

# Finance

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## **H196 - 2021 COVID-19 Response & Relief. (SL 2021-3)**

S.L. 2021-3 (i) makes modifications to the State COVID-19 relief legislation and (ii) appropriates and provides additional guidance for expenditure of COVID-19 pandemic relief funds from the federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA).

Except as otherwise provided, this act became effective, March 11, 2021.

## **H243 - Budget Technical Corrections.**

### **Sec. 20.7: Grant Program Tax Deductions. (SL 2022-6)**

Section 20.7 of S.L. 2022-6 provides a State individual and corporate income tax deduction for the amount received by a taxpayer from one or more of the following State created COVID-19 related grant programs: Business Recovery Grant Program, ReTOOLNC grant program, and the rent and utility assistance grant program. This section is effective for taxable years beginning on or after January 1, 2020.

## **H243 - Budget Technical Corrections.**

### **Sec. 20.15: Allow State Income Tax Deduction for Employers Who Took the Federal Payroll Tax Credit for Employee Retention in lieu of a Federal Income Tax Deduction Where North Carolina has No Similar Tax Credit. (SL 2022-6)**

Section 20.15 of S.L. 2022-6 is a technical change to fix an issue in the State individual and corporate income tax laws caused by the way the employee retention credit was setup and administered at the federal level. The technical change allows a State tax deduction that is intended and assumed under current law.

This section is effective retroactively for taxable years beginning on or after January 1, 2020.

## **H273 - Modify Builders Inventory Tax Exclusion. (SL 2021-113)**

S.L. 2021-113 excludes from property taxation for up to three years any increase in value of residential real property attributable to new townhouse construction when held for sale by a builder.

This act becomes effective for taxes imposed for taxable years beginning on or after July 1, 2022.

## **H279 - COVID-19 Related Tax Changes/Unemployment Insurance Technical Correction. (SL 2021-16)**

S.L. 2021-16 does the following:

- Clarifies that the extra credit grants and federal stimulus payments received as COVID-19 relief are not considered income for determining eligibility for property tax exemptions based on income.
- Provides for the nonaccrual of interest on 2020 individual income tax returns filed on or before May 17, 2021 and extends the statute of limitations for requesting a refund consistent with the extension provided by the Internal Revenue Service (IRS).
- Makes a technical correction to S.L. 2021-5, DES COVID Modifications and Technical Changes.

S.L. 2021-16 became effective April 27, 2021.

### **H383 - Medicaid Modernized Hospital Assessments. (SL 2021-61)**

S.L. 2021-61 enacts two modernized hospital assessments that support continued funding for Medicaid payments to hospitals under the new Medicaid managed care system that began July 1, 2021. The modernized assessments replace two hospital assessments that historically provided funding for Medicaid payments to hospitals but that could not continue to be operated in the same manner upon the transition of the Medicaid program to managed care.

The repeal of the 2020 Revised Hospital Assessments became effective July 1, 2020. The remainder of the act became effective July 1, 2021.

### **H797 - Extend Farmers/Fishermen Tax Filing Deadline. (SL 2022-5)**

S.L. 2022-5 extends from March 1 to April 15 the deadline by which qualifying farmers and fishermen must file and pay their 2021 taxes to avoid having to pay interest for failure to make estimated payments throughout the year.

This act became effective February 24, 2022.

### **S36 - 2020 COVID Relief Bill Modifications. (SL 2021-1)**

Session Law (S.L.) 2021-1 makes modifications to the State COVID-19 relief legislation in light of the additional federal legislation and guidance.

This act has various effective dates. Except as otherwise provided, this act became effective February 10, 2021.

### **S105 - 2021 Appropriations Act.**

#### **Sec. 9D.13A: Modernized Hospital Assessments Additional Components and Technical Corrections . (SL 2021-180)**

Section 9D.13A of S.L. 2021-180 adds two new components to the modernized hospital assessments enacted in S.L. 2021-61. The new components increase the amount of the assessments collected from hospitals in order to fund other changes to the Medicaid program required by the act, as follows:

- The postpartum coverage component assesses hospitals for costs associated with the increase in postpartum Medicaid coverage required by Section 9D.13 of the act. The postpartum component is effective during the five-year period that the postpartum coverage is authorized by Section 9D.13 of the act and the American Rescue Plan Act.
- The home and community-based services (HCBS) component assesses hospitals, beginning April 1, 2024, for ongoing costs associated with the HCBS projects that are described in Section 9D.8 of the act and that are to be funded through March 30, 2024, with nonrecurring funds from the HCBS Fund.

