SENATE BILL 595:
Various Revenue Laws Changes.

2025-2026 General Assembly

Committee:		**Date:**	June 22, 2026
Introduced by:	Sens. McInnis, Craven	**Prepared by:**	Finance Team
Analysis of:	Conference Committee Substitute (S595-CCSSVxr-9)		

OVERVIEW: The Third Edition of Senate Bill 595 would do the following:

- ***Make various technical, clarifying, and administrative changes to the revenue laws as recommended by the Department of Revenue.***
- ***Conform to the federal system for auditing partnerships by assessing tax at the partnership level for federal changes and by authorizing refunds for federal changes.***
- ***Provide tax parity for short-term car rentals by expanding the 8% alternate highway use tax to include peer-to-peer rentals.***
- ***Shift from the Department of Revenue to the ALE Division certain enforcement responsibilities related to the vapor product directory, including inspections and product seizure and destruction.***
- ***Enhance tax foreclosure and special assessment collection efforts with reference to federal liens.***
- ***Create a timber loss casualty deduction for State personal income tax purposes as the result of losses due to Hurricane Helene.***
- ***Waive interest through September 25, 2025, for taxpayers located in the counties impacted by Hurricane Helene, as designated in the presidential disaster declaration, for individual income, corporate income, franchise, partnership, and estate and trust tax payments and returns. The extension also applies to withholdings for the third quarter of 2024 through the second quarter of 2025 and estimated payments.***
- ***Update the Credit Union statutes (1) to expand the powers of the Administrator of Credit Unions; (2) to expand the powers of credit unions to offer additional financial services; (3) to expand the field of membership; (4) to expand investment authorities; (5) to lower the number of people needed to organize a new credit union; (6) to expand the Administrator's authority for surety bonds; and (7) to update the language regarding minor accounts.***
- ***Establish a 40% tax credit for a taxpayer that makes at least $10 million dollars in qualified rehabilitation expenditures to an eligible corporate campus.***

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Director

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The Conference Committee Substitute contains all of the above changes and would make the following additional changes:

- ***Modify the Code reference to reflect the passage of the One Big Beautiful Bill Act on July 4, 2025, and provides a decoupling adjustment to the federal allowance of full first-year expensing for domestic research and experimental expenditures. (Part XII.)***
- ***Make various technical, clarifying, and administrative changes recommended by the Department of Revenue since the bill was last considered. These changes can be found in Sections 1.8-1.11; 3.4, 3.5, 4.12-4.16, 5.5, 8.6, and 8.7.***
- ***Add the contents of H754, First Edition (Financial Exploitation Prevention/Savings Bank Updates), which (1) authorizes a financial institution to delay or refuse a transaction from an account of a disabled or older adult when institution believes that financial exploitation exists based on individualized information; and (2) modernizes the statutes governing State savings banks in the following areas: providing public notice, establishing new branches, changing the location of a branch, confidentiality of bank records held by the Commissioner of Banks, and clarifying the authority of the board of directors. (Part XIII.)***
- ***Provide a rounding methodology for retailers, including ABC stores, due to the elimination of the penny. (Part XIV.)***
- ***Increase from $50 to $100 the compensation for members of the Board of Trustees of the Piedmont Authority for Regional Transportation for meeting attendance. (Part XV.)***
- ***Require the Secretary to request from a sports wagering operator, no more than one time per calendar year, certain tax-related information for every registered player that received winnings of at least two thousand dollars ($2,000) in the prior calendar year. (Section 5.4)***
- ***Require tax withholding by gaming operators at the individual income tax rate on winnings when required to withhold federal income taxes under section 3402(q) of the Code, effective for winnings paid on or after January 1, 2027. Section 3402(q) of the Code requires withholding when the proceeds from a wagering transaction are more than $5,000 and are at least 300 times as large as the amount wagered. (Part XVI.)***
- ***Update several of the effective dates to reflect the timing of the bill's passage.***

CURRENT LAW, BILL ANALYSIS, & EFFECTIVE DATES:

Section	Explanation	Effective Date
PART I. PERSONAL INCOME TAX CHANGES		
1.1	Clarifies that the basis limitations in G.S. 105-131.4 for a shareholder's S Corporation stock and the associated State gain or loss are included as an adjustment to federal adjusted gross income on the shareholder's State income tax return.	Taxable years beginning on or after January 1, 2026.
1.2(a)	Clarifies that the State net operating loss (NOL) is only available to individuals, estates, and trusts and that taxed pass-through entities do not	When law and applies retroactively to taxable

