

## News & Trending

PUBLICATIONS & ALERTS

### FINANCE PROVISIONS OF THE 2021 BUDGET BILL

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On November 15, 2021, after months of negotiations and four and a half months into the new fiscal year, the North Carolina General Assembly released Senate Bill 105, its proposed budget bill (the "Bill"). Both Chambers rapidly passed the measure, and Governor Cooper signed it on November 18. This Alert summarizes the more important finance provisions<sup>[1]</sup> of the Bill.<sup>[2]</sup>

Provisions covered in this Alert:

- **Internal Revenue Code Conformity**
- **Individual Income Tax Changes**
- **Corporation Income Tax Changes**
- **Franchise Tax Changes**
- **Gross Premiums Tax Changes**
- **Pass-through Entities Tax Changes**
- **Sales Tax Changes**
- **Changes to Credits**
- **Property Tax Changes**
- **Privilege Tax Changes**
- **Business Recovery Grant Program**
- **Administrative Changes**

#### Internal Revenue Code Conformity

##### Update IRC Reference Date

Although federal adjusted gross income ("AGI") and federal taxable income are the starting points for computing North Carolina taxable income for individuals and corporations, respectively, the North Carolina Constitution prohibits automatic conformity to the Internal Revenue Code (the "Code"). As a result, the General Assembly annually updates the reference to the Code in the North Carolina Revenue Act<sup>[3]</sup> in order to incorporate some or all of the changes made to the Code during the preceding year. The current Code reference date is May 1, 2020. The Bill updates the reference date to April 1, 2021.<sup>[4]</sup>

Between the old and the new reference dates, Congress enacted three bills amending the Code: the Consolidated Appropriations Act of 2020,<sup>[5]</sup> the National Defense Authorization Act of 2021<sup>[6]</sup> and the American Rescue Plan Act.<sup>[7]</sup> The Bill thus conforms to all Code amendments included in those acts except as noted below.

#### Conforming Provisions

Most significantly, North Carolina now conforms to two federal changes made by the Consolidated Appropriations Act. That Act amended the Code to permit the deduction, through 2022, of expenses paid with forgiven Paycheck Protection Program loans, forgiven Economic Injury Disaster Loans, or Shuttered Venue and Restaurant Revitalization grants. In addition, the Act made permanent the deductibility of medical expenses in excess of 7.5% (rather than 10%) of AGI. Under the Bill, North Carolina conforms to both of these Code amendments. <sup>[8]</sup>

#### Decoupling Provisions

*Charitable Contributions.* Under federal law, cash charitable contribution deductions generally are limited to 60% of the taxpayer's contribution base.<sup>[9]</sup> The federal CARES Act suspended this limitation with respect to cash contributions to public charities for 2020 to encourage charitable giving during the pandemic. The Consolidated Appropriations Act extended the suspension through 2021. North Carolina decoupled from the 2020 suspension of this percentage limitation, and the Bill extends the decoupling for 2021.<sup>[10]</sup>

The CARES Act also created an above-the-line charitable contribution deduction for non-itemizers of up to \$300.<sup>[11]</sup> North Carolina decoupled from this provision for 2020.<sup>[12]</sup> The Consolidated Appropriations Act made the federal deduction permanent, clarified that the deduction applied to each individual (allowing joint filers to deduct up to \$600) and made the deduction a below-the-line deduction.<sup>[13]</sup> Because North Carolina taxable income begins with AGI rather than federal taxable income, North Carolina effectively decouples from this below-the-line federal deduction for 2021 and later years.

*Mortgage Interest.* Under the Bill, North Carolina will continue its policy of decoupling from the federal provision treating mortgage insurance premiums as interest for taxpayers who itemize.<sup>[14]</sup>

*Principal Residence Indebtedness and Qualified Education Loans.* North Carolina historically decouples from the federal income exclusions for the discharge of indebtedness on a principal residence and for employer-paid interest and principal on a qualified education loan. The Bill decouples from these provisions through 2025.<sup>[15]</sup>

*Increased Food and Beverage Deductions.* The Consolidated Appropriations Act eliminated the 50% limitation on the amount of business expenses that could be deducted for food and beverages provided by restaurants for 2020 and 2021.<sup>[16]</sup> The Bill decouples from this provision, and the 50% limitation therefore will apply for North Carolina purposes for these years.<sup>[17]</sup>

