



# SENATE BILL 628: Various Changes to the Revenue Laws.

2017-2018 General Assembly

<b>Committee:</b>	House Finance	<b>Date:</b>	June 22, 2017
<b>Introduced by:</b>	Sens. Tillman, Brock, Tucker	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	PCS to Third Edition S628-CSSVx-37		Committee Co-Counsel

**OVERVIEW:** *Senate Bill 628 makes various technical, clarifying, and administrative changes to the revenue laws, many of which have been recommended by the Department of Revenue. The House PCS makes technical changes to the bill, changes some of the effective dates, otherwise adds or modifies the following sections: Sections 1.11, 1.13, 1.14, 2.11, 2.12(a), 2.8A, 4.8, 6.1, and deletes Section 4.1(e).*

**CURRENT LAW, BILL ANALYSIS, AND EFFECTIVE DATE:**

Section	Bill Analysis	Effective Date
<b>PART I. BUSINESS TAX CHANGES</b>		
1.1	Removes unnecessary language in the franchise tax statutes.	When it becomes law
1.2	Recognizes that a holding company may own companies that do not own stock	When it becomes law
1.3	Allows taxpayers to reduce tangible property base for franchise tax purposes by the amount of any debt owed on the property. The adjustment was eliminated in the 2015 franchise tax simplification changes. The section also modernizes the statute.	Taxable years on or after Jan. 1, 2020
1.4	Specifies that a transferor of the historic tax credit for restoring non-income producing property must provide the transferee with information detailing the rehabilitation expenses and the credit amount	Taxable years on or after Jan. 1, 2017
1.5	Clarifies that petroleum-based liquid pipeline companies apportion income for corporate income and franchise tax based upon the number of barrel miles transported in this State. This change codifies existing practice. The subsection also modernizes the statute. This subsection becomes effective for taxable years beginning on or after January 1, 2017.	Taxable years beginning on or after January 1, 2017.
1.6	Modifies corporate income tax deduction for interest expense paid or accrued to affiliates. Under current law, a corporation may deduct the greater of an amount limited to 15% of its adjusted taxable income or its	Taxable years on or after Jan. 1,

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	proportionate share of interest paid or accrued by the affiliated group to an unrelated party. However there is no limitation on the deduction under certain conditions, such as if the recipient is subject to state tax on the interest income. The bill eliminates the 15% provision. The bill also clarifies that if one of the conditions is met, the Department cannot disallow the deduction by applying one of the rules of the regulations under Section 385 of the Internal Revenue Code.	2017
1.7	Corrects a statutory cross-reference. The current statutory reference became obsolete when the income tax statutes were substantially changed, effective for taxable years beginning on or after January 1, 2014.	Taxable years on or after Jan. 1, 2014
1.8	Corrects a statutory cross-reference.	When it becomes law
1.9	An out of state owner in an S corporation or partnership is subject to North Carolina tax on the pro rata share of income attributable to North Carolina. This section clarifies that this amount includes guaranteed payments received in addition to profit distributions; the changes do not represent a change in the law.	Applicable to all taxable years
1.10	Makes modifications to the gross premiums tax applicable to captive insurance companies to combat tax avoidance via captive insurance company arrangements.	Taxable years on or after Jan. 1, 2017
1.11	Directs the Revenue Laws Study Committee to study the additional rate of 0.74% applicable to the gross premiums on insurance contracts for property coverage and determine whether the additional rate is part of the gross premiums tax imposition. The Senate version of the bill would have codified the long-standing interpretation of the additional rate as a special purpose assessment.	When it becomes law
1.12	Makes a technical change by changing "rates" to "rate" to reflect the fact that North Carolina has a single flat individual income tax rate.	When it becomes law
1.13	Requires the filing of an annual report with the Secretary of State, rather than the Department of Revenue. The report would be due by the 15th day of the fourth month following the close of the corporation's fiscal year. This date coincides with the filing of the corporation's income tax return. Since 1998, most corporations have submitted their annual reports with their corporate income and franchise tax return. The General Statutes Commission recommended this change in the law to make filing the annual report easier for corporations by allowing a single filing with one agency and to reduce inadvertent failures to file the annual report.	When it becomes law
1.14	Under current law, a taxpayer seeking an extension of time to file a corporate franchise and income tax return or an individual income tax return must file an application with the Department, which can be submitted electronically. The NCACPA has expressed interest in the ability to use the filing of a federal extension to serve as an application for a State extension. However, the Department's current system functionality is unable to receive and	When it becomes law

