

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

1. Basis for Taxation

An excise tax is imposed on piped natural gas received for consumption in this State. This tax is in lieu of the three percent (3%) sales tax and the three and twenty-two hundredths percent (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

The excise tax on piped natural gas received by a manufacturer for use in connection with the operation of a manufacturing facility or by a farmer to be used for any farming purpose other than preparing food, heating dwellings, and other household purposes is being phased out. To qualify, a taxpayer must have a manufacturer's certificate or a farmer's certificate issued under G.S. 105-164.28A.

Rates per therm of natural gas received by a qualifying manufacturer or farmer for bills issued on or after October 1, 2007 and before July 1, 2008 are:

<u>Monthly Volume of Therms Received</u>	<u>Rate per Therm</u>
First 200 therms	\$0.032
201 – 15,000 therms	0.024
15,001 – 60,000 therms	0.016
60,001 – 500,000 therms	0.010
Over 500,000 therms	0.002

Rates per therm of natural gas received by a qualifying manufacturer or farmer for bills issued on or after July 1, 2008 and before July 1, 2009 are:

<u>Monthly Volume of Therms Received</u>	<u>Rate per Therm</u>
First 200 therms	\$0.025
201 – 15,000 therms	0.019
15,001 – 60,000 therms	0.013
60,001 – 500,000 therms	0.008
Over 500,000 therms	0.002

Rates per therm of natural gas received by a qualifying manufacturer or farmer for bills issued on or after July 1, 2009 and before July 1, 2010 are:

<u>Monthly Volume of Therms Received</u>	<u>Rate per Therm</u>
First 200 therms	\$0.014
201 – 15,000 therms	0.010
15,001 – 60,000 therms	0.007
60,001 – 500,000 therms	0.004
Over 500,000 therms	0.001

Qualifying manufacturers or farmers are exempt from the excise tax on piped natural gas for bills issued on or after July 1, 2010.

2. Who is Subject to Tax?

The tax on piped natural gas delivered by a local distribution company to a sales or transportation customer is payable by the local distribution company.

The tax on piped natural gas delivered by a person who is not a local distribution company to a sales or transportation customer is payable by that person.

The tax on piped natural gas received by a person by means of a direct access to an interstate gas pipeline for consumption by that person 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.

The piped natural gas tax is payable monthly, on the 20th day of the month following the calendar month in which the tax liability for the tax accrues. In addition, if a taxpayer's piped natural gas tax liability is consistently at least ten thousand dollars (\$10,000) per month, the taxpayer 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.

A taxpayer that is required to prepay its tax is required to pay its piped natural gas excise tax by electronic means.

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 seventy-five (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.