	qualify. Taxed pass-through entities were not available when the State NOL was enacted.	years beginning on or after January 1, 2022.
1.2(b)	Allows a taxpayer's federal excess business loss (EBL) to generate a State net operating loss (NOL) carryforward to mirror the federal treatment of EBLs. Under current law, a taxpayer's federal EBL is included in AGI and allowed as a NOL carryforward for federal purposes. However, if the EBL does not offset other State income, it will not create a State NOL carryforward.	Taxable years beginning on or after January 1, 2026.
1.3	Eliminates the income tax on the undistributed income of estates and trusts where the income is not sourced to the State. Income of estates and trusts that is distributed to a resident beneficiary remains taxable because the income is part of federal adjusted gross income (AGI). Under current G.S. 105-160.2, the State imposes an income tax on the undistributed income of estates and trusts if the income is sourced from the State (e.g., business in this State) or the income is for the benefit of a resident beneficiary of the estate or trust. The US Supreme Court in *NC Dept of Revenue v. Kaestner (2019)* held that the State could not tax the undistributed income of a trust where the resident beneficiary may never receive the income. However, the US Supreme Court did not invalidate G.S. 105-160 but rather limited its application. The *Kaestner* decision has left the State effectively unable to tax undistributed income where the beneficiary does not receive the income or have a right to the income. This section eliminates income taxation of the undistributed income of estates and trusts based on the presence of a beneficiary in the State.	Taxable years beginning on or after January 1, 2026.
1.4	Sets the due dates for semiweekly withholding returns and payments to match the federal due dates. Under current law, semiweekly taxpayers are treated differently from quarterly and monthly taxpayers for the purpose of assessing penalties and interest.	When law.
1.5	Corrects internal cross-references in the conservation tax credit.	When law.
1.6	Creates a personal income tax deduction for timber casualty loss that occurred between September 24, 2024, and October 31, 2024, as the result of Hurricane Helene in a county that qualified for assistance under FEMA 4827 DR federal major disaster declaration as of September 28, 2024.[1] The amount of the deduction would be the difference in fair market value of the timberland before and after the loss less amounts received related to the loss, such as insurance payments, disaster payments, grants or other relief funding. The deduction may only be taken for the 2023 or 2024 tax year.	When law and applicable to the 2023 and 2024 tax years only.

[1] Those counties are: Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Clay, Cleveland, Gaston, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Transylvania, Watauga, Wilkes, and Yancey Counties and the Eastern Band of Cherokee Indians in the State of North Carolina.

	For federal purposes, a timber casualty loss is based on the record-keeping unit used to track timber basis for depletion purposes. This unit is referred to as the "Single Identifiable Property" or SIP. The amount of the deduction is the lesser of the following, reduced by any compensation received from insurance or other sources: • The adjusted basis of the SIP before the casualty, or • The decrease in FMV of the SIP due to the casualty If the adjusted basis is zero, a taxpayer is not able to deduct any casualty loss even if the timber losses are significant.	
1.7	Extends the waiver of interest afforded to taxpayers located in the counties affected by Hurricane Helene previously provided in S.L. 2024-51 through September 25, 2025, to align with the federal extension announced on April 17, 2025, for individual income tax, corporate tax, franchise tax, and estate and trust tax. The extension also applies to withholdings for the third quarter of calendar year 2024 through the second quarter of calendar year 2025. 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. 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 Department does not, however, have statutory authority to waive the accrual of interest.	When law.
1.8	Clarifies that a deduction for claim of right income is authorized only if the income was actually included in a taxpayer's State taxable income in a previous year. This section also repeals deductions associated with funds received from two COVID-19 programs that have not been active since 2022; therefore, the deductions are no longer needed.	Effective for taxable years beginning on or after January 1, 2026
1.9	Updates and corrects the law to allow certain partnerships to pass through tax credits to a partner. S.L. 2023-134 added additional entities to those who qualify as partners but did not update the law related to passing through tax credits to reflect the new change. Consequently, there are instances where taxed partnerships cannot pass through credits to a partner when they should be able to.	Effective for taxable years beginning on or after January 1, 2026
1.10	Clarifies that the amount of tax due must be paid by the due date of the return and that an extension of time to file a return does not extend the time to pay the tax due. This reiterates the current law under G.S. 105-263.	When law
1.11	Adopts the $1,000 requirement in the Code for failure by an individual to pay estimated income tax, rather than referencing the Code section with the limitation. This does not change the current threshold, but rather	When law