*Discharge of Student Loans.* The American Rescue Plan Act included a provision permitting taxpayers to exclude from income amounts realized from the discharge of certain student loans during 2021 through 2025.<sup>[18]</sup> The Bill decouples from this provision.<sup>[19]</sup>

*Unemployment Compensation.* The American Rescue Plan Act permitted taxpayers with AGI of less than \$150,000 to exclude from gross income up to \$10,200 in unemployment benefits received during 2020.<sup>[20]</sup> The Bill decouples from this provision.<sup>[21]</sup>

## Individual Income Tax Changes

### Rate Reduction

The Bill reduces the personal income tax rate from 5.25% to 4.99%, effective for taxable years beginning on or after January 1, 2022, with further reductions to 4.75% in 2023, 4.6% in 2024, 4.5% in 2025, 4.25% in 2026 and 3.99% for years after 2026.[\[22\]](#)

### Standard Deduction Increase

The Bill increases the standard deduction amounts beginning in 2022 as follows:[\[23\]](#)

Married filing jointly and surviving spouse: \$21,500 to \$25,500

Head of Household: \$16,125 to \$19,125

Single and married filing separately: \$10,750 to \$12,750

### Child Deduction Increase

North Carolina permits a taxpayer who is allowed a federal child tax credit to claim a graduated deduction based on federal AGI in computing North Carolina taxable income. The Bill increases the deduction amounts beginning in 2022. The new maximum deduction amount will increase from \$2,500 to \$3,000.[\[24\]](#)

### Exemption for Military Pension Income

Before 1989, North Carolina allowed federal retirees to exclude \$3,000 from income. In 1989 the exclusion amount increased to \$4,000. This exemption was eliminated in 2013 as part of the tax reform package enacted that year. The Bill permits military retirees with at least 20 years of service (or who were medically retired) to exclude military retirement pay from income. In addition, the beneficiary of a military retiree with at least 20 years of service or who was medically retired may exclude payments from the Survivor Benefit Plan. The Survivor Benefit Plan is a Department of Defense sponsored and subsidized program that provides up to 55% of a service member's retired pay to an eligible beneficiary upon the death of the member. The provision is effective for taxable years beginning on or after January 1, 2021.[\[25\]](#)

### Separate NOL Calculation

Under prior law, corporations added back their federal net operating loss ("NOL") deductions to federal taxable income and then deducted a separately-computed state NOL deduction. Individual taxpayers, on the other hand, did not add back their federal NOLs, which are embedded within federal AGI. This created anomalies. For instance, a nonresident taxpayer with business operations in North Carolina and other states may have losses from North Carolina operations but offsetting profits from other sources. Because these profits and losses washed out in the federal AGI calculation, the taxpayer might never have been able to use past losses from North Carolina operations to reduce future North Carolina income.

The Bill creates a separate North Carolina NOL calculation for individual taxpayers beginning in 2022.[\[26\]](#) Taxpayers will be required to add back the amount allowed as an NOL under the Code and then deduct the State NOL amount. The Bill includes a number of special rules for calculating the state NOL. For instance, in

computing the state NOL, net losses from the sale of capital assets are excluded, gains excluded under Code §1202 are included, the state child deduction is not allowed, non-business deductions are allowed only to the extent of non-business income, and the deduction under Code §199A is not allowed.[27]

A taxpayer who is a nonresident in the year of the loss calculates the state NOL by including only income and deductions derived from a business carried on in North Carolina in such year. A taxpayer who is a nonresident in the year the deduction is claimed must include the state NOL in the numerator of the fraction used to compute North Carolina taxable income.[28]

A taxpayer may carry forward a state NOL for 15 years. The taxpayer must maintain records necessary to determine and verify the amount of the deduction, and the Department of Revenue (the "Department") may redetermine a loss originating in a closed year in redetermining the deduction claimed in an open year.[29]

A transition rule provides that any unabsorbed federal NOL carryforward remaining after 2021 may be included in the taxpayer's state NOL computed for years after 2021, subject to the 15-year carryforward limitation.[30]

