

C. Piped Natural Gas Excise Tax (G.S. 105-187.41)

1. Basis for Taxation

An excise tax is imposed effective July 1, 1999 on piped natural gas received for consumption in this State. This tax is in lieu of the 3% sales tax and the 3.22% franchise gross receipts tax on piped natural gas. The tax is computed on a monthly therm volume of piped natural gas received by the end-user with a declining block rate structure as follows:

<u>Monthly Volume of Therms Received</u>	<u>Rate per Therm</u>
First 200 therms	\$0.047
201 – 15,000 therms	0.035
15,001 – 60,000 therms	0.024
60,001 – 500,000 therms	0.015
Over 500,000 therms	0.003

2. Who is Subject to Tax?

- a. Piped natural gas delivered by a local distribution company to a sales or transportation customer, the tax is payable by the local distribution company.
- b. Piped natural gas delivered by a person who is not a local distribution company to a sales or transportation customer, the tax is payable by that person.
- c. Piped natural gas received by a person by means of a direct access to an interstate gas pipeline for consumption by that person, the tax is payable by that person.

3. Due Date of the Report and Tax

The returns are required quarterly and are due by the last day of the month following the end of the calendar quarter. The quarterly return will include, (a) the piped natural gas delivered during the quarter to sales or transportation customers in each city in the State and, (b) the piped natural gas received during the month in each city in the State by persons who have direct access to an interstate gas pipeline and who receive the gas for their own consumption.

Tax on gas delivered through the end of 2001 is due monthly by the last day of the month that follows the month in which the tax accrues. Payments of tax by EFT are required if the average amount of tax is at least \$20,000 a month. Effective January 1, 2002, a taxpayer must pay the piped natural gas excise tax in accordance with the same schedule by which it pays sales and use tax. A semimonthly payment for the period from the first of the month to the 15th day of the month is due by the 25th of the month. A semimonthly payment that covers the period from the 16th day of the month to the end of the month is due by the 10th day of the following month. All semimonthly payments are required to be paid by EFT. The taxpayer is not subject to penalties for a semimonthly or monthly amount due if the taxpayer timely pays at least 95% of the amount due and includes the underpayment with the quarterly return for those semimonthly or monthly payment periods.

4. Form Used for Filing

Form CD-312 is to be used by piped natural gas companies.

5. Distribution to Municipalities

The amount to be distributed to each city will be one-half of the amount of tax attributable to that city for the quarter. Distribution to the cities will be within 75 days after the end of each calendar quarter.

6. Credit Against General Business Franchise Tax Imposed by G.S. 105-122 (G.S. 105-122(d1))

A corporation subject to the excise tax on piped natural gas is also subject to the general business franchise tax. In computing the franchise tax, the corporation is allowed a credit of one-half of the piped natural gas excise tax paid during the taxable year as a credit against the general business franchise tax. The credit is limited to the amount of franchise tax.