

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1157
Senate Finance Committee Substitute Adopted 7/10/97
Third Edition Engrossed 7/31/97

Short Title: Various Corporate Tax Law Changes.

(Public)

Sponsors:

Referred to:

April 24, 1997

A BILL TO BE ENTITLED

AN ACT TO CLARIFY THE CORPORATE INCOME TAX ON CERTAIN TAX-EXEMPT OBLIGATIONS, TO DELETE THE CAP ON CORPORATE INCOME TAX DEDUCTIONS OF DIVIDENDS RECEIVED FROM REGULATED INVESTMENT COMPANIES, AND TO ALLOW THE DEPARTMENT OF REVENUE TO DEDUCT ITS COST OF ADMINISTERING THE DISTRIBUTION OF GROSS RECEIPTS TO CITIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-130.5(b) is amended by adding a new subdivision to read:

"(1a) Interest upon the obligations of any of the following, net of related expenses, to the extent included in federal taxable income:

a. This State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State.

b. A nonprofit educational institution organized or chartered under the laws of this State."

Section 2. G.S. 105-130.7 reads as rewritten:

"§ 105-130.7. Deductible portion of dividends.

(a) Regulated Investment Companies. – A corporation may deduct the proportionate part of dividends received by it from a regulated investment company or a real estate investment trust, as defined in G.S. 105-130.12, as represents and

1 corresponds to income received by the regulated investment company or real estate
2 investment trust that would not be taxed by this State if received directly by the
3 corporation.

4 (b) **Subsidiary Dividends.** – A corporation that, at the close of its taxable year,
5 has its commercial domicile within North Carolina may deduct all dividends received
6 from corporations in which it owns more than fifty percent (50%) of the outstanding
7 voting stock.

8 ~~Dividends from stock issued by a corporation are deductible to the extent provided~~
9 ~~in this section.~~

10 ~~(1); (2). Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.~~

11 ~~(3) A corporation may deduct such proportionate part of dividends~~
12 ~~received by it from a regulated investment company or a real estate~~
13 ~~investment trust, as defined in G.S. 105-130.12, as represents and~~
14 ~~corresponds to income received by such regulated investment~~
15 ~~company or real estate investment trust which would not be taxed by~~
16 ~~this State if received directly by the corporation.~~

17 ~~(3a) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.~~

18 ~~(4) A corporation that, at the close of its taxable year, has its commercial~~
19 ~~domicile within North Carolina shall be allowed to deduct all~~
20 ~~dividends received from corporations in which it owns more than fifty~~
21 ~~percent (50%) of the outstanding voting stock.~~

22 ~~(5) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.~~

23 ~~(6) In no case shall the total amount of dividends that are allowed as a~~
24 ~~deduction to a corporation under subdivision (3) of this section exceed~~
25 ~~fifteen thousand dollars (\$15,000) for the taxable year."~~

26 Section 3. G.S. 105-116.1(b), as enacted by Section 1 of Session Law 97-
27 118, reads as rewritten:

28 "(b) **Distribution.** – The Secretary must distribute to the cities part of the taxes
29 collected under this Article on electric power companies, natural gas companies, and
30 telephone companies. Each city's share for a calendar quarter is the percentage
31 distribution amount for that city for that quarter minus one-fourth of the city's hold-back
32 ~~amount.~~ amount and one-fourth of the city's proportionate share of the annual cost to the
33 Department of administering the distribution. The Secretary must make the distribution
34 within 75 days after the end of each calendar quarter."

35 Section 4. Sections 1 and 2 of this act are effective for taxable years
36 beginning on or after January 1, 1997. The remainder of this act is effective when it
37 becomes law.