#### Technical Corrections

*Extra Credit Grant Program.* The General Assembly created the Extra Credit Grant Program in 2020 to make payments of COVID relief funds to families with qualifying children to defray virtual schooling and child-care costs. Recipients were permitted to deduct grant payments from federal AGI in computing North Carolina taxable income for 2020. The grant program was later extended into 2021, and the Bill permits a deduction for grants received in 2021.[31]

*Business Interest Expense.* The 2017 Tax Cuts and Jobs Act ("TCJA") limited the interest expense deduction under Code § 163(j) for taxpayers with \$25 million or more in receipts to 30% of the taxpayer's AGI. The CARES Act increased the interest expense limitation from 30% to 50% for the 2019 and 2020 taxable years. North Carolina decoupled from this change by requiring taxpayers to add back the extra expense allowed for federal purposes during these years. The Bill provides that an add-back is not required to the extent the extra expense was added back under another provision. The Bill also allows a taxpayer to deduct the amount of the add-back over a five-year period.[32]

## Corporation Income Tax Changes

### Corporate Tax Phase-Out

The Bill eliminates the current 2.5% Corporate Income Tax by a phased lowering of the rate beginning in 2025. The new rates are as follows:[33]

2021: 2.5%

2022: 2.5%

2023: 2.5%



2024: 2.5%

2025: 2.25%

2026: 2%

2027: 2%

2028: 1%

2029: 1%

2030: 0%

#### Technical Corrections

**Business Interest Expense.** As noted above, the TCJA limited the interest expense deduction under Code § 163 (j) for taxpayers with \$25 million or more in receipts to 30% of the taxpayer's AGI. The CARES Act increased the interest expense limitation from 30% to 50% for the 2019 and 2020 taxable years. North Carolina decoupled from this change by requiring taxpayers to add back the extra expense allowed for federal purposes during these years. The Bill provides that an add-back is not required to the extent the extra expense was added back under another provision. The Bill also allows a taxpayer to deduct the amount of the add-back over a five-year period.<sup>[34]</sup>

When a corporation pays interest to a related member, its deduction is limited to its proportionate share of interest paid by the related member to unrelated parties. The Bill provides that this limitation does not apply to the extent the interest paid to the related member had already been disallowed under Code §163(j).<sup>[35]</sup>

**NOL Calculations.** Under prior law, North Carolina allowed corporations to deduct net economic losses rather than NOLs and used special rules to determine the extent to which a loss survived a merger or acquisition. In 2015, North Carolina replaced the net economic loss concept with the current NOL rules, which adopt the less rigid standards contained in the regulations under Code §§381 and 382 to determine the extent to which a loss survives a merger or acquisition. The Bill clarifies that, if a merger or acquisition occurred before 2015, the old net economic loss standards apply to determine the amount of the loss that survived the merger or acquisition for years before 2015 and the standards under Code sections 381 and 382 apply in 2015 and later years. In other words, even mergers or acquisitions occurring before 2015 get the benefit of the less restrictive rules in determining the amount of losses available in 2015 and later years. <sup>[36]</sup>

## Franchise Tax Changes

Under current law, the franchise tax is applied to the highest of the following three bases: (1) the taxpayer's net worth as computed in accordance with generally accepted accounting principles, (2) the book value of the taxpayer's North Carolina real and tangible personal property, less outstanding debt created to acquire or improve the real property, and (3) 55% of the appraised value of the taxpayer's North Carolina real and tangible personal property. The Bill eliminates the latter two bases with the result that all franchise taxpayers will use the net worth tax base. This change is effective for the 2023 franchise tax year reported on the 2022 corporate income tax return.<sup>[37]</sup> Eliminating the two alternative bases will benefit taxpayers with heavy investments in hard

assets in the state.

## Gross Premiums Tax Changes

Insurance companies are subject to a gross premiums tax on gross premiums from business done in the state. The Bill provides that gross premiums from business done in the state by an insurer of bail bonds is limited to the amount paid by to the insurer by the surety bondsman.<sup>[38]</sup> Any amount paid to and retained by the surety bondsman for his services is not included in the gross premiums tax base.

