

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1076  
Finance Committee Substitute Adopted 7/1/99  
Third Edition Engrossed 7/7/99

Short Title: Reform Local Tax on Rental Cars.

(Public)

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Sponsors:

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Referred to:

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April 15, 1999

1 A BILL TO BE ENTITLED  
2 AN ACT TO REPEAL THE PROPERTY TAX ON CERTAIN VEHICLES LEASED  
3 OR RENTED UNDER RETAIL SHORT-TERM LEASES OR RENTALS AND TO  
4 REPLACE THE TAX REVENUE WITH A LOCAL TAX ON GROSS RECEIPTS  
5 DERIVED FROM RETAIL SHORT-TERM LEASES OR RENTALS.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 105-275 is amended by adding a new subdivision to read:

8 "(41) A vehicle that is offered at retail for short-term lease or rental and is  
9 owned or leased by an entity engaged in the business of leasing or  
10 renting vehicles to the general public for short-term lease or rental. For  
11 the purposes of this subdivision, the term 'short-term lease or rental'  
12 shall have the same meaning as in G.S. 105-187.1. A gross receipts tax  
13 as set forth by G.S. 153A-156 and G.S. 160A-215.1 is substituted for  
14 and replaces the ad valorem tax previously levied on these vehicles."

15 Section 2. Chapter 153A of the General Statutes is amended by adding a new  
16 section to read:

17 **"§ 153A-156. Gross receipts tax on short-term leases or rentals.**

1       (a) As a substitute for and in replacement of the ad valorem tax, which is excluded  
2 by G.S. 105-275(41), a county may levy a gross receipts tax on the gross receipts from  
3 the short-term lease or rental of vehicles at retail to the general public. The tax rate shall  
4 not exceed one percent (1%) of the gross receipts from such short-term leases or rentals.

5       (b) If a county enacts the substitute and replacement gross receipts tax pursuant to  
6 this section, any entity required to collect the tax shall include a provision in each retail  
7 short-term lease or rental agreement noting that an additional one percent (1%) of the  
8 total lease or rental price, excluding sales tax, is being charged as a tax on gross receipts.  
9 For purposes of this section, the transaction giving rise to the tax shall be deemed to have  
10 occurred at the location of the entity from which the customer takes delivery of the  
11 vehicle. The tax shall be collected at the time of lease or rental and placed in a  
12 segregated account until remitted to the county.

13       (c) The collection and use of taxes under this section are not subject to sales tax  
14 and are not included in the gross receipts of the entity. The proceeds collected under this  
15 section belong to the county and are not subject to creditor liens against the entity.

16       (d) A tax levied under this section shall be collected by the county but otherwise  
17 administered in the same manner as the optional gross receipts tax levied by G.S. 105-  
18 187.5.

19       (e) The following definitions apply in this section:

20           (1) Vehicle. – Any of the following:

21               a. A motor vehicle of the private passenger type, including a  
22 passenger van, minivan, or sport utility vehicle.

23               b. A motor vehicle of the cargo type, including cargo van, pickup  
24 truck, or truck with a gross vehicle weight of 26,000 pounds or  
25 less used in the transportation of property other than commercial  
26 freight and that does not require the operator to possess a  
27 commercial drivers license.

28               c. A trailer or semitrailer with a gross vehicle weight of 6,000  
29 pounds or less.

30           (2) Short-term lease or rental. – Defined in G.S. 105-187.1(4)."

31       Section 3. Chapter 160A of the General Statutes is amended by adding a new  
32 section to read:

33 **"§ 160A-215.1. Gross receipts tax on short-term leases or rentals.**

34       (a) As a substitute for and in replacement of the ad valorem tax, which is excluded  
35 by G.S. 105-275(41), a city may levy a gross receipts tax on the gross receipts from the  
36 short-term lease or rental of vehicles at retail to the general public. The tax rate shall not  
37 exceed one percent (1%) of the gross receipts from such short-term leases or rentals.  
38 This tax on gross receipts is in addition to the privilege taxes authorized by G.S. 160A-  
39 211.

40       (b) If a city enacts the substitute and replacement gross receipts tax pursuant to  
41 this section, any entity required to collect the tax shall include a provision in each retail  
42 short-term lease or rental agreement noting that an additional one percent (1%) of the  
43 total lease or rental price, excluding sales tax, is being charged as a tax on gross receipts.

1 For purposes of this section, the transaction giving rise to the tax shall be deemed to have  
2 occurred at the location of the entity from which the customer takes delivery of the  
3 vehicle. The tax shall be collected at the time of lease or rental and placed in a  
4 segregated account until remitted to the city.

5 (c) The collection and use of taxes under this section are not subject to sales tax  
6 and are not included in the gross receipts of the entity. The proceeds collected under this  
7 section belong to the city and are not subject to creditor liens against the entity.

8 (d) A tax levied under this section shall be collected by the city but otherwise  
9 administered in the same manner as the optional gross receipts tax levied by G.S. 105-  
10 187.5.

11 (e) The following definitions apply in this section:

12 (1) Vehicle. – Any of the following:

13 a. A motor vehicle of the private passenger type, including a  
14 passenger van, minivan, or sport utility vehicle.

15 b. A motor vehicle of the cargo type, including cargo van, pickup  
16 truck, or truck with a gross vehicle weight of 26,000 pounds or  
17 less used in the transportation of property other than commercial  
18 freight and that does not require the operator to possess a  
19 commercial drivers license.

20 c. A trailer or semitrailer with a gross vehicle weight of 6,000  
21 pounds or less.

22 (2) Short-term lease or rental. – Defined in G.S. 105-187.1."

23 Section 4. Section 1 of this act becomes effective for taxes imposed for  
24 taxable years beginning on or after July 1, 2000. The remainder of this act becomes  
25 effective July 1, 2000.