	preemptively addresses the State's federal Code conformity in years where the State's definition of the Code is not updated.	
PART II. CONFORM TO FEDERAL SYSTEM FOR AUDITING PARTNERSHIPS		
2	Conforms to the federal system for centralized large partnership audits and provides an election for a partnership to pay tax at the partnership level. As discussed below, the State does not currently conform to the federal partnership audit system, meaning any additional tax owed will not be collected by the State and any refund due will not be paid by the State. The Bipartisan Budget Act of 2015, Public Law 114-74 (BBA), established new centralized large partnership audit procedures. Prior to the BBA, the Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248 (TEFRA), set federal partnership audit procedures. In response to the BBA, the Multistate Tax Commission (MTC) issued a model statute for states that wanted to conform to the BBA. To date, North Carolina has not enacted statutes in response to the BBA, and, therefore, BBA audits are not recognized in this State. Unless a partnership has 100 or fewer partners and opts out, the BBA applies at the partnership level to increase or decrease tax. For example, a partnership could pay tax in the current year for an error in an earlier year even though the partners have changed over time. The BBA also places refund requests under the centralized system. The MTC model statute continues this state-level practice of transferring the partnership items to the partners and having the partners pay the tax but offers an election for a partnership subject to a BBA audit to pay state tax at the partnership level. While the BBA generally handles audits and refund requests at the partnership level, the MTC model follows practices in most states requiring the partnership changes be transferred to the partners. The MTC does allow an election for BBA audits to be taxed at the partnership level. This section generally follows the MTC model, transferring partnership items to partners, and offering an election to pay tax at the partnership level for a BBA audit.	Taxable years beginning on or after January 1, 2026, and applies to federal partnership adjustments that become final on or after that date.
PART III. SALES TAX CHANGES		
3.1	Provides a 60-day grace period to remote sellers with regard to registering with the Department upon exceeding the economic nexus threshold, which occurs when a remote retailer makes gross sales sourced to this State in excess of $100,000. Under current law, a remote seller would have to comply with the registration requirement on the next sale occurring after it exceeds the threshold. This requires retailers to constantly monitor their remote sales and immediately register.	When law and applies to retailers that exceed the threshold on or after that date.

3.2	Updates the reference to the Streamlined Sales Tax Agreement, of which North Carolina is a full member.	When law.
3.3(a) and (b)	Subsection (a) corrects a definitional reference for purposes of the transportation commerce tax. Subsection (b) eliminates the requirement that the Secretary transfer the proceeds of the tax on a quarterly basis. This change will allow the Department to directly deposit receipts into the Highway fund, which is more efficient.	When law.
3.4	Creates a definition for "related persons" which mirrors the definition in the now repealed G.S. 105-163.010 and makes conforming changes throughout the sales and use tax statutes by incorporating the definition where appropriate.	When law
3.5	Allows the Department to relieve certain taxpayers from the prepayment of sales and use tax requirement in situations where the taxpayer is holding the tax in trust for another person.	When law
PART IV. EXCISE TAX CHANGES		
4.1	Deletes an unnecessary reference with respect to sellers of vapor products. The terms "delivery seller" and "remote seller" are used to describe online sellers of certain products subject to excise tax. The term "delivery seller" refers to online sellers of cigarettes, smokeless tobacco, or vapor products. These sales are governed by the PACT Act. The term "remote seller" refers to online sellers of tobacco products <u>other than</u> cigarettes, smokeless tobacco, or vapor products because these online sellers are not subject to the PACT Act. Therefore, since online sellers of vapor products are termed "delivery sellers," the reference to a "remote seller" is incorrect and is being deleted.	When law.
4.2	Deletes reference that requires nonresident spiritous liquor vendors to register with the Department of Revenue because they do not remit tax as they sell directly to ABC stores, who are required to be registered with the Department.	When law.
4.3	Clarifies the due date of tax for an intrastate motor carrier as being the last day of the month following the quarter in which the motor fuel or alternative fuel was used by the motor carrier.	January 1, 2026, and applies to taxes due on or after that date.
4.4	Creates a definition for "renewable diesel," which is a type of diesel fuel subject to motor fuels tax. This section does not change the taxation of renewable diesel, which is already subject to tax, but adding a definition would provide clarity to the extent it has become more prevalent as a motor fuel product. The definition is consistent with the definition used by the Federation of Tax Administrators, other states, and the industry.	When law.

4.5	Allows a supplier who owns tax-paid motor fuel and enters it into the terminal transfer system at a location other than an IRS-approved terminal to take a credit of the tax paid on the fuel, thereby reverting the fuel to non-tax-paid status while in the terminal transfer system. Generally, all fuel in the terminal transfer system is non-tax-paid and taxed at the terminal rack upon sale or export. This provision would align the tax status of fuel in the terminal transfer system as non-tax-paid so that tax-paid fuel and non-tax-paid fuel are not intermixed. The section would also require a supplier who owns tax-paid fuel and enters it into the terminal transfer system at a location other than an IRS-approved terminal to file a bond or an irrevocable letter of credit with the Secretary in the amount of $2,000,000.	When law.
4.6	Authorizes the Secretary to cancel a motor fuel exporter license if the Secretary determines the exporter has ceased operating in this State for one year. Licensees are required to notify the Secretary when they discontinue engaging in business in this State, but DOR has found that exporters are not reporting business closures. However, DOR does not have authority to cancel inactive licenses, which has resulted in the Master Bulletin of current licensees being inaccurate.	When law.
4.7	Corrects a cross-reference.	When law.
4.8	Provides the Secretary with explicit authority to audit records and examine equipment of alternative fuel licensees. The Department already has this authority with respect to motor carriers and traditional motor fuels licensees.	When law.
4.9	Excludes motor fuel licensees from the Administrative Procedures Act.	When law.
4.10	Clarifies that "gross wagering revenue" includes the cash value of any bonuses or promotional credits when returned to an interactive sports wagering operator ("operator") in the form of a deposit or sports wager. This is consistent with how the Department has advised taxpayers and is consistent with how promotional credits are treated for federal excise tax purposes. Currently, operators pay an 18% tax on all gross wagering revenue received by the operator. The term "gross wagering revenue" is defined as the total amounts received by an operator from sports wagers minus any winnings paid, before any deductions for expenses, fees, or taxes. Therefore, sports wagers funded by bonuses or promotional credits are considered gross wagering revenue; however, the Department requested this change to clarify that these amounts are "received" by the taxpayer for purposes of the definition.	When law.
4.11	Clarifies that the tax rate applicable to snuff is not applicable to other smokeless tobacco products. This clarification is needed because the definitions of "snuff" and "smokeless tobacco" overlap.	July 1, 2026.

