

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE BILL 339

Short Title: Broaden Sales Tax Exemption for Farmers. (Public)

Sponsors: Representatives Goodwin, Strickland, Dixon, and Riddell (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Finance, if favorable, Rules, Calendar, and Operations of the House

March 13, 2019

1 A BILL TO BE ENTITLED
2 AN ACT TO LOWER THE INCOME REQUIREMENT FOR QUALIFYING FARMERS FOR
3 PURPOSES OF THE SALES TAX EXEMPTION FOR FARMERS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-164.13E reads as rewritten:

6 **"§ 105-164.13E. Exemption for farmers.**

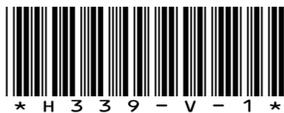
7 (a) Exemption. – A qualifying farmer is a person who has an annual income from farming
8 operations for the preceding taxable year of ~~ten-seven thousand five hundred~~ five hundred dollars ~~(\$10,000)~~
9 (\$7,500) or more or who has an average annual income from farming operations for the three
10 preceding taxable years of ~~ten-seven thousand five hundred~~ five hundred dollars ~~(\$10,000)~~ (\$7,500) or more.
11 For purposes of this section, the term "income from farming operations" means sales plus any
12 other amounts treated as gross income under the Code from farming operations. A qualifying
13 farmer includes a dairy operator, a poultry farmer, an egg producer, and a livestock farmer, a
14 farmer of crops, a farmer of an aquatic species, as defined in G.S. 106-758, and a person who
15 boards horses. A qualifying farmer may apply to the Secretary for an exemption certificate
16 number under G.S. 105-164.28A. The exemption certificate expires when a person fails to meet
17 the income threshold for three consecutive taxable years or ceases to engage in farming
18 operations, whichever comes first.

19 Except as otherwise provided in this section, the items exempt under this section must be
20 purchased by a qualifying farmer and used by the farmer in farming operations. For purposes of
21 this section, an item is used by a farmer for farming operations if it is used for the planting,
22 cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or
23 animals. The following tangible personal property and services that may be exempt from sales
24 and use tax under this section are as follows:

25 (1) Fuel, piped natural gas, and electricity that are measured by a separate meter
26 or another separate device and used for a purpose other than preparing food,
27 heating dwellings, and other household purposes.

28 ...

29 (b) Conditional Exemption. – A person who does not meet the definition of a qualifying
30 farmer in subsection (a) of this section may apply to the Department for a conditional exemption
31 certificate under G.S. 105-164.28A. A person with a conditional exemption certificate is allowed
32 to purchase items exempt from sales and use tax to the same extent as a qualifying farmer under
33 subsection (a) of this section. To receive a conditional exemption certificate under this
34 subsection, the person must certify that the person intends to engage in farming operations, as
35 that term is described in subsection (a) of this section, and that the person will timely file State



1 and federal income tax returns that reflect income and expenses incurred from farming operations
2 during the taxable years that the conditional exemption certificate applies.

3 A conditional exemption certificate issued under this subsection is valid for the taxable year
4 in which the certificate is issued and the following two taxable years, provided the person to
5 whom the certificate is issued is engaged in farming and provides copies of applicable State and
6 federal income tax returns to the Department within 90 days following the due date of an income
7 tax return for each taxable year covered by the conditional exemption certificate, including an
8 extension of the due date granted by the Secretary under G.S. 105-263. A conditional exemption
9 certificate issued under this subsection may not be extended or renewed beyond the original
10 three-year period; provided that a person may request a one-year extension of their conditional
11 exemption certificate if the person satisfies all of the following conditions:

12 ...

13 (3) The person provides the Department all of the following:

14 a. Documents showing that, but for the disaster, the person would have
15 earned ~~ten seven~~ thousand five hundred dollars ~~(\$10,000)-(\$7,500)~~ or
16 more in gross sales for the year in which the disaster occurred.

17"

18 **SECTION 2.** This act becomes effective January 1, 2020, and applies to exemption
19 certificates issued on or after that date.