. 1, 2017
2.4	Makes changes to the statute that addresses the taxation of real property contracts. A transaction is taxable as a repair, maintenance, and installation service unless a person substantiates that the transaction is subject to tax as a real property contract. Subsections (a) and (b) of this section make the following changes to G.S. 105-164.4H: • G.S. 105-164.4H(a) and (b): Removes "services" because a real property contractor does not owe sales tax on services; the term should have been removed when the General Assembly removed the tax distinction between retailer-contractors and real property contractors. • G.S. 105-164.4H(a1): Adds a new subsection to clarify that a transaction involving services to real property is a retail sale unless the person substantiates that a transaction is a real property contract. Provides that a person may substantiate a transaction as a real property contract by records or by receipt of an affidavit of capital improvement. A person	Effective Jan. 1, 2017

	who receives an affidavit of capital improvement is not liable for any additional tax due on transaction if the transaction is not a capital improvement. • G.S. 105-164.4H(b1): Repeals this subsection re: liability for unpaid sales and use taxes because the liability for unpaid taxes is already addressed in G.S. 105-164.6. • G.S. 105-164.4H(d): Makes a substantive change to mixed transactions by increasing the percentage of RMI services that may be taxed as part of a capital improvement from 10% of the contract price to 25% of the contract price. • G.S. 105-164.4H(e): Repeals this subsection because the definitions are moved to the definition statute, GS 105-164.3. Subsection (c) of this section revises G.S. 105-164.6 to include any necessary language from the repealed G.S. 105-164.4H(b1). The liability provisions need to be in one statute to avoid confusion and to ensure consistent tax treatment. Subsections (d) and (e) of this section make technical and clarifying changes to related statutes.	
2.5	Subsection (a) of this section repeals the list of transactions exempt from the tax on service contracts under G.S. 105-164.4I(b) because the list is moved to the sale tax exemption statute, G.S. 105-164.13. Subsection (b) clarifies that a contract to provide a certified operator for a wastewater system is not a taxable service contract. Subsection (a) of this section also repeals G.S. 105-164.4D(a)(6) because a service contract for tangible personal property, digital property, and services is a bundled transaction and subdivisions (1) through (5) of subsection (a) are sufficient to determine how to tax a bundled transaction. Transactions involving real property or services to real property cannot be a bundled transaction under the Streamlined Sales Tax Agreement. This subdivision (6) was added to address service contracts for real property. Subsection (b) of this section creates a new subsection under G.S. 105-164.4I, Service Contracts, entitled Mixed Service Contracts. This provision provides how a service contract for real property is taxable when one service is subject to tax and one is not. The rules are the same as currently exist for bundled transactions. The entire service contract is subject to tax unless the person determines an allocated price for the taxable portion of the contract based on a reasonable allocation of revenue supported by the person's business records; in that circumstance, tax applies to the taxable portion. If the taxable portion of the contract does not exceed 10% of the price of the contract, then the entire contract is exempt from tax.	Effective Jan. 1, 2017
2.6	Consolidates the sales tax exemptions into the sales tax exemption statute, G.S. 105-164.13. Clarifies that property or services used to fulfill a RMI service or a service	Effective Jan. 1, 2017

	contract remains taxable if the service or service contract is exempt from tax. Clarifies and expands the exemption for inspection reports. Removes the exemption for (i) landscaping services and (ii) services performed to resolve an issue that was part of a real property contract because both transactions are defined as a capital improvement. This change does not represent a substantive change. Currently, the items are listed as both an exemption and as a capital improvement. Removing the items from the exemption statute clarifies that the taxation of the property and services used to fulfill the real property contract. Defines "pest control" and "moving services" Adds an exemption for funeral-related services and services to animals, such as hoof shoeing and microchipping a pet. Moves the exemptions related to professional motorsports into one place. It makes no substantive change to this exemption.	
2.7	Clarifies that the sales tax refund provided for interstate carriers applies to not only tangible personal property but also RMI services and service contracts. The effective date for this section is retroactive to the date RMI services became subject to sales tax.	March 1, 2016
2.8	Subsection (a) of this section allows a seller who paid sales tax on a product and used the product as part of a taxable RMI service, to offset the sales tax liability on the service with the sales tax paid on the products. This provision helps contractors and subcontractor who purchased and paid sales tax on items subsequently used in a taxable service. Subsection (b) of this section directs the Revenue Laws Study Committee to study the feasibility of providing such an option on an on-going basis. Subsection (c) of this section directs the Department of Revenue to take no action to assess tax due if a retailer meets all the conditions of this section. The section provides a grace period to retailers during this educational and transitional period.	Effective Jan. 1, 2017, and expires July 1, 2018 August 11, 2017 For period beginning on or after Mar 1, 2016, and ending before January 1, 2018
2.8A	Allows the Secretary of Revenue to reduce by 90% a sales tax assessment that involves the failure to properly collect sales and use tax on charges for vacation rental linens. The sales tax is a transactional tax. The sale or rental of tangible personal property is subject to sales tax under G.S. 105-164.4(a)(1). The receipts derived from an accommodation rental are subject to tax under G.S. 105-164.4(a)(3). Since 2009, the Department has had a bulletin in place that lists various charges that are considered to be "derived from the rental of an accommodation." This list includes linen fees. When a linen rental company rents linens to a property management company, the transaction being taxed is the rental of tangible personal property, which is taxable	August 11, 2017

