

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 317

Short Title: Tax Loophole Out/Alternative Schools In.

(Public)

Sponsors: Representatives Gamble; and Luebke.

Referred to: Finance, if favorable, Appropriations.

February 25, 1997

A BILL TO BE ENTITLED  
AN ACT TO PROVIDE A UNIFORM RULE FOR PARENT CORPORATIONS TO  
NET RELATED EXPENSES BEFORE DEDUCTING OR EXCLUDING  
SUBSIDIARY DIVIDENDS AND TO APPROPRIATE THE RESULTING  
REVENUES FOR ALTERNATIVE SCHOOLS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-130.7(4) reads as rewritten:

"(4) A corporation that, at the close of its taxable year, has its commercial domicile within North Carolina shall be allowed to may deduct all dividends dividends, less related expenses, received from corporations in which it owns more than fifty percent (50%) of the outstanding voting stock. The amount of direct or indirect expenses related to dividends deductible under this subdivision is presumed to be fifteen percent (15%) of the amount of the dividends, not to exceed the taxpayer's total expenses. A taxpayer who claims related expenses less than the presumed amount must maintain and make available for inspection by the Secretary all records necessary to determine and verify the amount claimed."

Section 2. There is appropriated from the General Fund to State Aid to Local School Administrative Units the sum of forty-three million four hundred thousand dollars

1 (\$43,400,000) for the 1997-98 fiscal year and the sum of twenty-nine million nine  
2 hundred thousand (\$29,900,000) for the 1998-99 fiscal year for the Alternative  
3 Schools/At-Risk Student Allotment.

4           Section 3. Notwithstanding G.S. 105-163.41, no addition to tax may be made  
5 under that statute for a taxable year beginning on or after January 1, 1997, and before  
6 January 1, 1998, with respect to an underpayment of individual/corporation income tax to  
7 the extent the underpayment was created or increased by this act.

8           Section 4. Section 2 of this act becomes effective July 1, 1997. The  
9 remainder of this act is effective for taxable years beginning on or after January 1, 1997.