



NCBANKERS

NORTH CAROLINA BANKERS ASSOCIATION

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December 28, 2016

Mr. Lennie Collins
Director, Income Tax Division
North Carolina Department of Revenue
PO Box 871
Raleigh, NC 27602

Via E-mail to lennie.collins@ncdor.gov and MBSRulesNotification@ncdor.gov

Re: Proposed Rules Regarding Market-Based Sourcing; *North Carolina Register* Volume 31, Issue 07

Dear Director Collins:

On behalf of the North Carolina Bankers Association (NCBA), thank you for this opportunity to provide comments on the proposed rules regarding market-based sourcing. The NCBA is the trade association representing all of the banks that are headquartered or have branches within North Carolina. We have been closely following the proposed implementation of market-based sourcing. We appreciate the considerable work that the General Assembly and the Department of Revenue have put into the development of the proposed framework.

Based upon our review of the proposed rules, we recommend a limited clarification to 17 NCAC 05G .1004. The change would help clarify the intersection between G.S. 105-130.4A and the proposed rules.

Although G.S. 105-130.4A provides specific market-based sourcing rules for banks, under a possible reading of Section .1001 the services provided by banks could fall under multiple categories of professional services. For example, there is possible overlap with subsections (b)(2) through (b)(5) and (b)(8) through (b)(9).

We recognize that there are entities that provide some of these services but which likely do not meet the definition of a bank under G.S. 105-130.4A. Rather than changing the definitions in .1001 for professional services and thereby inadvertently leaving those entities without clear sourcing rules, we instead recommend including a clarification in Section .1004. That section could be clarified as follows:

17 NCAC 05G .1004 PROFESSIONAL SERVICES OTHER THAN ARCHITECTURAL
OR ENGINEERING SERVICES OR SERVICES PROVIDED BY BANKS

Receipts from sales of professional services other than those services described in Rules .1005 - .1006 of this Section and other than services provided by banks that are assigned as provided in G.S. 105-130.4A, shall be assigned as follows:

...

We believe that this change would further improve and clarify the proposed rules. Thank you for considering these comments and the proposed clarification to 17 NCAC 05G .1004. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Nathan R. Batts".

Nathan R. Batts
Senior Vice President and Counsel