

**17 NCAC 07B .0121      BANKRUPT'S LIABILITY**

(a) A discharge under 11 U.S.C. section 727, 1141, 1228(a), 1228(b), or 1328(b) does not relieve an individual debtor in bankruptcy from liability for payment of pre-petition sales taxes. Furthermore, it does not relieve an individual debtor from liability for payment of pre-petition use taxes:

- (1) on pre-petition transactions for which a return is last due, including any extension, after three years before the petition date;
- (2) on transactions with respect to which a return:
  - (A) was not filed; or
  - (B) was filed after the due date, including any extension, and after two years before the petition date;or
- (3) with respect to which the debtor made a fraudulent return or willfully attempted in any manner to evade or defeat such tax.

(b) Associated penalties and post-petition interest also are not discharged on such sales and use taxes imposed with respect to transactions occurring within three years prior to the petition date.

(c) An individual debtor's discharge under 11 U.S.C. section 1328(a) or a corporate debtor's discharge under 11 U.S.C. section 1141 releases the debtor from liability for payment of pre-petition sales and use taxes, penalties and interest. The tax liability is replaced by the debtor's liability under the repayment plan.

*History Note:*      *Authority G.S. 105-164.4; 105-164.6; 105-262; 105-264; 11 U.S.C. 532;*  
*Eff. February 1, 1976;*  
*Amended Eff. October 1, 1993.*