4.12	Clarifies the license that wholesale and retail dealers of alternative nicotine products must obtain. This is consistent with the current practice of the Department.	When law
4.13	Clarifies that a distillery is required to remit excise tax on liquor sales occurring within a distillery estate district.	When law
4.14	Clarifies that a local ABC board must register with the Department of Revenue. The Department has indicated that all ABC boards are currently registered, but the requirement does not appear in statute.	When law
4.15	Relieves resident breweries, resident wineries, and resident wine producers from having to file monthly informational reports with the Department. These permittees will still be required to file an annual informational report with the Department under G.S. 105-251.2.	Effective July 1, 2026
4.16	Updates reference to the most recent version of the International Fuel Tax Agreement, which is January 1, 2025.	When law
PART V. ADMINISTRATIVE CHANGES		
5.1	This section corrects a cross-reference to the Primary Forest Product Assessment Act.	When law.
5.2	Deletes unnecessary language that authorizes the Secretary to waive penalties for making a payment of tax in the wrong from because the Secretary already has broader authority to waive any penalties under G.S. 105-237. Increases from $500 to $2,000 the penalty for filing a frivolous return.	When law.
5.3	Clarifies the relief offered in the event of a presidentially declared disaster. The Secretary may not assess penalties for any period for which the time for filing a federal return or paying a federal tax is disregarded by the Internal Revenue Service. The statute currently refers to an extension of time by the IRS, but the proper terminology used in the Code is that a period of time is "disregarded."	When law.
5.4	Requires the Secretary to request from an interactive sports wagering operator, no more than one time per calendar year, certain tax-related information for every registered player that received winnings of at least two thousand dollars ($2,000) in the prior calendar year. The Secretary may request the information be provided on a return, report, or otherwise.	When law.
5.5	Clarifies that certain tax information contained in an application for licensure is protected from public disclosure, even if a tax is not imposed on the license. This section also removes the authority to disclose taxpayer information related to privilege license taxes on certain professionals under G.S. 105-41, which has been repealed.	When law
5.6	Postpones the effective date of the graduated failure to pay penalty schedule from July 1, 2027, to July 1, 2030.	When law

	The Department is in the process of modernizing its tax system. The graduated penalty cannot be implemented into the Department's current system, and would otherwise require monthly, manual adjustments, so this section would provide the Department additional time to implement the graduated penalty schedule until the new, modernized system is in place.	
PART VI. PROPERTY TAX CHANGES		
6.1	Clarifies that the property tax exemption for burial property applies only to burial property set apart for human burial purposes.	When law.
6.2	Authorizes a taxing unit to provide refunds for certain property taxes paid over the last 10 years if the governing body of that taxing unit adopts a resolution stating that the tax was an improperly collected fire tax and indicates the tax years involved and the properties or area where the improper tax was levied. A qualifying taxpayer that paid such a tax would be required to request a refund via written statement to the governing body of the taxing unit.	When law and expires July 1, 2026.
6.3	Clarifies that a taxing unit may not impose property tax on the same property more than once per tax year. The provision would not impede a taxing unit's authority to correct a tax listing, if needed.	When law.
PART VII. PROVIDE TAX PARITY FOR SHORT-TERM CAR RENTALS TO INCLUDE PEER-PEER RENTALS		
7.1, 7.2, 7.3	Subjects short-term motor vehicle rentals through a peer-to-peer vehicle sharing provider to the 8% alternate highway use tax and to the applicable local taxes.[2] Peer-to-peer vehicle sharing is an alternative business model to traditional car rental companies. Under this model, a business entity operates an online platform that facilitates the short-term use of motor vehicles between registered vehicle owners and users. Owners register and list their vehicles on the entity's website for use by others for a fee. Peer-to-peer vehicle rentals are not currently subject to tax whereas short-term rentals by traditional car rental companies are subject to an 8% gross receipts tax, plus applicable local taxes ranging from 1.5% to 8%. Airport operators charge rental car companies a fee that is a percentage of their airport-related gross revenues, which is usually about 10% for on-property locations. Airport operators may charge peer-to-peer vehicle sharing providers a "reasonable fee" for use of the airport's facility. A person who purchases a vehicle must pay a 3% highway use tax. When a traditional car rental company purchases vehicles for its fleet, it has an option to pay either the 3% highway use tax or, if the vehicles will be used only for lease or rental, to collect an 8% tax on the gross receipts derived	October 1, 2026, and applies to gross receipts derived from rentals or leases billed on or after that date.