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	<p>process federal extension information. This section would require the Department of Revenue to study the feasibility of allowing the federal extension to be used as an application for a State extension, which will require contact with the IRS and identifying other states that use a similar process. The Department is directed to report its findings and recommendations to the Revenue Laws Study Committee by March 1, 2018.</p>	
<b>PART II. SALES AND USE TAX CHANGES</b>		
<p>Last biennium, the General Assembly expanded the sales tax base to repair, maintenance, and installation (RMI) services. The Department of Revenue worked with Finance chairs, legislative staff, and interested parties to implement those sales tax changes. Sections 2.1 through 2.7 of this Part make technical, clarifying, and minor substantive changes to the sales tax applicable to RMI services and real property contracts. Section 2.8 of this Part provides transitional adjustments for retailers of RMI services and real property contracts. Section 2.8A of this Part provides tax relief to certain retailers in the hospitality industry. Section 2.12 provides a sales tax exemption from RMI services for certain aircraft. The remaining sections of this Part make technical, administrative, and clarifying changes to the sales tax laws.</p>		
<p>2.1</p>	<p>Moves definitions from G.S. 105-164.4H into the sales tax definition statute, G.S. 105-164.3. The following definitions have been amended to provide greater clarity:</p> <ul style="list-style-type: none"> <li>• Capital improvement. – Simplifies the definition and treats lessees of property the same as property owners. It also clarifies that painting provided as part of a repair, maintenance, and installation service is part of that service.</li> <li>• Free-standing appliance. – A new defined term. A free-standing appliance is tangible personal property and remains TPP once installed. It is taxable as TPP. There is a sales tax exemption for installation charges that are part of the sale price of TPP purchased by a real property contractor to fulfill a real property contract. GS 105-164.13(61c).</li> <li>• Landscaping. – Clarifies that landscaping modifies living elements. It does not include hardscape or services to items in pots or buildings. Provides that landscaping, by definition, is a capital improvement, and taxed accordingly.</li> <li>• Mixed transaction. – Clarifies that it is a contract for a capital improvement as well as a repair, maintenance, or installation service unrelated to the capital improvement.</li> <li>• Motor vehicle service contract. – Clarifies that the term includes a contract sold by a motor vehicle dealer on behalf of a motor vehicle service company.</li> <li>• Remodeling. – Clarifies the definition by using the language more similar to the language contained in the Department's directives and notices.</li> <li>• Repair, maintenance, and installation service. – Clarifies that the term</li> </ul>	<p>Effective Jan. 1, 2017</p>