The other changes to the modernized hospital assessments made in this section are technical.

This section became effective January 1, 2022.

**S105 - 2021 Appropriations Act.**  
**Part 42: Finance. (SL 2021-180)**

Part 42 of S.L. 2021-180 (2021 Appropriations Act) makes the following tax changes:

- Personal Income Tax Changes

**S105 - 2021 Appropriations Act.**  
**Sec. 42.1: Personal Income Tax Reduction. (SL 2021-180)**

Section 42.1 of S.L. 2021-180 makes the following personal income tax changes:

- Reduces the personal income tax rate to 3.99% over 6 years.
- Increases the standard deduction by approximately 18.6%.
- Increases the child deduction by \$500 and expands eligibility.
- Conforms to the permanent federal medical expense deduction threshold.

These changes are effective for taxable years beginning on or after January 1, 2022.

**S105 - 2021 Appropriations Act.**  
**Sec. 42.1A: Eliminate Tax on Military Pension Income. (SL 2021-180)**

Section 42.1A of S.L. 2021-180 exempts the following military retiree income from taxation:

- Military retirement pay received by a retired member of the Armed Forces of the United States who served at least 20 years or was medically retired.
- Payments from the Survivor Benefit Plan to a beneficiary of a retired member of the Armed Forces of the United States who served at least 20 years or was medically retired.

This section is effective for taxable years beginning on or after January 1, 2021.

**S105 - 2021 Appropriations Act.**

**Sec. 42.2: Phase Out Corporate Income Tax. (SL 2021-180)**

Section 42.2 of S.L. 2021-180 eliminates the corporate income tax over a period of six years, beginning with the 2025 tax year.

This section is effective for taxable years beginning on or after January 1, 2025.

**S105 - 2021 Appropriations Act.**

**Sec. 42.3: Franchise Tax Reduction and Simplification. (SL 2021-180)**

Section 42.3 of S.L. 2021-180 simplifies the franchise tax base calculation and, for some taxpayers reduces the franchise tax amount, by eliminating the two tax bases calculated using property values.

This section is effective for taxable years beginning on or after January 1, 2023, and applicable to the calculation of franchise tax reported on the 2022 and later corporate income tax returns.

**S105 - 2021 Appropriations Act.**

**Sec. 42.4: Conform to Federal Tax Treatment for PPP Loans and Related Business Assistance/IRC Update. (SL 2021-180)**

Section 42.4 of S.L. 2021-180 (2021 Appropriations Act) updates the reference to the Internal Revenue Code used in defining and determining certain State tax provisions from May 1, 2020, to April 1, 2021.

This section became effective when the act became law on July 1, 2021.

**S105 - 2021 Appropriations Act.**

**Sec. 42.5: Reduce Impact of Federal SALT Cap by Allowing Certain Pass-Throughs to Elect to Pay Tax at the Entity Level. (SL 2021-180)**

Section 42.5 of S.L. 2021-180 allows pass-through entities to elect to pay the State income taxes at the entity level, which is not subject to the federal state and local tax (SALT) cap of \$10,000.

This section is effective for taxable years beginning on or after January 1, 2022.

**S105 - 2021 Appropriations Act.**

**Sec. 42.6: Separate State Net Operating Loss Calculation for Individual Income Tax Purposes. (SL 2021-180)**

Section 42.6 of S.L. 2021-180 creates a separate North Carolina net operating loss (NOL) calculation to more closely align to the calculation of North Carolina taxable income by adjusting for differences between federal and State law and business activities taking place in multiple states.

This section is effective for taxable years beginning on or after January 1, 2022.

**S105 - 2021 Appropriations Act.**

**Sec. 42.7: Reenact and Extend Mill Rehabilitation Credit. (SL 2021-180)**

Section 42.7 of S.L. 2021-180 reenacts and extends the mill rehabilitation tax credit, including the credit for a rehabilitated railroad station.