## Pass-through Entities Tax Changes

### SALT Cap Workaround

*Election and Eligible Entities.* The TCJA imposed a \$10,000 cap on the amount of state and local taxes individual taxpayers may deduct on their federal returns.<sup>[39]</sup> In 2020, the Internal Revenue Service blessed a mechanism for avoiding the SALT cap by allowing pass-through entities to elect to pay the state and local taxes on behalf of their owners.<sup>[40]</sup> The Bill implements such a SALT cap workaround effective for taxable years beginning on or after January 1, 2022<sup>[41]</sup> by allowing an S corporation or partnership (including an LLC taxed as a partnership) to make an annual election to be subject to tax on its North Carolina taxable income at the individual income tax rate.<sup>[42]</sup> The election for any year becomes irrevocable after the extended due date of the entity's return for such year.<sup>[43]</sup> A partnership may not make the election if it is publicly traded or has as a partner a person that is not an individual, an estate or a trust or exempt organization that would be an eligible S corporation shareholder.<sup>[44]</sup>

*Electing Entity's Taxable Income.* An electing entity's North Carolina taxable income is equal to its owners' pro rata shares of its income or loss (with the North Carolina adjustments for individual taxpayers required by N.C. Gen. Stat. §§105-153.5 and 105-153.6) attributable to North Carolina plus each resident owners' pro rata share of its income or loss (with North Carolina adjustments) not attributable to North Carolina.<sup>[45]</sup> In calculating its North Carolina taxable income, an electing entity must exclude items that could affect the tax liability of the owners differently and which therefore must be separately stated under Code sections 1366 (for S corporations) or 702 (for partnerships).<sup>[46]</sup> These items include capital gains and losses, gains and losses from the sale of section 1231 property and charitable contributions.

*Credits.* An electing entity may reduce its tax liability by applying any credit that the entity earned that would normally pass through to its owners<sup>[47]</sup> and may not pass through any credit (or any credit carryforward) allowed for a year in which the election is in effect.<sup>[48]</sup> Special rules are provided for credits that are taken in installments. All installments and carryforwards of such credits must be taken by the taxpayer entitled to the first installment of the credit. Thus, if an election was not in effect for the year in which the first installment was taken, future installments must also be passed through to the owners rather than used by the entity.<sup>[49]</sup> On the other hand, if the entity had an election in effect for the year in which the first installment was taken, the entity may not pass through future installments or carryforwards of the credit to its owners.<sup>[50]</sup> In addition, an electing S corporation may reduce its tax liability by applying the resident owners' credits for taxes paid to other states or countries on income taxed to the entity.<sup>[51]</sup> Fiduciaries and beneficiaries of estates and trusts who are owners of an electing entity are not allowed a credit for taxes paid by the estates and trusts or by the electing entity to another state or country on income that is taxed to the entity. The electing entity is allowed the credit instead.<sup>[52]</sup>

*Owner's Deduction.* The owner of an electing entity may deduct his pro rata share of the entity's income (and must add back his pro rata share of any loss) that is included in the entity's taxable income and in his AGI.[53] The election has no effect on the owners' outside bases.[54]

*Payment and Collection.* An electing entity must pay the tax by the due date of its return[55] and is subject to estimated taxes.[56] If the tax is not paid when due, the Department may collect the tax from the entity.[57] In such a case, the Department must issue a notice of collection to the entity.[58] If the entity does not pay the tax due within 60 days of the date the notice was mailed, the owners are not entitled to deduct their shares of the entity's income.[59] The Department is also required to send a notice of assessment to the owners.[60] If an electing entity overpays the tax due, only the entity may seek a refund of the overpayment.[61]

## Sales Tax Changes

Under prior law, livestock, baby chicks and poults are exempt from sales and use tax when purchased by a qualifying farmer or conditional farmer and used primarily in farming operations. The Bill expands the exemption to include fowl of all types.[62]

## Changes to Credits

### Mill Rehabilitation Credit

North Carolina provides a credit to taxpayers for rehabilitating vacant historic manufacturing sites if the taxpayer spends at least \$3 million to rehabilitate the site. The credit is calculated as a percentage of the qualified rehabilitation expenditures, with the percentage varying based on the enterprise tier location of the site. The credit program expired January 1, 2015, for projects that had not obtained an eligibility certification by that date. For projects that obtained an eligibility certification by that date, the credit was set to expire on January 1, 2023 unless the projects are placed in service by that date. The law also provides a credit tailored for a specific railroad station rehabilitation project. This railroad station credit was scheduled to sunset unless the qualified expenditures were incurred and the project was placed in service before January 1, 2022.[63]

