

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 326

Short Title: Subsidiary Dividend Deduction.

(Public)

Sponsors: Representatives Gamble; and Luebke.

Referred to: Finance.

February 26, 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.

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. This act is effective for taxable years beginning on or after January
1, 1998.