[2] 93 counties levy a 1.5% local gross receipts tax on short-term vehicle rentals, 144 municipalities levy a 1.5% local gross receipts tax on short-term vehicle rentals, and 2 regional public transportation authorities, spanning 13 counties, levy a 5% gross receipts tax on short-term vehicle rentals.

	from the leases or rentals. This election is referred to as the "alternate highway use tax." The highway use tax and the alternate highway use tax are triggered when a person applies for a certificate of title upon the purchase of a car. Since peer-to-peer vehicle sharing providers do not own the cars listed on their website, neither tax is triggered.	
PART VIII. CORPORATE AND FRANCHISE TAX CHANGES		
8.1	Conforms reference from "tax bases" to "tax base" for purposes of calculating franchise tax to align with the elimination of the other two tax bases in 2021. Effective for tax years beginning on or after January 1, 2023, only the net worth base is used to calculate franchise tax due.	When law.
8.2(a) and (b)	Subsection (a) clarifies and reorganizes the provision setting out the franchise tax rate, along with the applicable minimums and maximums, for C Corporations and S Corporations. Subsection (b) creates a cross-reference to the applicable tax rate for holding companies. As written, holding companies would be subject to the rate for C Corporations regardless of whether they made an S Corporation election. G.S. 105-122(d2) sets out the rate for both C Corporations and S Corporations.	When law.
8.3	Corrects an error in the statute setting out the taxation of an S Corporation. The phrase being stricken could imply that a resident shareholder's income from a Taxed S Corporation is not taken into account when completing the shareholder's individual income tax return, which is not correct. Regardless of whether a shareholder's income is taxed at the entity level, the income is taken into account by the shareholder when completing their individual income tax return. Under G.S. 105-153.5(c3), the shareholder may be entitled to adjustment deductions for income that was taxed at the entity level.	When law.
8.4	Allows a corporation to make an adjustment to its net worth for purposes of calculating its franchise tax liability by deducting any investment it has, whether direct or indirect, in an insurance company that is subject to tax under Article 8B of Chapter 105. That Article imposes a gross premiums tax on insurance companies. This adjustment would only apply if the corporation owns, directly or indirectly, more than 80% of the outstanding voting stock, voting capital interests, or ownership interests in the insurance company.	Effective retroactively for taxable years beginning on or after January 1, 2019, and applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax return.

8.5	Establishes a tax credit in the amount of 40% of qualified rehabilitation expenditures for a taxpayer who is allowed a credit under section 47 of the Code for making qualified rehabilitation expenditures of at least $10 million dollars with respect to an eligible corporate campus. An "eligible corporate campus" must meet all of the following conditions: • Is a certified historic structure or a State certified historic structure. • At one time served as a corporate headquarters. • Is located on a parcel or commonly-owned parcels comprising a minimum of 20 acres of land. • Is subject to a preservation agreement as defined in G.S. 121-35. • Has been listed on the National Register of Historic Places and certified as a local landmark by a county or municipality. • Has been at least eighty percent (80%) vacant for a period of at least two years immediately preceding the date the eligibility certification is issued.	For taxable years beginning on or after January 1, 2026.
8.6	Repeals deductions associated with funds received from two COVID-19 programs that have not been active since 2022; therefore, the deductions are no longer needed.	Effective for taxable years beginning on or after January 1, 2026
8.7	Removes a deduction that should have been a conforming change to changes made in S.L. 2020-58, which simplified the calculation of net worth with regard to the addition of affiliated indebtedness.	Effective retroactively for taxable years beginning on or after January 1, 2021, and applicable to the 2020 and later corporate income tax returns
PART IX. ADMINISTRATIVE CHANGES TO THE VAPOR PRODUCTS REGISTRY		
9	Shifts responsibility from the Department of Revenue to the ALE Division for enforcement and compliance of the vapor product registry and the seizure and destruction of products in violation of the registry requirements. The Department of Revenue would continue to process certifications submitted by manufacturers for products eligible for retail sale, maintain the directory, and impose penalties for violations reported to it by the ALE Division.	When law.

