

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 367 (First Edition)

SHORT TITLE: Franchise Tax-Overbilling Out of Capital Base.

SPONSOR(S): Senator Jenkins

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available (x)		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES	****See Assumptions and Methodology****				
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Revenue				
EFFECTIVE DATE:	January 1, 2009				

BILL SUMMARY:

Under G.S. 105-122, an annual franchise or privilege tax is imposed on foreign and domestic corporations doing business in North Carolina. This bill adds a new subdivision (9) to GS 105-122(b) regarding a corporation's determination of its capital base. The bill allows companies that are required to use the percentage of completion method of accounting for construction contracts to treat billing in excess of costs as a definite and accrued liability and will be treated as deductible under this section and a reduction of the capital base.

ASSUMPTIONS AND METHODOLOGY: Senate Bill 367 has the potential to impact general fund revenues. However, according to the Department of Revenue a specific determination was not possible. Currently, the account is either incorrectly included in the liabilities total as definite and accrued, or properly excluded from this amount. Because the exclusion is not specifically reported on the return, it is not possible to quantify the number of taxpayers in compliance with current law or not in compliance.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

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DATE: April 22, 2009



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