

## **VI. PRIVILEGE TAXES** **(Article 2)**

### **A. General Information**

#### **1. Scope and Nature (G.S. 105-33)**

State privilege license taxes are imposed for the privilege of carrying on the business, exercising the privilege or doing the act named in Article 2 of the Revenue Laws of North Carolina. These taxes are in addition to any regulatory or qualification requirements to engage in the practice of a profession, business or trade.

#### **2. License Required (G.S. 105-103, G.S. 105-109)**

Before a person may engage in a business, trade or profession for which a license is required under this Article, the person must be licensed by the Department. A license must be displayed conspicuously at the location of the licensed business, trade, or profession. A required license should be applied for (Form B-202A) before beginning business. Licenses issued under G.S. 105-41 are personal privilege licenses and must be issued in the name of the individual with the individual's social security number.

#### **3. Tax Year (G.S. 105-33)**

The privilege license tax is an annual tax and is due by July 1 of each year. The license tax is not prorated, instead, the full amount of the license tax is due when a person begins to engage in an activity for which a license is required at any time during the fiscal year, July 1 – June 30. Licenses are renewable annually (Form B-202A) by July 1 and no grace period is allowed before penalty accrues.

#### **4. Engaged in More than One Business (G.S. 105-105)**

Where any person, firm, or corporation is engaged in more than one business, trade, employment, or profession that is subject to State license taxes under the provisions of this Article, such persons, firms, or corporations must pay the license tax prescribed in this Article for each separate business, trade, employment, or profession.

#### **5. Penalty (G.S. 105-103, G.S. 105-109, G.S. 105-236)**

It is unlawful to engage in business without obtaining a required privilege license. The penalty for failure to obtain a license is the greater of five dollars (\$5) or five percent (5%) of the tax due for each thirty (30) days or fraction thereof from the time the tax is due until the tax is paid, up to a maximum not to exceed twenty-five percent (25%). The penalty for failure to pay the tax when due is the greater of five dollars (\$5) or ten percent (10%) of the tax due.

The Secretary may collect a tax due under this Article in any manner allowed under Article 9 of Chapter 105. The penalty and provisions of this section for the collection of delinquent license taxes apply to taxes levied by counties, cities, and towns of the State under the authority of this Article, or any other provision of law, in the same manner and to the same extent as they apply to taxes levied by the State.

**6. Effect of Change in Name of Firm (G.S. 105-106)**

A firm, partnership, or corporation, will be regarded as continuing when the name of the firm, partnership, or corporation is changed, a new partner is taken in, or one or more partners withdraw from the firm, if any one or more of the partners remain, or if there is change in ownership of less than a majority of the stock.

**7. Liability upon Transfer of Business (G.S. 105-33(h))**

A grantee, transferee, or purchaser of any business or property subject to the privilege taxes imposed in this Article must make diligent inquiry as to whether the State tax has been paid. If the business or property has been granted, sold, transferred, or conveyed to an innocent purchaser for value and without notice that the vendor owed or is liable for any of the State taxes imposed under this Article, the property, while in the possession of the innocent purchaser, is not subject to any lien for the taxes.

**8. Property used in a Licensed Business not Exempt from Taxation (G.S. 105-108)**

A State license, issued under any of the provisions of this Article will not be construed to exempt the property employed in such licensed business, employment, or profession from other forms of taxation.