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	includes the installation of an item being installed to replace a similar existing item when the replacement is not part of a capital improvement. The replacement of more than one of a like-kind item, such as more than one window, is a single RMI service.	
2.2	Clarifies that a sale of a free-standing appliance is a retail sale of tangible personal property. Removes an imposition that is unnecessary because the tax treatment of an item purchased by a real property contractor to fulfill a real property contract is addressed in G.S. 105-164.4H; provides a cross-reference to this tax treatment in G.S. 105-164.4(a)(16).	Effective Jan. 1, 2017
2.3	Clarifies the sourcing of services.	Effective Jan. 1, 2017
2.4	<p>Makes changes to the statute that addresses the taxation of real property contracts. A transaction is taxable as a repair, maintenance, and installation service unless a person substantiates that the transaction is subject to tax as a real property contract. Subsections (a) and (b) of this section make the following changes to G.S. 105-164.4H:</p> <ul style="list-style-type: none"> <li>• G.S. 105-164.4H(a) and (b): Removes "services" because a real property contractor does not owe sales tax on services; the term should have been removed when the General Assembly removed the tax distinction between retailer-contractors and real property contractors.</li> <li>• G.S. 105-164.4H(a1): Adds a new subsection to clarify that a transaction involving services to real property is a retail sale unless the person substantiates that a transaction is a real property contract. Provides that a person may substantiate a transaction as a real property contract by records or by receipt of an affidavit of capital improvement. A person who receives an affidavit of capital improvement is not liable for any additional tax due on transaction if the transaction is not a capital improvement.</li> <li>• G.S. 105-164.4H(b1): Repeals this subsection re: liability for unpaid sales and use taxes because the liability for unpaid taxes is already addressed in G.S. 105-164.6.</li> <li>• G.S. 105-164.4H(d): Makes a substantive change to mixed transactions by increasing the percentage of RMI services that may be taxed as part of a capital improvement from 10% of the contract price to 25% of the contract price.</li> <li>• G.S. 105-164.4H(e): Repeals this subsection because the definitions are moved to the definition statute, GS 105-164.3.</li> </ul> <p>Subsection (c) of this section revises G.S. 105-164.6 to include any necessary language from the repealed G.S. 105-164.4H(b1). The liability provisions need to be in one statute to avoid confusion and to ensure consistent tax treatment.</p> <p>Subsections (d) and (e) of this section make technical and clarifying changes to related statutes.</p>	Effective Jan. 1, 2017

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2.5	<p>Subsection (a) of this section repeals the list of transactions exempt from the tax on service contracts under G.S. 105-164.4I(b) because the list is moved to the sale tax exemption statute, G.S. 105-164.13. Subsection (b) clarifies that a contract to provide a certified operator for a wastewater system is not a taxable service contract.</p> <p>Subsection (a) of this section also repeals G.S. 105-164.4D(a)(6) because a service contract for tangible personal property, digital property, and services is a bundled transaction and subdivisions (1) through (5) of subsection (a) are sufficient to determine how to tax a bundled transaction. Transactions involving real property or services to real property cannot be a bundled transaction under the Streamlined Sales Tax Agreement. This subdivision (6) was added to address service contracts for real property.</p> <p>Subsection (b) of this section creates a new subsection under G.S. 105-164.4I, Service Contracts, entitled Mixed Service Contracts. This provision provides how a service contract for real property is taxable when one service is subject to tax and one is not. The rules are the same as currently exist for bundled transactions. The entire service contract is subject to tax unless the person determines an allocated price for the taxable portion of the contract based on a reasonable allocation of revenue supported by the person's business records; in that circumstance, tax applies to the taxable portion. If the taxable portion of the contract does not exceed 10% of the price of the contract, then the entire contract is exempt from tax.</p>	Effective Jan. 1, 2017
2.6	<p>Consolidates the sales tax exemptions into the sales tax exemption statute, G.S. 105-164.13.</p> <p>Clarifies that property or services used to fulfill a RMI service or a service contract remains taxable if the service or service contract is exempt from tax.</p> <p>Clarifies and expands the exemption for inspection reports.</p> <p>Removes the exemption for (i) landscaping services and (ii) services performed to resolve an issue that was part of a real property contract because both transactions are defined as a capital improvement. This change does not represent a substantive change. Currently, the items are listed as both an exemption and as a capital improvement. Removing the items from the exemption statute clarifies that the taxation of the property and services used to fulfill the real property contract.</p> <p>Defines "pest control" and "moving services"</p> <p>Adds an exemption for funeral-related services and services to animals, such as hoof shoeing and microchipping a pet.</p> <p>Moves the exemptions related to professional motorsports into one place. It makes no substantive change to this exemption.</p>	Effective Jan. 1, 2017
2.7	<p>Clarifies that the sales tax refund provided for interstate carriers applies to not only tangible personal property but also RMI services and service contracts. The effective date for this section is retroactive to the date RMI services became subject to sales tax.</p>	March 1, 2016