This section became effective when the act became law on July 1, 2021.

**S105 - 2021 Appropriations Act.**

**Sec. 42.7A: Expand and Extend Historic Rehabilitation Credit. (SL 2021-180)**

Section 42.7A of S.L. 2021-180 expands and extends the historic rehabilitation tax credit.

The expansion of the credit to provide a bonus amount for historic structures used for an educational purpose became effective for taxable years beginning on or after January 1, 2021. The remainder of this section became effective July 1, 2021, when the act became law.

**S105 - 2021 Appropriations Act.**

**Sec. 42.8: Limit Gross Premiums on Surety Bonds. (SL 2021-180)**

Section 42.8 of S.L. 2021-180 limits the gross premiums tax base for premiums paid to a surety bondsman to the amount paid by the surety bondsman to the insurer of the bail bonds.

This section is effective for taxable years beginning on or after January 1, 2022.

**S105 - 2021 Appropriations Act.**

**Sec. 42.9: Modify Excise Tax on Cigars and Clarify Delivery Sales and Remote Sales of Tobacco Products. (SL 2021-180)**

Section 42.9 of S.L. 2021-180 imposes the current rate of excise tax, which is 12.8% of the cost price per cigar, on remote sales of cigars, and creates a cap of 30¢ per cigar for all cigar purchases, regardless of whether purchased in-person or online. This section also modifies existing excise tax statutes to distinguish between delivery sales and remote sales of tobacco products.

This section becomes effective July 1, 2022, and applies to sales occurring on or after that date.

**S105 - 2021 Appropriations Act.**

**Sec. 42.10: Credit Short-Term Vehicle Rental Proceeds to Highway Fund. (SL 2021-180)**

Section 42.10 of S.L. 2021-180 credits 100% of the proceeds derived from the 5% and 8% alternate highway use tax applied to short-term vehicle rentals to the Highway Fund.

This section became effective July 1, 2021, when the act became law.

**S105 - 2021 Appropriations Act.**

**Sec. 42.11: Graduate Late Payment Penalties. (SL 2021-180)**

Section 42.11 of S.L. 2021-180 (2021 Appropriations Act) replaces the flat penalty amount assessed for failure to pay a tax when due to a graduated amount that is 2% of the tax for the first month and is increased by 2% for each succeeding month or fraction thereof, not to exceed 10%.

This section becomes effective July 1, 2022, and applies to tax assessed on or after that date.

**S105 - 2021 Appropriations Act.**

**Sec. 42.12: Property Tax Exemptions. (SL 2021-180)**

Section 42.12 of S.L. 2021-180 creates two property tax exemptions: one for commercial cemetery property and one for vaccines.

This section is effective for taxable years beginning on or after July 1, 2022.

**S105 - 2021 Appropriations Act.**

**Sec. 42.13A-F: Revenue Laws Technical, Clarifying, and Administrative Changes. (SL 2021-180)**

Section 42.13A-F makes various technical, clarifying, and administrative changes to the Revenue Laws, most of which were recommended by the Department of Revenue.

Please see the individual provisions for the applicable effective dates.

**S172 - Additional COVID-19 Response & Relief. (SL 2021-25)**

S.L. 2021-25 establishes the following reserves and funds to handle grant funds received by the State under the federal American Rescue Plan Act: State Fiscal Recovery Reserve and Fund, Coronavirus Capital Projects Reserve and Fund, and Local Fiscal Recovery Reserve and Fund. This act also appropriates funds from the Local Fiscal Recovery Fund for distribution to various local governments and appropriates grant funds provided to the State under the American Rescue Plan Act. Technical and other changes are also included in the legislation.

This act became effective May 24, 2021.

**S323 - Joint Municipal Power Agencies/Investments. (SL 2021-73)**

S.L. 2021-73 allows moneys deposited in certain decommissioning funds established by North Carolina Municipal Power Agency Number 1, as well as funds deposited in the Swain County Settlement Trust Fund, to be invested through the State Treasurer's Ancillary Governmental Participant Investment Program.

This act became effective July 2, 2021.