The Bill re-enacts the mill rehabilitation credit and delays the sunset until 2030. The Bill also expands the tax credit for rehabilitated railroad station projects by modifying the conditions so that an additional project may qualify.[64]

### Historic Rehabilitation Credit

North Carolina provides a credit to taxpayers for rehabilitating income-producing and non-income-producing historic structures. To qualify, the taxpayer must qualify for the federal income tax credit under Code § 47, and the credit amount is based on a percentage of expenses and, for income-producing structures, the location of the structure. The credit was scheduled to sunset for rehabilitation expenditures incurred on or after January 1, 2024.[65]

The Bill expands the credit by increasing the credit amount if the certified historic structure is used for an educational purpose. The bonus amount is equal to 5% of up to \$20 million in rehabilitation expenses. The certified historic structure must have had an original use as an educational building, return to service as an educational building following the rehabilitation and remain an educational building when the tax credit (or carryforward) is taken. For a certified historic structure used for multiple purposes, the bonus amount is prorated



based on the area of the building used for an educational purpose. An educational purpose is defined as an objective to educate or instruct individuals, including transmitting information and training or developing knowledge or skills. The Bill delays the sunset until 2030.[\[66\]](#)

## Property Tax Changes

### Burial Property

Under current law, burial property is exempt from property tax unless held for sale or rental or for the sale of burial rights in the property. No exemption application is required. Burial property that does not qualify for exemption is subject to special valuation rules that take into account restrictions on the use of the property. The Bill provides that, effective for taxable years beginning on or after July 1, 2022, all burial property will be exempt, but, if the property is held for sale or rental or the sale of burial rights, the owner must apply for an exemption.[\[67\]](#)

### Vaccines

Under current law, vaccines not held as inventory are taxable as business personal property. Thus, vaccines held by private medical facilities and doctors' offices are generally taxable, while vaccines held by pharmacies and other retailers are exempt. The Bill extends the property tax exemption to all vaccines, regardless of the status of the owner, effective for taxable years beginning on or after July 1, 2022. [\[68\]](#)

## Privilege Tax Changes

### Installment Paper Dealers

The Bill clarifies that banks are exempt from the privilege license tax on installment paper dealers.[\[69\]](#)

## Business Recovery Grant Program

The Bill establishes a Business Recovery Grant Program, administered by the Department, which will use American Rescue Plan Act funds to provide relief to North Carolina businesses that suffered substantial economic damage from the pandemic.[\[70\]](#) A business for this purpose is any taxpayer subject to North Carolina income tax.[\[71\]](#)

### Hospitality Grants

The program includes two types of grants: hospitality grants and reimbursement grants. A business is eligible for a hospitality grant if it is classified in NAICS Code 71 or 72 and demonstrates that it suffered an economic loss of at least 20%.[\[72\]](#)

### Reimbursement Grants

A business is eligible for a reimbursement grant if it is not classified in NAICS Code 71 or 72, demonstrates that it suffered an economic loss of at least 20% and has not previously received an award under the COVID-19 Job Retention Program, the Economic Injury Disaster Loan program, the Paycheck Protection Program, the Restaurant Realization Fund or the Shuttered Venue Operations Grant Program.[\[73\]](#)



### Economic Loss

For purposes of the grant program, a business's economic loss is defined as the economic damage experienced in connection with the pandemic, determined as the difference between the business's gross receipts for the period from March 1, 2020 through February 28, 2021 and its gross receipts for the equivalent time frame during the preceding 12-month period. Gross receipts for this purpose include gross receipts shown on the business's North Carolina sales and use tax return and other receipts reported on line 1a of a federal partnership return and apportionable to North Carolina.<sup>[74]</sup> Because non-sales tax receipts from corporate returns cannot be used, corporations will be limited to using sales tax receipts to measure their economic losses.