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2.8	<p>Subsection (a) of this section allows a seller who paid sales tax on a product and used the product as part of a taxable RMI service, to offset the sales tax liability on the service with the sales tax paid on the products. This provision helps contractors and subcontractor who purchased and paid sales tax on items subsequently used in a taxable service.</p> <p>Subsection (b) of this section directs the Revenue Laws Study Committee to study the feasibility of providing such an option on an on-going basis.</p> <p>Subsection (c) of this section directs the Department of Revenue to take no action to assess tax due if a retailer meets all the conditions of this section. The section provides a grace period to retailers during this educational and transitional period.</p>	Effective Jan. 1, 2017, and expires July 1, 2018  When it becomes law  For period beginning on or after Mar 1, 2016, and ending before January 1, 2018
2.8A	<p>Allows the Secretary of Revenue to reduce by 90% a sales tax assessment that involves the failure to properly collect sales and use tax on charges for vacation rental linens.</p> <p>The sales tax is a transactional tax. The sale or rental of tangible personal property is subject to sales tax under G.S. 105-164.4(a)(1). The receipts derived from an accommodation rental are subject to tax under G.S. 105-164.4(a)(3). Since 2009, the Department has had a <a href="#">bulletin</a> in place that lists various charges that are considered to be "derived from the rental of an accommodation." This list includes linen fees. When a linen rental company rents linens to a property management company, the transaction being taxed is the rental of tangible personal property, which is taxable under G.S. 105-164.4(a)(1). When those same linens are included as part of an accommodation rental by the property management company to a vacationer, the gross receipts derived from that accommodation rental are subject to tax under G.S. 105-164.4(a)(3). Since the sales tax is a transactional tax, the application of the law may have the effect of an item being taxed more than once if it is included in more than one transaction.</p> <p>Some members of the vacation rental industry have incorrectly interpreted or applied the law with respect to the rental of linens as part of a vacation rental and have been assessed by the Department. This section would permit the Department to reduce an assessment by 90% under the following circumstances:</p> <ul style="list-style-type: none"><li>• The taxpayer has remitted all of the sales and use taxes it collected for the audit period.</li><li>• The taxpayer had not been informed in a prior audit or requested a private letter ruling advising of the requirement to collect tax on the linen rental charges.</li><li>• The assessment is based on the incorrect application of the law with regard to collecting sales tax on separately stated linen charges or with regard to issuing resale certificates to the lessors of linens in error.</li></ul>	When it becomes law