PART X. TAX FORECLOSURE CHANGES		
10(a)	Clarifies that, for purposes of federal law, a tax foreclosure sale under G.S. 105-374 shall be considered a judicial sale. The reason for the clarification has to do with the manner in which a local government must provide notice to the federal government of a pending foreclosure action. As worded, the federal government could make the argument that a tax foreclosure under G.S. 105-374, which is judicial in nature, must otherwise meet the service of process requirements for a non-judicial sale because of this exclusion. Article 29A of Chapter 1 of the General Statutes governs judicial sales of property in foreclosure. The term "judicial sale" is defined to specifically exclude, among others, a tax foreclosure sale. However, there are two types of tax foreclosure sales in North Carolina – judicial and non-judicial. Foreclosure sales under G.S. 105-374 are akin to judicial sales in that the action is filed in the General Court of Justice, all parties with an interest must be served, including the federal government when it has an interest in the property, and there is opportunity for all parties to protect their lien rights and assert defenses as in any other civil matter. This is different from North Carolina's other tax foreclosure procedure under G.S. 105-375, which is an *in rem* procedure against the property itself and not the parties that have an interest in it. This procedure does not require personal service, is summary in nature, and is therefore a non-judicial sale. There is a difference under federal law as to how a local government must put the federal government on notice of a pending foreclosure action depending on whether it is a judicial sale or non-judicial sale. By defining "judicial sale" to exclude all tax foreclosure sales, it creates confusion as to what type of service of process is appropriate for the tax foreclosures under G.S. 105-374, which are truly judicial sales.	When law.
10(b) and (c)	Gives local special assessments priority over federal tax liens. Current law states that assessments imposed by counties and by cities are subordinate to federal liens. As subordinate liens, special assessments will be paid from foreclosure sales proceeds after the payment of federal liens. Sometimes the proceeds are insufficient to reach the local government and are then extinguished and cannot be collected. Federal law[3] provides that local government special assessment liens may come ahead of federal liens if state law provides. The wording in G.S. 160A-233(c) and G.S. 153A-200(c) currently prevents local governments from benefitting from this higher priority.	October 1, 2026.
PART XI. CREDIT UNION UPDATE		
11	Would (1) expand the powers of the Administrator of Credit Unions; (2) expand the powers of credit unions to offer additional financial services;	July 1, 2026

[3] 26 USC 6323(b)(6).

(3) expand the field of membership; (4) expand investment authorities; (5) lower the number of people needed to organize a new credit union; (6) expand the Administrator's authority for surety bonds; and (7) update the language regarding accounts of minors.

Credit unions are cooperative, nonprofit associations, owned by its members, and organized for the purpose of encouraging thrift and creating a source of credit at fair and reasonable rates. Credit unions can also operate under a federal charter. Members of a credit union share a common bond, typically referred to as a field of membership. Examples of field of membership include (i) groups having a common bond of similar occupation, association, or interest; (ii) persons who reside within an identifiable neighborhood, community, or rural district; employees of a common employer; and (iii) members of the immediate family of those persons described above.

Specifically, Part XI makes the following changes:

Administrator Changes [Subsections (a), (b), and (h)]

- Allows the Administrator to assess a civil penalty not to exceed $500.00 for violations and to increase the amount of the penalty for a late report from $75.00 to a range of $75.00 - $750.00 per day.
- Update record keeping requirements.
- Remove the requirement for the Administrator to establish rules and regulations relating to the selection of attorneys for credit union loan closings.
- Expand the Administrator's ability to remove officers, directors, committee members, or employees, make the removal immediate upon service of the notice of removal, and provide a procedure to appeal for those subject to removal.
- Allow the Administrator to temporarily waive compliance or suspend compliance requirements during a natural disaster or national, regional, State, or local emergency.
- Create a new cease and desist authority, where the Administrator may issue and serve upon a credit union an order to cease and desist from one or more unsafe or unsound practices or violation if certain conditions are met.
- Give the Administrator authority to conduct an investigation, with background checks, of any employee, officer, director, or committee member when the Administrator has reason to believe the person is likely to affect the safety or soundness of the credit union, or when considering:
    - Applications for new charters.
    - Changes to those positions in credit unions in a troubled condition.
    - A managing agent or manager in a conserved credit union.

	• Allow the Administrator to approve a form and adopt rules for blanket surety bond requirements. **[Subsection (h)]** **Changes to Powers of Credit Unions [Subsection (c)]** • Expand financial services offered, such as safe deposit boxes, custodial services, correspondent services, and electronic transfer of funds. • Streamline the procedure to expel any member and provide a right to appeal to the credit union's board. • Allow parity with federal credit unions upon 45-day written notice to the Administrator, subject to the Administrator's written disapproval, by allowing state-chartered credit unions to engage in any activity or exercise any power that it could if it were federally chartered. **Membership Changes [Subsection (d)]** • Allow multiple common bonds for membership of a credit union. • Expand the field of membership by authorizing credit unions organized in North Carolina to extend membership to: o Individuals and families, in North Carolina, that earn income at or below the federal poverty threshold in North Carolina. o Persons residing in census tracts in North Carolina where the center of population, as defined by the US Census Bureau, is more than 10 miles from a bank branch. If the credit union does not already have an office located in that census tract, once must be established. **Investments Changes [Subsection (e)]** • Expand allowed investments, including the following: o Change the aggregate amount allowed to be invested from 25% of reserve fund allocations to 12.5% of the credit union's net worth. o Small businesses involved in the development or exploitation of fintech products, in an aggregate amount not exceeding 1% of the credit union's net worth. o Common trust or mutual funds whose investment portfolios consist of securities otherwise permitted for credit unions. o Stock, securities, obligations, or other instruments approved by the Administrator. • Eliminate mandatory divestment if the status or form of a credit union's investment changes during the life of the investment.	