### Applications

A business is required to apply for a grant under procedures established by the Department. The Department must establish an application window that begins at least 60 days after enactment and that ends no more than 90 days after enactment. The Department may not accept late applications but may accept additional applications if funds reserved for one type of grant (but not both) remain after funding the first round of grants.<sup>[75]</sup>

### Grant Amount

The amount of a grant is equal to 20% of the applicant's economic loss (10% in the case of applicants who have received an award under one of the programs mentioned above). In no case may a grant exceed \$500,000.<sup>[76]</sup>

### Program Limit

The total amount of funds available for grants and administration of the program may not exceed \$500 million, of which \$200 million is to be reserved for reimbursement grants. If the total amount of hospitality grant requests exceeds the maximum amount available for such grants, the Department must first fully fund grants to applicants who have not previously received an award from one of the programs identified above and must proportionately reduce the grants to each other hospitality grant applicant. If the total amount of reimbursement grant requests exceeds the maximum amount available for such grants, the Department must proportionately reduce the grants to all reimbursement grant applicants. The Department's grant determinations are final.<sup>[77]</sup>

### Clawback

If a business receives a grant for which it was ineligible, the business is liable for the amount of the award with interest at the underpayment rate. The Attorney General is authorized to sue for the recovery of any such award, with the business liable for the costs of the action.<sup>[78]</sup>

## **Administrative Changes**

### Graduate Late Payment Penalties

Under current law, a taxpayer who fails to pay a tax when due is subject to 10% penalty regardless of the period of delinquency. The Bill replaces this flat rate penalty with a graduated penalty starting at 2% for delinquencies of not more than one month and increasing by an additional 2% per month but not to exceed 10% in the aggregate. This change is effective July 1, 2022 and is effective for taxes assessed on or after that date.<sup>[79]</sup>

### Intercompany Transactions

If the Department has reason to believe that a corporation has distorted its income by engaging in transactions that lack economic substance or are not at fair market value, it can require the taxpayer to produce information "reasonably necessary" to apply the economic substance and fair market standards.<sup>[80]</sup> The Department can then adjust the taxpayer's intercompany transactions or require the filing of a combined return. However, the Department can require a combined return only if intercompany adjustments are not adequate to redetermine the taxpayer's income and if the Department finds as a fact that a combined return is necessary.<sup>[81]</sup> The Bill provides that the information the Department is entitled to require the taxpayer to produce if it believes the economic substance or fair value standards have been violated includes financial or tax documentation and that, if the information is not provided timely, the Department may propose any allowable adjustment which would include a combined return.<sup>[82]</sup> This provision will give the Department additional leverage in cases involving intercompany transactions.

### Final Information Returns

Under prior law, an employer that terminates its business or permanently ceases paying wages was required to file an informational return on form NC-3 within 30 days of the last payment of wages. The Bill, with the intention of conforming to federal practice, provides that final information returns is due the month after the end of the calendar quarter when the employer terminates its business (but no later than January 31 of the succeeding year). The Bill also eliminates the duty to file when an employer permanently ceases paying wages.<sup>[83]</sup>

### Employee Withholding

The Bill adds a provision permitting the Department to assess a withholding agent based on an estimate of the tax due when the withholding agent fails to file a return or files a grossly incorrect, false or fraudulent return.<sup>[84]</sup> This is consistent with the Department's remedies against sales taxpayers in similar cases.<sup>[85]</sup>

### Requests for Refund

Under current law, the period for filing refund claims may be delayed due to contingent events. If the contingent event is litigation or a state tax audit, the refund claim is due six months after the litigation or audit concludes. A taxpayer must request the Department to extend the period for filing a refund claim due to contingencies other than litigation or audits. The Bill clarifies that, if the Department agrees to the request, the refund request must be filed within six months of the conclusion of the contingent event.<sup>[86]</sup>

### Truncated TINs

Under prior law, only the General Assembly could authorize the use of a truncated taxpayer identification number (e.g., XXX-XX-9999) on a tax form. The Bill permits the Secretary of Revenue to authorize the use of truncated TINs.<sup>[87]</sup>

### Nonaccrual of Interest

In 2021, the General Assembly provided for the nonaccrual of interest on individual income tax returns due on or before April 15, 2021 for the period from April 15 through May 17, 2021.<sup>[88]</sup> The Bill clarifies that the nonaccrual of interest during this period extends to partnership and estate and trust tax returns.<sup>[89]</sup>

### Collection Assistance Fee

The Department is entitled to collect a fee on overdue tax debts to help defray the costs of collection. The Department may spend the fees collected for a list of specified purposes. The Bill provides that the fees collected may only be spent pursuant to an appropriation by the General Assembly.<sup>[90]</sup>