	under G.S. 105-164.4(a)(1). When those same linens are included as part of an accommodation rental by the property management company to a vacationer, the gross receipts derived from that accommodation rental are subject to tax under G.S. 105-164.4(a)(3). Since the sales tax is a transactional tax, the application of the law may have the effect of an item being taxed more than once if it is included in more than one transaction. Some members of the vacation rental industry have incorrectly interpreted or applied the law with respect to the rental of linens as part of a vacation rental and have been assessed by the Department. This section would permit the Department to reduce an assessment by 90% under the following circumstances: • The taxpayer has remitted all of the sales and use taxes it collected for the audit period. • The taxpayer had not been informed in a prior audit or requested a private letter ruling advising of the requirement to collect tax on the linen rental charges. • The assessment is based on the incorrect application of the law with regard to collecting sales tax on separately stated linen charges or with regard to issuing resale certificates to the lessors of linens in error. • The period at issue occurred prior to January 1, 2018. To get the reduction, the taxpayer must file a written request with the Department and file a request for review within 120 days following the receipt of a proposed assessment. In addition to the reduction, the Secretary may waive all penalties that were imposed as part of the assessment. See the notice published by the Department of Revenue: DOR notice - Taxaccomodations - Linens	
2.9	Makes several technical and clarifying changes to the sales tax statutes, as requested by the Department: Subsection (a) of this section provides a cross-reference to the Qualifying Farmer sales tax exemption and clarifies that human blood, tissue, etc. is exempt from sales tax. This change makes no substantive change to the law. Subsection (b) of this section clarifies the nonprofit sales tax refund cap applies to the State's fiscal year, not the fiscal year of the nonprofit. Subsection (c) of this section corrects statutory references. Subsection (d) of this section corrects statutory references and modernizes the language. Subsection (e) of this section removes unnecessary language and clarifies when local use tax applies. Subsection (f) of this section corrects statutory references. Subsection (g) of this section removes unnecessary language.	August 11, 2017

	Subsection (h) of this section incorporates the rounding rules required under the Streamlined Sales Tax Agreement. Subsection (i) of this section updates the reference to the Streamlined Sales Tax Agreement.	
2.10	Clarifies that an admission charge to an entertainment event sponsored by a farmer on farmland is not subject to sales tax. The Department receives this question often, especially during the fall when corn mazes and pumpkin patch events are prevalent. These events do not meet the definition of an entertainment event. This change does not make a substantive change to the law.	January 1, 2014
2.11	Subsection (a) of this section simplifies the collection and remittance of use tax due and payable on the repair and maintenance of a boat or aircraft. The change does not change the amount of use tax due on the repair and maintenance of a boat or aircraft. Subsection (b) of this section provides a cross-reference in the sales tax exemption statutes to the direct pay permit. The provision was also in Senate Bill 552, introduced by Sen. Cook.	August 11, 2017
2.12	Provides a sales tax exemption from RMI services for an aircraft with a gross take-off weight of more than 2,000 pounds. Currently, RMI services provided to a qualified aircraft are exempt from sales tax. A "qualified aircraft" is an aircraft with a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds.	July 1, 2019
2.13	Provides that Sections 2.1 through 2.8 of this Part are effective retroactively to January 1, 2017. If any change made by these sections increases a sales or use tax liability, that change is effective when this act becomes law. Except as otherwise provided, the remainder of this Part is effective when it becomes law.	August 11, 2017
PART III. TAX COLLECTION AND ENFORCEMENT		
3.1	Creates a new crime for identify theft in the tax statutes. Currently, a person may be prosecuted for identity theft under Article 19C of Chapter 14 of the General Statutes. Under G.S. 14-113.20, an element of the crime is that the person must represent themselves as another person. Under Article 19C, identity theft is punishable as a Class G felony; it is punishable as a Class F felony if the person is in possession of identifying information pertaining to three or more persons. The new crime created by this section would not require the person to represent themselves as another person; it would be sufficient if the person fraudulently utilized identifying information of another person in a submission to the Department of Revenue to obtain anything of value, benefit, or advantage for themselves or another. Also, each person's identity obtained, possessed, or used would count as a separate offense. The crime of identity theft under the tax statutes would be punishable as follows:	December 1, 2017.

