

B. Electric Power, Water, and Sewerage Companies (G.S. 105-116)

1. Basis for Taxation

Every person, firm or corporation, domestic or foreign, and jointly owned and operated municipal electric projects established under Chapter 159B, engaged in the business of furnishing electricity, electric lights, current or power are subject to a franchise or privilege tax at the rate of three and twenty-two hundredths percent (3.22%) of the total gross receipts derived from such business within this state, less certain statutory deductions. Public sewerage companies are subject to a six percent (6%) franchise or privilege tax on total revenues derived from within this state. Water systems are subject to a four percent (4%) franchise or privilege tax on total revenues derived from within this state. Receipts received as contributions in aid of construction are not subject to tax.

Companies subject to the three and twenty-two hundredths percent (3.22%) franchise tax and municipal corporations purchasing power for resale are required to collect and remit to the state a sales tax at the rate of three percent (3%) of total billings. Any excess sales tax collected by the vendor is to be remitted to the state.

Electric power companies are not subject to any additional franchise or privilege tax imposed upon it by any city or county as long as the company remits the State franchise tax to the Secretary.

2. Due Date of the Return and Tax

The returns are due quarterly and should contain, in addition to the other information, the total gross receipts on an accrual basis from such business in North Carolina for the preceding calendar quarter. The return is due by the last day of the month that follows the quarter covered by the return. Payments are due as follows:

a. Electric Power Companies

An electric power company that is consistently liable for less than one hundred dollars (\$100) per month in franchise tax is required to pay its tax on a quarterly basis. The tax is due at the same time the quarterly return is due.

An electric power company that is consistently liable for at least one hundred dollars (\$100) per month in franchise tax is required to pay its tax on a monthly basis. The tax is due by the 20th day of the month following the calendar month for which the payment applies.

Additionally, if an electric power company's liability is consistently at least ten thousand dollars (\$10,000) per month, the electric power company must prepay the next month's tax liability at the same time that it is paying the current month's liability. The prepayment must equal at least sixty-five percent (65%) of any of the following:

- The amount of tax due for the current month.

- The amount of tax due for the same month in the preceding year.
- The average monthly amount of tax due in the preceding calendar year.

An electric power company that is required to prepay its tax must pay by electronic means.

b. Water & Sewerage Companies

Companies pay tax quarterly when filing the quarterly return, which is due by the last day of the month that follows the quarter covered by the report.

3. Forms to be Used for Filing

Form CD-310 is to be used by electric power companies. Form CD-318 is to be used by water and sewerage companies.

4. Special Exemption

Municipal corporations are not required to remit a franchise or privilege tax directly to the State, but are required to file returns and remit the utility sales tax of three percent (3%). The total receipts of the vendor subject to franchise tax include sales made to a municipal corporation.

5. Distribution to Municipalities

An amount equal to a tax of three and nine hundredths percent (3.09%) of local service revenues subject to the franchise tax levied by this Section on electric power companies derived from within a legally incorporated municipality having either elected officials or interim officials appointed by the Legislature and from within Urban Service Districts as defined by the governing board in Chapter 160B, Article 2 is distributed to such municipality within seventy-five (75) days after the end of the calendar quarter.