



North Carolina Spirits Association

Legislative Report
April 16, 2021

The General Assembly returned to Raleigh this week following last week's spring recess. The Senate bill filing deadline closed on April 6, resulting in a significant number of new bills. The House of Representative's final filing deadline for non-budget-related bills is May 4, so we expect to see additional proposals filed between now and then.

The Senate has begun work on its budget and is expected to continue its work for the remainder of the month before the House begins its budgetary process. Lawmakers hope to avoid a budget stalemate with Governor Cooper this year following the past two years' impasse. The state has not passed a new appropriations plan since 2018 due to differences between the executive and legislative branches, including but not limited to a disagreement over Medicaid expansion.

This week, the House Finance Committee approved House Bill 334, Temp Align PPP Treatment to Federal Treatment, which would change how North Carolina treats federal Paycheck Protection Program (PPP) loans that helped struggling businesses during the COVID-19 pandemic. Currently, North Carolina allows businesses to exempt forgiven PPP loans from income for tax purposes. However, those businesses cannot deduct business expenses paid for by PPP loans. In late 2020, Congress approved a change to the federal tax policy allowing businesses to deduct those expenses. Currently, North Carolina is one of a few states not conforming to this decision.

House Bill 334 would change the state tax code to mirror the federal code and allow those deductions. The Legislature's Fiscal Research Division reported in a fiscal note that this move would cost the state roughly \$400 million over the next two fiscal years. Opponents of the bill argue that this is a hefty price tag for the state. However, businesses still recovering from COVID-19 counter this argument that they should be allowed the same flexibility allowed by the federal tax code. The bill passed its second reading in the full House of Representatives by a vote of 111 to 2, and it scheduled for a final House vote on Tuesday April 20.

In March, the North Carolina Department of Revenue (DOR) followed the federal government by moving the tax filing deadline from April 15 to May 17. DOR has the authority to waive any penalties for filing after April 15 and make them effective after the new deadline. They do not possess the statutory authority to waive any interest accrued after the April date. Therefore, the House unanimously passed a bill this week that would waive any interest in the extension period and move the deadline for requesting a refund to reflect the date change. The Legislature's Fiscal Research Division estimates that the lost interest revenue will be around \$5 million. The legislation also excludes federal stimulus payments and the State's Extra Credit grant program payments from income for several needs-based assistance program qualifications. The bill now moves to the Senate for consideration.

The House and Senate adjourned on Thursday and will reconvene Monday April 19.

BILLS OF INTEREST

Senate Bill 715, Hospitality Industry Assistance, would allocate \$300 million from federal COVID-19 relief funds to establish a grant program and provide financial assistance to the hospitality industry. Hospitality businesses that saw their sales tax collections decline by at least 15% could apply for grants equal to 10% of their drop in tax collections, with a maximum grant of \$500,000. The grant money could be used for a variety of expenses, including payroll, rent and utilities and even property damage. Grant applicants would not be eligible if they have received other state or federal assistance already. The terms of the grant program largely mirror a proposal released months ago by the N.C. Restaurant and Lodging Association as part of its “Blueprint For Revival” plan. **Introduced by Senators Edwards and referred to the Senate Rules Committee.**

BILL STATUS

House Bill 73, Temporarily Defer ABC Permit Renewal Fees, was approved by the Senate and returned to the House to consider the Senate changes to the bill. On Thursday, the House did not accept the Senate changes, and the bill will be sent to a conference committee so the House and Senate can discuss the differences in their respective versions of the bill.

House Bill 211, Reopen Bars and Restaurants, was considered in the House Judiciary 1 Committee this week. After making some technical changes, the committee approved the bill and referred to the House ABC Committee for further consideration.

House Bill 328, Allow Trade or Exchange of Spirituous Liquor, was considered by the House Rules Committee this week. The Committee amended the bill to amend GS 18B-103 to add to the requirements to be met for the trade or exchange of lawfully purchased spirituous liquor to require the spirituous liquor not be an antique spirituous liquor. With this change, the committee approved the bill. The bill passed the House on Thursday and was sent to the Senate.

For more information about legislation described in the legislative reports, feel free to contact me at dferrell@nexsenpruet.com or (919) 573-7421. Information is also available on the General Assembly’s website: www.ncleg.gov.

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