	• Class G felony (maximum punishment of 47 months) • Class F felony (maximum punishment of 59 months) if a person suffers any adverse financial impact as a result of the identity theft.	
3.2	Requires a payment settlement entity (financial institutions) that submits credit card information to the IRS to also submit the information to the Department of Revenue. DOR requests this change to improve audit and examinations. Also requires electronic filing for reports submitted to the Department. Failure to file a timely report is subject to a $1,000 penalty.	August 11, 2017
3.3	Provides that taxes, debts, fines, penalties, or other obligations or amounts payable to a governmental unit are not voidable transactions under the Uniform Voidable Transactions Act.	August 11, 2017
PART IV. ADMINISTRATIVE CHANGES		
4.1(a)	Makes a conforming change because of a change enacted last year related to a taxpayer's request for a refund. If the Department determines that the taxpayer's request for a refund is outside the statute of limitations, the Department will issue a notice of denial. Under prior law, the taxpayer could only dispute the denial in superior court. In 2016, the General Assembly changed the law to allow a taxpayer whose claim for refund is denied because it was filed after the statute of limitations passed to appeal the determination before the Office of Administrative Hearings. A final decision by the administrative law judge on the denial is subject to judicial review. With this change, there are two kinds of "denials" issued by the Department subject to administrative review – a proposed denial of a refund claim and a denial of a refund claim when the basis for the denial is a determination by the Department that the claim is outside the statute of limitations. When the Department denies a taxpayer's claim for refund under either basis, it must send the taxpayer a notice. This subsection adds language to the notice requirement to reflect both kinds of denial.	August 11, 2017
4.1(b)	Requires a taxpayer to provide an explanation for the basis of the taxpayer's request for review of a proposed denial of a refund or a proposed assessment of tax. This explanation, however, would not prevent the taxpayer from raising other grounds for objecting to the Department's proposed denial of refund or proposed assessment during the conference process. Adds clarifying language regarding a request for review of a failure to pay penalty. Under current law, a taxpayer who does not request review of a proposed assessment may not request review of a failure to pay penalty based on that assessment. This provision clarifies that the failure to pay penalty is issued on a subsequent date in another notice.	See "Effective date" explanation below
4.1(c)	Provides for situations where the Department requests additional information from a taxpayer who has requested review of a proposed denial of a refund or a proposed assessment, and the taxpayer makes no response. In these situations, the cases remain pending, and the Department is unable	See "Effective date" explanation

	to move them to collections unless they schedule a conference with the taxpayer and the taxpayer fails to show. The Department would like the ability to close out these cases where the taxpayer is nonresponsive. Under this section, the Department must make at least two attempts to obtain additional information in response to a request for review: the initial request and, if there is no response within the requested time frame, then the Department must reissue the request. The Department must give a taxpayer a minimum of 30 days to respond to the initial request and to the reissuance of the request. If there is no response to the second attempt, the Department must issue a "notice of inaction," which gives the taxpayer a final 10 days to respond. If there is no response to this notice, then the proposed denial of a refund or the proposed assessment becomes final. Once final, a proposed denial of a refund or a proposed assessment is not subject to further administrative or judicial review, and the Department may proceed with collection efforts. Conforming changes are found in Section 4.1(d) and Section 4.2(a).	below
4.1(d)	Clarifies that one of the possible actions by the Department in response to a taxpayer's request for review is that the Department may adjust the amount of the tax due or a refund owed. Clarifies that if a taxpayer requests review but thereafter pays the amount due, the Department may accept payment and take no further action on the request for review, unless the taxpayer states in writing that he or she wishes to continue the review. A situation like this may occur when a taxpayer wants to stop the accrual of interest on a proposed assessment. Under current law, when a taxpayer files a request for review, the Department can take one of three actions: (1) grant the refund or remove the assessment; (2) schedule a conference with the taxpayer; or (3) request additional information from the taxpayer. This subsection reworks the statute but effectively maintains the substance of the current law. Under the act, the three actions that could be taken by the Department are: (1) grant the refund or remove the assessment; (2) adjust the amount of the tax due or refund owed; or (3) request additional information. If none of these actions, or payment by the taxpayer of the amount owed, resolves the taxpayer's objections, then the Department would schedule a conference with the taxpayer.	See "Effective date" explanation below
	Effective date - For the above three subsections, which deal with changes to the request for review process, the effective date is when it becomes law. The provisions would apply to requests for review filed on or after that date and to pending requests for review. However, for pending cases, the Department must reissue a request for additional information, if one has previously been issued, allow the taxpayer time to respond, and notify the taxpayer that failure to respond will result in the matter becoming final and subject to collection efforts.	
4.1(e)	Changes the term "taxpayer" to "party" thereby allowing either a taxpayer or the Department of Revenue to appeal a decision of OAH to the Superior Court of Wake County. This change reflects current practice as described in the background below.	Retroactive to January 1, 2012

