SENATE BILL 257: 2026 Appropriations Act, Sec. 44.3: Hospital Sales Tax Refund Modifications

2025-2026 General Assembly

Analysis of: S.L. 2026-41, Sec. 44.3

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Section 44.3 of S.L. 2026-41 (Senate Bill 257), as amended by Section 11.2(a) of S.L. 2026-42 (House Bill 56), limits the application of the State and local sales and use tax refund caps available to certain nonprofit and public hospitals. The aggregate annual State sales and use tax refund an entity may receive is $31,700,000, and the aggregate annual local sales and use tax refund an entity may receive is $13,300,000.

This provision sought to address a lack of clarity regarding whether these caps were intended to apply at the "parent level," inclusive of purchases by a parent's affiliates, subsidiaries, or related facilities, or whether each of those entities is eligible for its own separate capped amount.

For a nonprofit or a public hospital, other than The University of North Carolina Health Care System, the hospital and all of its affiliates or related facilities are to be treated as one entity for purposes of the application of the sales tax refund caps. In other words, the highest level of the entity's organization, including all of its affiliates or related facilities, is eligible for up to the aggregate annual refund amount, but each affiliate or related facility is not eligible for its own separate capped amount.

The University of North Carolina Health System, each of its component units, each of its system affiliates, and each of its managed entities are treated as separate entities that are each allowed up to the aggregate annual refund amounts.

This provision became effective July 7, 2026, and applies to refunds issued for purchases made on or after that date. However, since the caps are annual amounts based on a fiscal year, and the law did not become effective until several days into the fiscal year, the technical clarification in Section 11.2(a) of S.L. 2026-42 (House Bill 56) provides that for purchases made from July 1, 2026 through July 6, 2026, the portion of the cap attributable to this period must be administered as the law existed prior to July 7, 2026, and for purchases made on and after July 7, 2026, through the end of the fiscal year, the portion of the cap attributable to this period must be administered in accordance with the law as amended and effective as of July 7, 2026.