



2021-2022 General Assembly

HOUSE BILL 103: 2022 Appropriations Act, Sec. 42.2: Sales Tax Exemption for Interstate Air and Ground Couriers

Committee:		Date:	July 13, 2022
Introduced by:		Prepared by:	Trina Griffin Staff Attorney
Analysis of:	Sec. 42.2 of S.L. 2022-74		

OVERVIEW: *Section 42.2 of S.L. 2022- 74 exempts from sales and use tax purchases by interstate air and ground couriers of certain equipment, including conveyor systems, and related parts and accessories, purchased for use at package sorting facilities. Minimum investment and employment thresholds must be met to be eligible for and to maintain the exemption.*

This provision became effective July 1, 2022, and applies to purchases made on or after that date.

CURRENT LAW: In 1998, the General Assembly provided sales tax and property tax reductions for interstate air couriers to encourage the development of air courier hubs in North Carolina. Effective January 1, 2001, sales to an interstate air courier of equipment for handling and storing materials at its hub became subject to a reduced sales tax of 1%, capped at \$80 per item. This preferential rate was converted to an exemption in 2005. In addition, interstate air couriers enjoy a sales tax exemption for purchases of aircraft lubricants, aircraft repair parts, and aircraft accessories for use at the air courier's hub in this State.

BILL ANALYSIS: Section 42.2 of the act provides a sales tax exemption for the purchase of certain equipment by an interstate air and ground courier. An "interstate air and ground courier" is a person whose primary business is the furnishing of air and ground delivery of individually addressed letters and packages for compensation in interstate commerce, except by the United States Postal Service. An example is the United Parcel Service.

The eligible equipment is materials handling equipment, automated conveyor systems, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at its package sorting facility.

There is a clawback provision if the purchaser does not maintain a certain level of investment or employment, which is also required for large fulfillment facilities. The level of investment is at least \$100 million within 5 years after the date on which the first property investment is made, and the required employment level is at least 400 employees within 5 years after the facility is placed in service, which must be maintained throughout its operation.

EFFECTIVE DATE: This section became effective July 1, 2022, and applies to purchases made on or after that date.

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Legislative Analysis
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