	The statutory framework for the administrative and judicial review of actions by the Department with respect to claims for refund and proposed assessment were substantially overhauled in 2007. Prior to 2007, these matters were heard before a hearing officer within the Department with the ability to appeal to the Tax Review Board. The 2007 rewrite changed the process to give taxpayers an independent hearing outside the Department. Under the current process, if a taxpayer and the Department are unable to resolve matters informally and internally, a taxpayer can file a contested case with the Office of Administrative Hearings, which can be further appealed to superior court. As part of the rewrite, G.S. 105-241.16 was revised to reflect these changes, providing that a ***taxpayer*** aggrieved by the decision in a contested case could appeal to Superior Court. It did not make any provision for the Department to appeal to Superior Court because of the way OAH decisions were handled at that time. Prior to 2011, OAH could only issue a "recommended decision." The decision was referred back to the originating agency, and the agency would issue a "final decision" that could be appealed to superior court. The authority to issue a final decision included the ability to change OAH's decision. Therefore, as a practical matter, when G.S. 105-241.16 was originally drafted in 2007, the Department would not have needed the authority to appeal to superior court because the Secretary could reverse an unfavorable OAH decision.[2] In 2011, the General Assembly changed the law to allow OAH to issue final decisions. G.S. 150B-43 was changed to state, "Any ***party or*** person aggrieved by the final decision in a contested case…is entitled to judicial review…"; previously, the statute only said "person." The change recognized that agencies, as well as aggrieved citizens, could seek judicial review of OAH final decisions. However, when this change was made, no corresponding change was made to G.S. 105-241.16, which also provides for judicial review of OAH decisions, but specifies that those cases must be heard in Business Court. The Department believes that the failure to make a conforming change to G.S. 105-241.16 in 2011 was an oversight and that it currently has authority under G.S. 150B-43 to appeal cases to Superior Court and are currently doing so. An interpretation otherwise would mean the Department of Revenue is one of the only, if not *the* only, agencies that may not seek judicial review of an adverse OAH decision, making OAH the final arbiter of tax cases in which the Department is the aggrieved party. Because the Department believes this is essentially a technical change, it has requested a retroactive effective date of January 1, 2012, which is the date the 2011 legislation, allowing OAH to render final decisions, became effective. It is worth noting that there is an ongoing lawsuit involving a sales and use tax assessment in which the taxpayer is alleging that the court lacks subject matter jurisdiction to hear the case based on G.S. 105-241.16.	

[2] NC Department of Revenue v. First Petroleum Servs. Inc.