	• Allow a credit union to make an otherwise impermissible investment to fund the credit union's employee benefit plan, subject to rules by the Administrator. **Organizational Changes [Subsection (g)]** • Lower from 12 to 7 the number of residents needed to organize a credit union. **Changes Related to Minors [Subsection (i)]** • Allow the credit union to act on an account held by a minor as if the minor were of full legal age and legal capacity. • Expand services to minors by allowing a credit union to offer safe deposit box services to a minor and deal with the minor as if the minor had full legal age and legal capacity.	
PART XII. IRC UPDATE		
12(a)	Updates the reference to the Internal Revenue Code used in defining and determining certain State tax provisions from January 1, 2023, to July 5, 2025, following the passage of the One Big Beautiful Bill Act (OBBA). North Carolina's tax law tracks many provisions of the federal Internal Revenue Code by reference to the Code. The General Assembly determines each year whether to update its reference to the Code. Updating the reference makes recent amendments to the Code applicable to the State to the extent that State law previously tracked federal law. The General Assembly's decision whether to conform to federal changes is based on the fiscal, practical, and policy implications of the federal changes. Updating the Code reference would result in **conformity** to the following federal changes, which have an insignificant fiscal impact and would be administratively burdensome for taxpayers, tax preparers, and the Department of Revenue to decouple from: • ***Mortgage interest deduction.*** – Makes $750,000 acquisition indebtedness limit permanent and includes mortgage insurance premiums in definition of "mortgage interest"; makes permanent the disallowance of a deduction for interest on home equity debt. • ***Moving expenses deduction.*** – Permanently terminates deduction, except for the Armed Forces/intelligence community. • ***Discharge of indebtedness.*** – Makes permanent the exclusion from income for discharge of student loan debt on account of death or disability; adds requirement for taxpayer to have SSN. • ***Extension and modification of limitation on wagering losses.*** – Limits allowable deduction for wagering losses to 90% of the amount of the losses, only to the extent of winnings.	

	• ***Qualified production property bonus depreciation.*** – Allows taxpayers to fully expense real business property used in agricultural or chemical production in a single tax year rather than being depreciated over a longer timeframe potentially lasting up to 39 years. Property must be placed in service before 1/1/2031. • ***Exclusion for employer payments of student loans.*** – Makes permanent income exclusion of up to $5,250 for employer payments of qualified student loan payments with future adjustments for inflation. • ***Charitable Deduction for Non-Itemizers & Charitable Deduction Floor.*** – Allows taxpayers who choose not to itemize deductions the ability to deduct up to $1,000 in charitable donations ($2,000 for Married Filing Jointly). Additionally, this requires charitable donations to exceed 0.5% of an individual taxpayer's adjusted gross income or 1% of a corporate taxpayer's taxable income before becoming deductible. Only donations made above the donation floor are eligible to be deductible.	
12(b)-(f)	Requires a decoupling adjustment to the allowance of full first-year expensing for domestic research and experimental (R&E) expenditures, which is similar to how the State treats bonus depreciation and 179 expensing. Under the Tax Cuts and Jobs Act (TCJA), domestic R&E expenditures were required to be amortized over 5 years. The OBBBA restored the pre-TCJA treatment such that a taxpayer may deduct the entire expenditure in the year in which the expenditure was paid or incurred. This provision is effective retroactively to January 1, 2022, for small businesses and January 1, 2025, for all other taxpayers. Rather than allowing full first-year depreciation, this provision would require a taxpayer to add-back to federal taxable income or adjusted gross income, as applicable, 80% of the amount deducted at the federal level, which reflects the excess of what the taxpayer would have deducted had the taxpayer amortized the expense over five years. The taxpayer is then allowed to deduct 25% of the add-back in each of the succeeding four taxable years. As a result, a taxpayer will be able to deduct the same amount of an asset's basis under State law as under federal law, it is just that the timing of the deduction will differ. Full conformity with this provision, including the retroactivity for small businesses, would have an impact of -$168 M for FY 25-26 and -$96 M for FY 26-27. Conformity with the provision prospectively only would have an impact of $113 M for FY 25-26 and -$79 M for FY 26-27.	

