

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1991

CHAPTER 975
SENATE BILL 1003

AN ACT TO PROVIDE THAT CONTRACTORS' INVENTORIES WILL BE ENTITLED TO THE SAME PROPERTY TAX EXEMPTION AS MANUFACTURERS', RETAILERS', AND WHOLESALERS' INVENTORIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-273 reads as rewritten:

"§ 105-273. Definitions.

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

- (1) 'Abstract' means the document on which the property of a taxpayer is listed for ad valorem taxation and on which the appraised and assessed values of the property are recorded.
- (2) 'Appraisal' means both the true value of property and the process by which true value is ascertained.
- (3) 'Assessment' means both the tax value of property and the process by which the assessment is determined.
- (4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1, 1974.
- (5) 'Collector' or 'tax collector' means any person charged with the duty of collecting taxes for a county or municipality.
- (5a) 'Contractor' means a taxpayer who is regularly engaged in building, installing, repairing, or improving real property.
- (6) 'Corporation' includes nonprofit corporation and every type of organization having capital stock represented by shares.
- (6a) 'Discovered property' includes all of the following:
 - a. Property that was not listed during a listing period.
 - b. Property that was listed but the listing included a substantial understatement.
 - c. Property that has been granted an exemption or exclusion and does not qualify for the exemption or exclusion.
- (6b) 'To discover property' means to determine any of the following:
 - a. Property has not been listed during a listing period.
 - b. A taxpayer made a substantial understatement of listed property.
 - c. Property was granted an exemption or exclusion and the property does not qualify for an exemption or exclusion.

- (7) 'Document' includes book, paper, record, statement, account, map, plat, film, picture, tape, object, instrument, and any other thing conveying information.
- (7a) 'Failure to list property' includes all of the following:
 - a. Failure to list property during a listing period.
 - b. A substantial understatement of listed property.
 - c. Failure to notify the assessor that property granted an exemption or exclusion under an application for exemption or exclusion does not qualify for the exemption or exclusion.
- (8) 'Intangible personal property' means patents, copyrights, secret processes, formulae, good will, trademarks, trade brands, franchises, stocks, bonds, cash, bank deposits, notes, evidences of debt, leasehold interests in exempted real property, bills and accounts receivable, and other like property.
- (8a) 'Inventories' means (i) goods held for sale in the regular course of business by ~~manufacturers and~~ manufacturers, retail and wholesale ~~merchants.~~ merchants, and contractors, and (ii) goods held by contractors to be furnished in the course of building, installing, repairing, or improving real property. As to manufacturers, the term includes raw materials, goods in process, and finished goods, as well as other materials or supplies that are consumed in manufacturing or processing, or that accompany and become a part of the sale of the property being sold. The term also includes crops, livestock, poultry, feed used in the production of livestock and poultry, and other agricultural or horticultural products held for sale, whether in process or ready for sale. The term does not include fuel used in manufacturing or processing, nor does it include materials or supplies not used directly in manufacturing or processing. As to retail and wholesale ~~merchants,~~ merchants and contractors, the term includes, in addition to articles held for sale, packaging materials that accompany and become a part of the sale of the property being sold.
- (9) 'List' or 'listing,' when used as a noun, means abstract.
- (10) Repealed by Session Laws 1987, c. 43, s. 1, effective April 2, 1987.
- (10a) 'Local tax official' includes a county assessor, an assistant county assessor, a member of a county board of commissioners, a member of a county board of equalization and review, a county tax collector, and the municipal equivalents of these officials.
- (10b) 'Manufacturer' means a taxpayer who is regularly engaged in the mechanical or chemical conversion or transformation of materials or substances into new products for sale or in the growth, breeding, raising, or other production of new products for sale. The term does not include delicatessens, cafes, cafeterias, restaurants, and other similar retailers that are principally engaged in the retail sale of foods prepared by them for consumption on or off their premises.

- (11) 'Municipal corporation' and 'municipality' mean city, town, incorporated village, sanitary district, rural fire protection district, rural recreation district, mosquito control district, hospital district, metropolitan sewerage district, watershed improvement district, or other district or unit of local government by or for which ad valorem taxes are levied.
- (12) 'Person' and 'he' include any individual, trustee, executor, administrator, other fiduciary, corporation, unincorporated association, partnership, sole proprietorship, company, firm, or other legal entity.
- (13) 'Real property,' 'real estate,' and 'land' mean not only the land itself, but also buildings, structures, improvements, and permanent fixtures thereon, and all rights and privileges belonging or in any wise appertaining thereto. These terms also mean a manufactured home as defined in G.S. 143-143.9(6) if it is a multi-section residential structure (consisting of two or more sections); has the moving hitch, wheels, and axles removed; and is placed upon a permanent enclosed foundation on land owned by the owner of the manufactured home.
- (13a) 'Retail 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 users or consumers.
- (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 is amended by adding a new subdivision to read:

"(32a) Inventories owned by contractors."

Sec. 3. G.S. 105-282.1(a)(2) reads as rewritten:

"(2) Owners of the special classes of property excluded from taxation under G.S. 105-275(5), (15), (16), (26), (31), (32a), (33), or (34), or exempted under G.S. 105-278.2 are not required to file applications for the exclusion or exemption of that property."

Sec. 4. This act is effective for taxes imposed for taxable years beginning on or after July 1, 1992.

In the General Assembly read three times and ratified this the 17th day of July, 1992.

James C. Gardner
President of the Senate

Daniel Blue, Jr.
Speaker of the House of Representatives