

# North Carolina Legislative Update: May 15, 2020

## Related Professionals

David P. Ferrell  
919.573.7421  
dferrell@nexsenpruet.com

Michelle L. Frazier  
919.573.7433  
mfrazier@nexsenpruet.com

05.15.2020

The General Assembly will return to Raleigh next week on May 18. They held a brief session two weeks ago that focused on COVID-19 relief funding and policy changes. Next week's session is expected to see more COVID-19 relief bills, but will be open to other issues. Senate President Pro Tem Phil Berger has indicated that he prefers to wait for further guidance from the federal government before the state decides how to spend additional federal money. It is not clear yet if states will be allowed to fund shortfalls in their own budgets with the federal money, and North Carolina is expected to have a sizable shortfall this year. Visitors were not allowed in the Legislative Building for the brief session held two weeks ago and committees were held virtually. Leadership has indicated that visitors will be allowed next week, as the legislature returns to more normal functioning, but will still likely limit the number of visitors allowed in the building.

WRAL: Berger: Expect Legislative Building to open, more COVID funding to wait.

The House Select Committee on COVID-19 has continued meeting virtually.

Governor Cooper has relaxed COVID-19 restrictions and moved the State into Phase 1 of his three-phase plan to reopening. Phase 1 allows retail establishments to open at 20% capacity. Restaurants and bars are still limited to takeout or delivery only. Gyms, salons, entertainment venues, and playgrounds remain closed. Phase 1 is expected to last two to three weeks. See Executive Order 139.

The Revenue Laws Study Committee met this week to recommend two bills for consideration during the upcoming session. The first, Various Sales Tax Changes, has three parts that do the following: expands the definition of livestock for sales tax purposes, broadens the large fulfillment facility sales and use tax exemption to attract more companies, and exempts various education related digital property from sales tax. The Fiscal Research Division released a fiscal memo stating that the provisions would have an insignificant effect on revenue. The second issue taken up by the Committee was the annual IRC Update. This bill updates the State Tax

Code to reflect changes to the federal code, and adopts most of the federal code, but decouples from certain provisions. The bill currently has the State decoupling from many of the tax relief changes made by the federal CARES Act. The decision to treat payments from the Paycheck Protection Program as taxable income drew criticism from several members. Bill sponsors noted that choosing not to decouple would cost the State hundreds of millions of dollars when the State is already facing a sizable shortfall. The bill was approved, but Committee members noted that they wanted to revisit the issue as it makes its way through the legislative process. The IRC Update was rolled into a larger bill with the following parts: IRC Update, excise tax changes, sales and use tax changes, personal income tax changes, corporate tax changes, and tax enforcement and administrative changes. Here is a link to summaries of each provision.

---

## More about our North Carolina Public Policy Team

In addition to providing Government Affairs Services, the Nexsen Pruet Public Policy team provides attorneys and clients with a newsletter summarizing the week's activities and conveying the inner workings of the legislative process and state government in Raleigh during the legislative session. Please feel free to pass this along to your clients or other interested parties. If you would like to receive the update in your inbox, please [click here to sign up](#). If you are interested in learning more about how Nexsen Pruet can help you achieve your public policy goals and acquiring legislative representation in North Carolina or South Carolina, please reach out.