### Tax Fraud Analytics

The Bill includes an appropriation of \$4.4 million for each year of the 2021-2023 biennium to continue and expand the Department's tax fraud analysis contract with the Government Data Analytics Center.<sup>[91]</sup>

### POA Registration

In 2019, the General Assembly instructed the Department to update its electronic tax systems to store and recognize power of attorney registrations to ensure that taxpayer representatives were timely copied on any taxpayer notices. The Bill instructs the Department to submit written reports on the status of this project. The first report is due by January 1, 2022, and further reports are due monthly thereafter.<sup>[92]</sup>

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<sup>[1]</sup> This Alert does not discuss the following provisions of the Bill: (1) changes to the Tobacco Products Tax included in §§ 42.9, 42.13D and 42.13E of the Bill, (2) changes made to the Alcoholic Beverage License and Excise Taxes made by §42.13E, (3) changes made to the Motor Fuels Taxes made by §42.13E of the Bill, and (4) certain of the technical corrections included in §§42.13A, 42.13B and 42.13D of the Bill.

<sup>[2]</sup> In the footnotes that follow, unless otherwise noted or indicated by context, references to the General Statutes assume the Bill becomes law.

<sup>[3]</sup> Chapter 105 of the North Carolina General Statutes.

<sup>[4]</sup> S.105, §42.4.(a). N.C. Gen. Stat. §105-228.90(b)(7).

<sup>[5]</sup> P.L. 116-260.

<sup>[6]</sup> P.L. 116-283.

<sup>[7]</sup> P.L. 117-2.

<sup>[8]</sup> S. 105, §42.4.(c) and (d); N.C. Gen. Stat. §§105-153.5(c2)(20) and 105-130.5(a)(32). Conformity to the medical expense floor is achieved by not decoupling from the federal change.

<sup>[9]</sup> Code §170(b)(1)(G).

<sup>[10]</sup> S. 105, §42.4.(b); N.C. Gen. Stat. §105-153.5(a)(2)a.2.

<sup>[11]</sup> Code §62(22) (repealed).

<sup>[12]</sup> N.C. Gen. Stat. §105-153.5(c2)(19)

- [13] Code §170(p).
- [14] S. 105, § 42.4.(b); N.C. Gen. Stat. §105-153.5(a)(2)b.
- [15] S. 105, §42.4.(c); N.C. Gen. Stat. §105-153.5(c2)(1) and (2).
- [16] Code §274(n)(2)(D).
- [17] S. 105, §42.4.(c); N.C. Gen. Stat. §105-153.5(c2)(21)
- [18] Code §108(f)(5).
- [19] S. 105, §42.4.(c); N.C. Gen. Stat. §105-153.5(c2)(22).
- [20] Code §85(c) (repealed).
- [21] S. 105, §42.4.(c); N.C. Gen. Stat. §105-153.5(c2)(23)
- [22] S. 105, §42.1.(a).; N.C. Gen. Stat. §105-153.7(a).
- [23] S. 105, §42.1.(b); N.C. Gen. Stat. §105-153.5(a)(1).
- [24] S. 105, §42.1.(c); N.C. Gen. Stat. §105-153.5(a1).
- [25] S. 105, §42.1A; N.C. Gen. Stat. §105-153.5(b)(5a).
- [26] S. 105, §42.6; N.C. Gen. Stat. §105-153.5A.
- [27] S. 105, §42.6.(b); N.C. Gen. Stat. §105-153.5A(a).
- [28] S. 105, §42.6.(b); N.C. Gen. Stat. §105-153.5A(c).
- [29] S. 105, §42.6.(b); N.C. Gen. Stat. §105-153.5A(e).
- [30] S. 105, §42.6.(b); N.C. Gen. Stat. §105-153.5A(f).
- [31] S. 105, §42.13A.(a); N.C. Gen. Stat. §105-153.5(b)(15).
- [32] S. 105, §42.13A.(b); N.C. Gen. Stat. §105-153.5(c2)(17) and (17a).
- [33] S. 105, §42.2; N.C. Gen. Stat. §105-130.3.
- [34] S. 105, §42.13B.(b) and (c); N.C. Gen. Stat. §§105-130.5(a)(31) and 105-130.5(b)(32).
- [35] S. 105, §42.13B.(d); N.C. Gen. Stat. §105-130.7B(b)(4).
- [36] S. 105, §42.13B.(e); N.C. Gen. Stat. §105-130.8A(c).



