



2023-2024 General Assembly

HOUSE BILL 149: Disaster Recovery Act of 2024, Sec. 13.1: Interest Waiver for Certain Taxes and Extension to File Partnership and S Corporation Election

Committee:
Introduced by:
Analysis of: Sec. 13.1 of S.L. 2024-51

Date: January 7, 2025
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Staff Attorney

OVERVIEW: Section 13.1 of S.L. 2024-51 provides financial relief to certain taxpayers located in the counties affected by Hurricane Helene who would otherwise be required to file returns and make tax payments in the immediate wake of the recovery period. The relief is in the form of a mandatory waiver by the Secretary of Revenue of the accrual of interest that applies to late filings and payments. The length of the waiver period varies based on the tax type. It also provides additional time for partnerships and S Corporations to file for an election to be taxed at the entity level, which was otherwise due by October 15, 2024, for those entities that had extensions expiring on that date.

This section became effective October 10, 2024.

CURRENT LAW: Under current law, the Department of Revenue is statutorily required to waive the penalty for late filing and payment of taxes for any period in which the time for filing a federal return or report or for paying a federal tax is extended because of a presidentially declared disaster. The Internal Revenue Service extended to May 1, 2025, the filing and payment deadline for various individual and business tax returns for the entire State of North Carolina.

The Department does not, however, have statutory authority to waive the accrual of interest. For previous disasters, the General Assembly did not waive the accrual of interest with the exception of a three-month period during the COVID outbreak and only for individual income, corporate income, franchise, partnership, and estate and trust tax returns.

BILL ANALYSIS: Section 13.1 of this act provides financial relief to certain taxpayers located in the affected counties who would otherwise be required to file returns and make tax payments in the immediate wake of the recovery period. The relief is in the form of a mandatory waiver by the Secretary of Revenue of the accrual of interest applicable to late filings and payments. The length of the waiver period varies based on the tax type. It also provides additional time for partnerships and S Corporations to file for an election to be taxed at the entity level, which was otherwise due by October 15, 2024, for those entities that had extensions expiring on that date.

Subsections (a) through (c) of Section 13.1 require the Department to waive the accrual of interest for various taxpayers as follows:

- **Corporate, Individual, and Franchise Tax Waiver.** – For franchise, corporate income, and individual income tax, from the period of September 25, 2024, through May 1, 2025. This date aligns with the extension for those same taxpayers provided at the federal level by the IRS and applies to taxpayers only in the affected counties.
- **Sales and Use Tax Waiver.** – For sales and use tax, the accrual of interest is waived for a one-month period for both quarterly and monthly filers whose principal place of business is located in

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an affected county and covering the third quarter of 2024 for quarterly taxpayers and the months of September and October for monthly taxpayers. Specifically, interest is waived from October 31, 2024, through November 30, 2024, for the period covering the third calendar quarter of 2024. For monthly returns covering September 2024, interest is waived through November 20, 2024. For monthly returns covering October 2024, interest is waived through December 20, 2024.

- **Withholding Tax.** – For withholding tax, the accrual of interest is waived for a one-month period for both quarterly and monthly filers that are located in an affected county. Specifically, interest is waived from October 31, 2024, through November 30, 2024, for the period covering the third calendar quarter of 2024. For monthly returns covering September 2024, interest is waived until November 15, 2024. For monthly returns covering October 2024, interest is waived until December 15, 2024. The language excluding taxpayers under G.S. 105-163.6(d) means that semiweekly filers are only entitled to relief for tax payments due on or after September 25, 2024, and before October 10, 2024, as long as the payments were made by October 10, 2024, which aligns with the federal extension provided to these taxpayers.

Subsection (d) of Section 13.1 extends to May 1, 2025, the date by which partnerships and S Corporations that desire to do so, must file for an election to be taxed at the entity level for the 2023 tax year.

EFFECTIVE DATE: This section became effective October 10, 2024.