

## **E. Installment Paper Dealers (G.S. 105-83)**

### **1. Basis for Taxation**

Every person engaged in the business of dealing in, buying, or discounting installment paper, notes, bonds, contracts, or evidences of debt, for which at the time of or in connection with the execution of said instruments, a lien is reserved or taken upon personal property located in this State to secure the payment of such obligations, is subject to the installment paper dealers tax. The primary factors in determining liability are: (a) three party transactions, (b) obligations concerning personal property and (c) liens reserved upon personal property in this State to secure payment of such obligations.

Example: A motor vehicle dealer sells an automobile (personal property) and accepts a retail installment contract from the customer. A lien is reserved on the title of the vehicle. The dealer sells or assigns the retail installment contract to a third party. The purchaser of the retail installment contract from the dealer is liable for the installment paper dealers' tax.

### **2. Additional Tax and Reports (17 NCAC 04B.2903, 17 NCAC 04B.2904)**

Form B-203, Installment Paper Dealer Tax Return, is used to remit the tax at the rate of .277 percent of the total face value of paper subject to the tax. Face value is the sum of the principal shown on the face of the paper plus accrued interest, excluding finance charges. The tax return, with remittance, is due no later than the twentieth day of January, April, July and October of each year.

### **3. Nonresident Engaged in Business (17 NCAC 04B.2905)**

This tax is not imposed on the business of dealing in, buying and/or discounting installment paper which is engaged in exclusively in a foreign state. When any of the activity incidents to such business occurs in North Carolina, the tax applies. Such activities include the promotion and solicitation of such business by employees or agents within this State, whether or not the transfer of such paper is consummated in this State.

### **4. Liability for Direct Loans (17 NCAC 04B.2902)**

A person who is engaged in the business of making direct loans (two party transactions) and also purchases installment paper (three party transactions) is subject to both the tax on installment paper dealers (G.S. 105-83) and the tax on loan agencies (G.S. 105-88).