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	<ul style="list-style-type: none"> <li>The period at issue occurred prior to January 1, 2018.</li> </ul> <p>To get the reduction, the taxpayer must file a written request with the Department and file a request for review. In addition to the reduction, the Secretary may waive all penalties that were imposed as part of the assessment.</p>	
2.9	<p>Makes several technical and clarifying changes to the sales tax statutes, as requested by the Department:</p> <p>Subsection (a) of this section provides a cross-reference to the Qualifying Farmer sales tax exemption and clarifies that human blood, tissue, etc. is exempt from sales tax. This change makes no substantive change to the law.</p> <p>Subsection (b) of this section clarifies the nonprofit sales tax refund cap applies to the State's fiscal year, not the fiscal year of the nonprofit.</p> <p>Subsection (c) of this section corrects statutory references.</p> <p>Subsection (d) of this section corrects statutory references and modernizes the language.</p> <p>Subsection (e) of this section removes unnecessary language and clarifies when local use tax applies.</p> <p>Subsection (f) of this section corrects statutory references.</p> <p>Subsection (g) of this section removes unnecessary language.</p> <p>Subsection (h) of this section incorporates the rounding rules required under the Streamlined Sales Tax Agreement.</p> <p>Subsection (i) of this section updates the reference to the Streamlined Sales Tax Agreement.</p>	When it becomes law
2.10	<p>Clarifies that an admission charge to an entertainment event sponsored by a farmer on farmland is not subject to sales tax. The Department receives this question often, especially during the fall when corn mazes and pumpkin patch events are prevalent. These events do not meet the definition of an entertainment event. This change does not make a substantive change to the law.</p>	January 1, 2014
2.11	<p>Subsection (a) of this section simplifies the collection and remittance of use tax due and payable on the repair and maintenance of a boat or aircraft. The change does not change the amount of use tax due on the repair and maintenance of a boat or aircraft.</p> <p>Subsection (b) of this section provides a cross-reference in the sales tax exemption statutes to the direct pay permit.</p>	When it becomes law
2.12	<p>Provides a sales tax exemption from RMI services for an aircraft with a gross take-off weight of more than 2,000 pounds. Currently, RMI services provided to a qualified aircraft are exempt from sales tax. A "qualified aircraft" is an aircraft with a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds.</p>	July 1, 2019

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2.13	Provides that Sections 2.1 through 2.8 of this Part are effective retroactively to January 1, 2017. If any change made by these sections increases a sales or use tax liability, that change is effective when this act becomes law. Except as otherwise provided, the remainder of this Part is effective when it becomes law.	When it becomes law.
<b>PART III. TAX COLLECTION AND ENFORCEMENT</b>		
3.1	<p>Creates a new crime for identify theft in the tax statutes. Currently, a person may be prosecuted for identity theft under Article 19C of Chapter 14 of the General Statutes. Under G.S. 14-113.20, an element of the crime is that the person must represent themselves as another person. Under Article 19C, identity theft is punishable as a Class G felony; it is punishable as a Class F felony if the person is in possession of identifying information pertaining to three or more persons.</p> <p>The new crime created by this section would not require the person to represent themselves as another person; it would be sufficient if the person fraudulently utilized identifying information of another person in a submission to the Department of Revenue to obtain anything of value, benefit, or advantage for themselves or another. Also, each person's identity obtained, possessed, or used would count as a separate offense. The crime of identity theft under the tax statutes would be punishable as follows:</p> <ul style="list-style-type: none"> <li>• Class G felony (maximum punishment of 47 months)</li> <li>• Class F felony (maximum punishment of 59 months) if a person suffers any adverse financial impact as a result of the identity theft.</li> </ul>	December 1, 2017.
3.2	Requires a payment settlement entity (financial institutions) that submits credit card information to the IRS to also submit the information to the Department of Revenue. DOR requests this change to improve audit and examinations. Also requires electronic filing for reports submitted to the Department. Failure to file a timely report is subject to a \$1,000 penalty.	When it becomes law.
3.3	Provides that taxes, debts, fines, penalties, or other obligations or amounts payable to a governmental unit are not voidable transactions under the Uniform Voidable Transactions Act.	When it becomes law.
<b>PART IV. ADMINISTRATIVE CHANGES</b>		
4.1(a)	<p>Makes a conforming change because of a change enacted last year related to a taxpayer's request for a refund.</p> <p>If the Department determines that the taxpayer's request for a refund is outside the statute of limitations, the Department will issue a notice of denial. Under prior law, the taxpayer could only dispute the denial in superior court. In 2016, the General Assembly changed the law to allow a taxpayer whose claim for refund is denied because it was filed after the statute of limitations passed to appeal the determination before the Office of Administrative Hearings. A final decision by the administrative law judge on the denial is subject to judicial review.</p> <p>With this change, there are two kinds of "denials" issued by the Department</p>	When it becomes law