- [37] S. 105, §42.3; N.C. Gen. Stat. §§105-122(d), 105-114.1(b) and 105-120.2(b).
- [38] S. 105, §42.8; N.C. Gen. Stat. §105-228.5(b1).
- [39] Code §164(b)(6).
- [40] Notice 2020-75 (Nov. 9, 2020).
- [41] S. 105, § 42.5.(n).
- [42] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(a) and 105-154.1(a).
- [43] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(a) and 105-154.1(a).
- [44] S. 105, §42.5.(h); N.C. Gen. Stat. §105-154.1(a).
- [45] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(b) and 105-154.1(b).
- [46] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(b)(2) and 105-154.1(b)(2).
- [47] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(c) and 105-154.1(c).
- [48] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(c)(1) and 105-154.1(c)(1).
- [49] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(c) and 105-154.1(c).
- [50] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(c)(2) and 105-154.1(c)(2).
- [51] S. 105, §42.5.(c); N.C. Gen. Stat. §105-131.1A(d).
- [52] S. 105, §42.5.(k); N.C. Gen. Stat. §105-160.4(f) and (g).
- [53] S. 105, §42.5.(i); N.C. Gen. Stat. §105-153.5(c3).
- [54] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(h) and 105-154.1(g).
- [55] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(g) and 105-154.1(f).
- [56] S. 105, §42.5.(l) and (m); N.C. Gen. Stat. §§105-163.38(6) and 105-163.39(d).
- [57] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(g) and 105-154.1(f).
- [58] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(g) and 105-154.1(f).
- [59] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(g) and 105-154.1(f).
- [60] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(g) and 105-154.1(f).

- [61] S. 105, §§42.5.(c) and (h); N.C. Gen. Stat. §§105-131.1A(g) and 105-154.1(f).
- [62] S. 105, §42.13C.(a); N.C. Gen. Stat. §105-164.13E(a)(7).
- [63] N.C. Gen. Stat. §105-129.70 *et seq.*
- [64] S. 105, §42.7.
- [65] N.C. Gen. Stat. §105-129.105 *et seq.*
- [66] S. 105, §42.7A.
- [67] S. 105, §42.12.(a); N.C. Gen. Stat. §105-278.2.
- [68] S. 105, §42.12.(c); N.C. Gen. Stat. §105-275(44a).
- [69] S. 105, §42.13B.(a); N.C. Gen. Stat. §105-83(d).
- [70] S. 105, §34.3A.(a) and (b).
- [71] S. 105, §34.3A.(h)(2).
- [72] S. 105, §34.3A.(c)(1).
- [73] S. 105, §34.3A.(c)(2) and (h)(1a).
- [74] S. 105, §34.3A.(h)(5), (6) and (7).
- [75] S. 105, §34.3A.(d).
- [76] S. 105, §34.3A.(e).
- [77] S. 105, §34.3A.(f).
- [78] S. 105, §34.3A.(g).
- [79] S. 105, §42.11; N.C. Gen. Stat. §105-236(a)(4).
- [80] N.C. Gen. Stat. §105-130.5A(a).
- [81] N.C. Gen. Stat. §105-130.5A(b) and (d).
- [82] S. 105, §42.13B.(f); N.C. Gen. Stat. §105-251(a)(5).
- [83] S. 105, §42.13A.(d); N.C. Gen. Stat. §105-163.7(b).
- [84] S. 105, §42.13A.(e); N.C. Gen. Stat. §105-163.8(c).



[85] N.C. Gen. Stat. §105-164.32.

[86] S. 105, §42.13A.(f); N.C. Gen. Stat. §105-241.6(b)(5)b.

[87] S. 105, §42.13A.(g); N.C. Gen. Stat. §105-252.1.

[88] S.L. 2021-16, §1.2(a).

[89] S. 105, §42.13A.(h).

[90] S. 105, §34.1; N.C. Gen. Stat. §105-243.1(e).

[91] S. 105, §34.3.

[92] S. 105, §34.4; S.L. 2019-246, §8.1(b).

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