PART XIII. PROTECTION OF DISABLED AND OLDER ADULTS FROM FINANCIAL EXPLOITATION AND SAVINGS BANK UPDATES		
13.1	Section 13.1 is identical to Part I of H754 (Financial Exploitation Prevention/Savings Bank Updates). Under current law, Article 6 of Chapter 108A authorizes protective orders for disabled adults suffering abuse. A court may issue an order freezing the assets of a disabled adult upon the petition of the director of the county department of social services. Article 6A of Chapter 108A encourages financial institutions to offer disabled adult and older adult customers the opportunity to submit a list of trusted persons to be contacted in case of suspected financial exploitation. This section would: • Broaden the definition of "financial exploitation" under G.S. 108A-113(3), make technical and clarifying changes to other existing definitions, and create a newly defined term of "trusted contact", which contains a variety of relationships that may qualify an individual as a trusted contact for purposes of this Article. • Prevent a financial institution, and its officers, employees, and agents from being compelled to identify the existence or contents of a suspicious activity report filed pursuant to requirements of federal law. • Authorize a financial institution to delay or refuse a transaction from an account of a disabled or older adult, or an account where the disabled or older adult is a beneficiary or beneficial owner, if the financial institution believes financial exploitation may have occurred or was attempted based on observation or received information. It would also create procedures for review causing the delay, recordkeeping obligations, and training requirements for employees of financial institutions. • Provide financial institutions the discretion whether to notify trusted contacts if the financial institution believes financial exploitation may have occurred or be attempted.	When law.
13.2	Section 13.2 is identical to Part II of H754 (Financial Exploitation Prevention/Savings Bank Updates) and would do the following: • Define "public notice" to include publication in a newspaper of general circulation in the community and a posting on the Commissioner's website, but grants the Commissioner authority to waive and establish an alternative method of publication where there is not a newspaper of general circulation in the area. • Create a new process for a State savings bank to establish one or more branches in this State or other states through making an application to the Commissioner of Banks, requiring public notice and a period of public comment, and allowing the Commissioner	When law.

	of Banks to evaluate the application based on specific factors and circumstances. • Create a new process for a State savings bank to relocate a branch or principal office through making an application to the Commissioner of Banks, requiring public notice and a period of public comment, and establishing circumstances in which the Commissioner shall approve the relocation. • Unify the rules for confidential information held by the Commissioner of Banks. • Clarify the role, authority, and size of a State savings bank's Board of Directors. • Repeal G.S. 54C-102, which requires the bylaws and any amendments be certified by the appropriate corporate official and submitted to the Commissioner of Banks for approval before becoming effective. • Direct the Commissioner of Banks to review Chapter 54C of the General Statutes and form a drafting report to prepare updates, revisions, or recommendations on more fully integrating it into Chapter 53C, and to prepare a report to be presented to the Joint Legislative Commission on Governmental Operations within one year of the effective date of this act.	
PART XIV. ROUNDING OF CASH TRANSACTIONS DUE TO PENNY ELIMINATION		
14	Create a new Article to provide retailers with rounding procedures for cash transactions following the U.S. Treasury's announcement to cease production of the penny. A retailer would not be required to round a cash transaction, but if the retailer opts to do so, it must follow the methodology outlined in the statute. A rounding adjustment does not apply to transactions ending in 0 or 5 or for which payment is made with any non-cash method. For transactions ending in 1, 2, 6, or 7, the final digit must be rounded down to the nearest five cent interval. For transactions ending in 3, 4, 8, or 9, the final digit must be rounded up to the nearest five cent interval. The rounding adjustment does not alter the sales price, the amount of tax owed or collected, or any surcharges, assessments, or fees imposed on the sale. Retailers are not authorized to round the amount of sales tax due and are not relieved from the duty to calculate and remit to the Department of Revenue the exact amount of sales tax shown on an invoice or receipt. Similar language is provided in Chapter 18B for ABC stores, except that beginning July 1, 2027, rounding would be required rather than optional for cash transactions. Any additional revenues due from rounding adjustments would be included in "gross receipts" but would not affect the calculation of distributions under subsections (b) and (c) of G.S. 18B-805.	When law.

	Since property taxes are permitted to be paid in cash, it provides that for cash transactions, a taxing unit must round down to the nearest five-cent interval and treat the tax as fully paid. Finally, the provision would provide the following protections for retailers with regard to rounding in accordance with the statutory provision: • Declares it a reasonable business practice for sales tax purposes. • Declares it is not an unfair and deceptive trade practice. • Declares it is not a violation of the Weights and Measures Act of 1975. • Declares that is cannot serve as the basis for a civil action.	
PART XV. INCREASE COMPENSATION FOR PART BOARD OF TRUSTEE MEMBERS		
15	Increase from $50.00 to $100.00 the compensation for Board of Trustees members of the Piedmont Authority for Regional Transportation for attendance at each duly conducted meeting.	When law.
PART XVI. REQUIRE GAMING OPERATORS TO WITHHOLD TAXES ON CERTAIN WINNINGS		
16	Currently, tax withholding is not required on successful sports wagers or pari-mutuel wagers, regardless of the amount of winnings paid to the bettor. Section 16 would require withholding by gaming operators on winnings when required to withhold federal income taxes under section 3402(q) of the Code. Section 3402(q) of the Code requires withholding when the proceeds from a wagering transaction are more than $5,000 and are at least 300 times as large as the amount wagered. The individual income tax rate in effect would be used to determine the amount withheld. Interactive sports wagering operators licensed to accept sports wagers and advance deposit wagering (ADW) licensees licensed to accept pari-mutuel wagers would be responsible for withholding taxes under this section.	Effective January 1, 2027, and applies to winnings paid on or after that date.