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	<p>subject to administrative review – a proposed denial of a refund claim and a denial of a refund claim when the basis for the denial is a determination by the Department that the claim is outside the statute of limitations.</p> <p>When the Department denies a taxpayer's claim for refund under either basis, it must send the taxpayer a notice. This subsection adds language to the notice requirement to reflect both kinds of denial.</p>	
4.1(b)	<p>Requires a taxpayer to provide an explanation for the basis of the taxpayer's request for review of a proposed denial of a refund or a proposed assessment of tax. This explanation, however, would not prevent the taxpayer from raising other grounds for objecting to the Department's proposed denial of refund or proposed assessment during the conference process.</p> <p>Adds clarifying language regarding a request for review of a failure to pay penalty. Under current law, a taxpayer who does not request review of a proposed assessment may not request review a failure to pay penalty based on that assessment. This provision clarifies that the failure to penalty is issued on a subsequent date in another notice.</p>	See "Effective date" explanation below
4.1(c)	<p>Provides for situations where the Department requests additional information from a taxpayer who has requested review of a proposed denial of a refund or a proposed assessment, and the taxpayer makes no response. In these situations, the cases remain pending, and the Department is unable to move them to collections unless they schedule a conference with the taxpayer and the taxpayer fails to show. The Department would like the ability to close out these cases where the taxpayer is nonresponsive. Under this section, the Department must make at least two attempts to obtain additional information in response to a request for review: the initial request and, if there is no response within the requested time frame, then the Department must reissue the request. The Department must give a taxpayer a minimum of 30 days to respond to the initial request and to the reissuance of the request. If there is no response to the second attempt, the Department must issue a "notice of inaction," which gives the taxpayer a final 10 days to respond. If there is no response to this notice, then the proposed denial of a refund or the proposed assessment becomes final. Once final, a proposed denial of a refund or a proposed assessment is not subject to further administrative or judicial review, and the Department may proceed with collection efforts.</p> <p>Conforming changes are found in Section 4.1(d) and Section 4.2(a).</p>	See "Effective date" explanation below
4.1(d)	<p>Clarifies that one of the possible actions by the Department in response to a taxpayer's request for review is that the Department may adjust the amount of the tax due or a refund owed.</p> <p>Clarifies that if a taxpayer requests review but thereafter pays the amount due, the Department may accept payment and take no further action on the request for review, unless the taxpayer states in writing that he or she wishes to continue the review. A situation like this may occur when a taxpayer wants to stop the accrual of interest on a proposed assessment.</p> <p>Under current law, when a taxpayer files a request for review, the</p>	See "Effective date" explanation below

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	<p>Department can take one of three actions: (1) grant the refund or remove the assessment; (2) schedule a conference with the taxpayer; or (3) request additional information from the taxpayer. This subsection reworks the statute but effectively maintains the substance of the current law. Under the bill, the three actions that could be taken by the Department are: (1) grant the refund or remove the assessment; (2) adjust the amount of the tax due or refund owed; or (3) request additional information. If none of these actions, or payment by the taxpayer of the amount owed, resolves the taxpayer's objections, then the Department would schedule a conference with the taxpayer.</p>	
	<p><b>Effective date</b> - For the above three subsections, which deal with changes to the request for review process, the effective date is when it becomes law. The provisions would apply to requests for review filed on or after that date and to pending requests for review. However, for pending cases, the Department must reissue a request for additional information, if one has previously been issued, allow the taxpayer time to respond, and notify the taxpayer that failure to respond will result in the matter becoming final and subject to collection efforts.</p>	
<p>4.3 – 4.6</p>	<p>Changes terminology throughout the various excise tax statutes to clarify the license cancellation and revocation process and changes the term "license holder" to "licensee" throughout. Specifically, Section 4.3 makes these changes to the tobacco products statutes; Section 4.4 makes these changes to the motor carrier statutes; and Sections 4.5 and 4.6 make these changes to the motor fuel tax statutes.</p> <p>Makes two additional changes in the motor carrier statutes. Changes the term "registration" to "licensure" to be consistent with the International Fuel Tax Agreement (IFTA) which uses the term "licensing" throughout all of the IFTA manuals, and also to differentiate between "registering for the vehicle plate" which is completed through DMV or IRP. Adds the phrase "used in connection with any business endeavor" in G.S. 105-449.47 to make the statutory language consistent with the IFTA Articles of Agreement, which specifies that in order to qualify as a recreational vehicle, the vehicle shall not be used in conjunction with any business endeavor.</p> <p>Tobacco products dealers/distributors, motor carriers, and motor fuels suppliers, importers, and distributors are required to obtain a license from the Department of Revenue. There are circumstances under which the Secretary may "summarily cancel" a license, which means the Secretary cancels the license <i>prior</i> to holding a hearing on the matter, or the Secretary may "cancel" a license, which occurs only <i>after</i> holding a hearing. The term "cancel" is also used to refer to when a licensee voluntarily requests the cancellation of his or her license because, for example, the licensee is no longer engaging in business in the State.</p> <p>These sections change the terminology so that the term "cancellation" would refer only to an action taken by the Secretary upon a voluntary surrender, and the term "revocation" would refer to a "for cause" situation based on the noncompliance factors outlined in statute.</p>	<p>When it becomes law</p>
<p>4.7</p>	<p>Amends the confidentiality statute to allow the Department to provide State</p>	<p>When it</p>

