

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 1643

Short Title: Close Bank Tax Loophole to Save Education. (Public)

Sponsors: Representatives Weiss, Insko, Luebke (Primary Sponsors); Adams, Bonner, Boyd-McIntyre, Easterling, Hensley, Hunter, Lucas, Michaux, Miller, Sutton, Womble, and Wright.

Referred to: Finance.

June 13, 2002

A BILL TO BE ENTITLED

AN ACT TO CONFORM STATE INCOME TAX ON BANKS TO FEDERAL INCOME TAX ON BANKS.

The General Assembly of North Carolina enacts:

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

"(2a) An amount equal to thirty-five percent (35%) of that portion of a financial institution's interest expense that is allocable to interest income exempt from taxation under this Part. The allocable portion of the interest expense is the portion for which deduction would be disallowed pursuant to section 265(b) of the Code if the interest were earned on a tax-exempt obligation as defined in section 265(b) of the Code."

SECTION 2. G.S. 105-130.5(a)(2a), as enacted by this act, reads as rewritten:

"(a) The following additions to federal taxable income shall be made in determining State net income:

...
(2a) ~~An amount equal to thirty five percent (35%) of that~~ That portion of a financial institution's interest expense that is allocable to interest income exempt from taxation under this Part. The allocable portion of the interest expense is the portion for which deduction would be disallowed pursuant to section 265(b) of the Code if the interest were earned on a tax-exempt obligation as defined in section 265(b) of the Code.

...."

1 **SECTION 3.** Section 2 of this act is effective for taxable years beginning on
2 or after January 1, 2003. The remainder of this act is effective for taxable years
3 beginning on or after January 1, 2002. Notwithstanding G.S. 105-163.41, no addition to
4 tax may be made under that statute for a taxable year beginning on or after January 1,
5 2002, and before January 1, 2003, with respect to an underpayment of corporation tax to
6 the extent the underpayment was created or increased by this act.