4.3 – 4.6	Changes terminology throughout the various excise tax statutes to clarify the license cancellation and revocation process and changes the term "license holder" to "licensee" throughout. Specifically, Section 4.3 makes these changes to the tobacco products statutes; Section 4.4 makes these changes to the motor carrier statutes; and Sections 4.5 and 4.6 make these changes to the motor fuel tax statutes. Makes two additional changes in the motor carrier statutes. Changes the term "registration" to "licensure" to be consistent with the International Fuel Tax Agreement (IFTA) which uses the term "licensing" throughout all of the IFTA manuals, and also to differentiate between "registering for the vehicle plate" which is completed through DMV or IRP. Adds the phrase "used in connection with any business endeavor" in G.S. 105-449.47 to make the statutory language consistent with the IFTA Articles of Agreement, which specifies that in order to qualify as a recreational vehicle, the vehicle shall not be used in conjunction with any business endeavor. Tobacco products dealers/distributors, motor carriers, and motor fuels suppliers, importers, and distributors are required to obtain a license from the Department of Revenue. There are circumstances under which the Secretary may "summarily cancel" a license, which means the Secretary cancels the license ***prior*** to holding a hearing on the matter, or the Secretary may "cancel" a license, which occurs only ***after*** holding a hearing. The term "cancel" is also used to refer to when a licensee voluntarily requests the cancellation of his or her license because, for example, the licensee is no longer engaging in business in the State. These sections change the terminology so that the term "cancellation" would refer only to an action taken by the Secretary upon a voluntary surrender, and the term "revocation" would refer to a "for cause" situation based on the noncompliance factors outlined in statute.	August 11, 2017
4.7	Amends the confidentiality statute to allow the Department to provide State tax information that relates to noncustodial parent location information to the Office of Child Support and Enforcement of the Department of Health and Human Services as required under federal law. This agreement to share information has previously existed with DHHS through a memorandum of understanding but has since expired. The provision is needed to be compliant with an IRS audit. Both Departments are in agreement to the provision.	August 11, 2017
4.8	Gives the Department of Revenue additional time to complete the transfer and consolidation of its information technology to the Department of Information Technology due to the heightened security requirements imposed by the federal government for purposes of sharing taxpayer information, which are not yet in place at DIT. It would put the Department of Revenue on the same footing as the Community Colleges, DPI, and the State Board of Elections, which have additional time to make the transition. The Department would have to report by October 1, 2018 to the Joint Legislative Oversight Committee on Information Technology on the	Effective July 1, 2017

	progress of the transition plan.	
PART V. PROPERTY TAX		
5.1	Makes two changes to the Tax and Tag Program. The change made in subdivision (2)a. reflects the way the system is currently programmed. The change works best for counties and taxpayers. The changes made in subdivisions (2)d. and e. allows counties to bill only once a year, and charge the same amount of interest on unregistered vehicles as on registered vehicles. It treats vehicles the same, whether they are registered or unregistered with DMV.	Taxable years on or after July 1, 2017
5.2	Corrects a statutory reference.	August 11, 2017
5.3	Clarifies that all public service companies are treated the same when the value to a taxing unit amounts to less than $500.	August 11, 2017
5.4	Provides a property tax exemption for a mobile classroom or modular unit that is occupied by a school and is wholly and exclusively used for educational purposes, regardless of the ownership of the property. The term "school" includes a public school, a nonprofit charter school, a regional school, or a nonprofit nonpublic school, or a community college. Real property that is occupied by a charter school and is wholly and exclusively used for educational purposes regardless of the ownership of the property is currently excluded from property taxes, but mobile classroom are often treated as personal property.	Taxable years beginning on or after July 1, 2018
PART VI. OTHER CHANGES		
6.1	Allows money collected or received by a local government to be submitted to a cash collection service and eliminates the monthly deposit requirement if the money on hand is less than $500. Under current law, local governments must deposit collections daily. However, a board can approve that deposits be required only when the cash on hand is at least $250, but it must always be deposited by the last business day of the month.	Effective October 1, 2017
6.2	Allow an individual taxpayer to make an irrevocable election to direct all or part of an income tax refund to the Cancer Prevention and Control Branch, Division of Public Health (DPH), Department of Health and Human Services (DHHS), to be used for the early detection of breast and cervical cancer.[3] Check-off donations would be used for early detection of breast and cervical cancer in accordance with the NC Breast and Cervical Cancer Control Program. The General Assembly finds that the funds generated by the check-off donation are intended to be additional funding for early detection of breast and cervical cancer and are not intended to replace	Effective for taxable years beginning on or after January 1, 2017, and expiring for taxable years beginning on or after

[3] The donations must be distributed to the Cancer Prevention and Control Branch of the Division of Public Health of the Department of Health and Human Resources. website

	current appropriations. There are currently two other income tax refund check-offs: Wildlife Conservation Account and NC Education Endowment Fund.[4] The contents of this section were also in House Bill 164, introduced by Representatives Dollar, Howard, Stevens, and S. Martin.	January 1, 2021.
6.3	Corrects an interpretation of motor fuel excise tax change made by S.L. 2017-39. See the notice from the Department of Revenue: DOR notice - tax on ethanol and biodiesel	August 11, 2017
PART VII. EFFECTIVE DATE		
	Except as otherwise provided, this act is effective when it becomes law.	August 11, 2017

[4] G.S. 105-269.5 and G.S. 105-269.7.