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	tax information that relates to noncustodial parent location information to the Office of Child Support and Enforcement of the Department of Health and Human Services as required under federal law. This agreement to share information has previously existed with DHHS through a memorandum of understanding but has since expired. The provision is needed to be compliant with an IRS audit. Both Departments are in agreement to the provision.	becomes law
4.8	Gives the Department of Revenue additional time to complete the transfer and consolidation of its information technology to the Department of Information Technology due to the heightened security requirements imposed by the federal government for purposes of sharing taxpayer information, which are not yet in place at DIT. It would put the Department of Revenue on the same footing as the Community Colleges, DPI, and the State Board of Elections, which have additional time to make the transition. The Department would have to report by October 1, 2018 to the Joint Legislative Oversight Committee on Information Technology on the progress of the transition plan.	Effective July 1, 2017
<b>PART V. PROPERTY TAX</b>		
5.1	Makes two changes to the Tax and Tag Program. The change made in subdivision (2)a. reflects the way the system is currently programmed. The change works best for counties and taxpayers. The changes made in subdivisions (2)d. and e. allows counties to bill only once a year, and charge the same amount of interest on unregistered vehicles as on registered vehicles. It treats vehicles the same, whether they are registered or unregistered with DMV.	Taxable years on or after July 1, 2017
5.2	Corrects a statutory reference.	When it becomes law.
5.3	Clarifies that all public service companies are treated the same when the value to a taxing unit amounts to less than \$500.	When it becomes law.
5.4	Provides a property tax exemption for a mobile classroom or modular unit that is occupied by a school and is wholly and exclusively used for educational purposes, regardless of the ownership of the property. The term "school" includes a public school, a nonprofit charter school, a regional school, or a nonprofit nonpublic school, or a community college.  Real property that is occupied by a charter school and is wholly and exclusively used for educational purposes regardless of the ownership of the property is currently excluded from property taxes, but mobile classroom are often treated as personal property.	Taxable years beginning or after July 1, 2017.
<b>PART VI. OTHER CHANGES</b>		
6.1	Allows money collected or received by a local government to be submitted to a cash collection service and eliminates the monthly deposit requirement if the money on hand is less than \$250. Under current law, local governments must deposit collections daily. However, a board can approve that deposits be required only when the cash on hand is at least \$250, but it must always	Effective October 1, 2017

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	be deposited by the last business day of the month.	
<b>PART VII. EFFECTIVE DATE</b>		
	Except as otherwise provided, this act is effective when it becomes law.	