

GENERAL ASSEMBLY OF NORTH CAROLINA  
1987 SESSION

CHAPTER 804  
SENATE BILL 417

AN ACT MAKING TECHNICAL AND CLARIFYING AMENDMENTS TO THE  
REVENUE LAWS AND TO ALLOW DEDUCTIONS OF DIVIDENDS FROM  
OUT-OF-STATE HOLDING COMPANIES HAVING SIGNIFICANT INCOME  
ATTRIBUTABLE TO NORTH CAROLINA.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-24 is amended as follows:

- (1) by deleting the words "which would thereafter be assessed thereon under this Article" in the first sentence of that section and substituting the words "assessed under this Article on property transferred by the decedent";
- (2) by deleting the phrases "under the provisions of G.S. 41-2.1" and "against such deposit or stock" in the first sentence of the second paragraph of that section;
- (3) by deleting the phrase "such taxes as may be due on such deposit or stock are paid, or when" in the second sentence of the second paragraph of that section; and
- (4) by deleting the phrase "the succession to such securities, deposits, assets, or property, but in" in the third paragraph of that section and substituting the phrase "property transferred by the decedent. In".

Sec. 2. G.S. 105-130.4 is amended by inserting a new subsection (s) to read as follows and by relettering the succeeding subsection accordingly:

"(s) All business income of an air or water transportation corporation shall be apportioned by a fraction, the numerator of which is the corporation's revenue ton miles in this State and the denominator of which is the corporation's revenue ton miles everywhere. The term 'revenue ton mile' means one ton of passengers, freight, mail, or other cargo carried one mile. In making this computation, a passenger is considered to weigh two hundred pounds."

Sec. 3. G.S. 105-130.5(c)(3) is rewritten to read:

"(3) No deduction is allowed for any direct or indirect expenses related to income not taxed under this Division; provided, no adjustment shall be made under this subsection for adjustments addressed in G.S. 105-130.5(a) and (b)."

Sec. 4. G.S. 105-130.10 is amended by deleting the last sentence of that section.

Sec. 5. G.S. 105-147(13) is amended by deleting the sentence immediately preceding paragraph c. of that subdivision.

Sec. 6. G.S. 105-163.07 is amended by deleting the words "Individual income" from the catch line to that section and substituting the word "Income".

Sec. 7. G.S. 105-213(a) is amended by rewriting the second paragraph of that subsection to read:

"In determining the amount to be distributed, the Secretary shall deduct from the net amount of taxes collected under this Article, which is the total amount collected less refunds, the cost to the State for the preceding fiscal year to:

- (1) Collect and administer the taxes levied under this Article;
- (2) Perform the duties imposed upon the Department of Revenue by Article 15 of this Chapter;
- (3) Operate the Property Tax Commission; and
- (4) Operate a training program in property tax appraisal and assessment administration by the Institute of Government."

Sec. 8. Notwithstanding Section 7 of this act, in determining the amount to be distributed under G.S. 105-213 for the fiscal year ending June 30, 1987, the Department of Revenue shall deduct all tax credits allowed under G.S. 105-122(d) during that fiscal year.

Sec. 9. G.S. 105-228.9 is rewritten to read:

"**§ 105-228.9. Commissioner of Insurance to administer Article.**—This Article shall be administered solely by the Commissioner of Insurance, who has the same authority and responsibility in administering this Article as the Secretary of Revenue has in administering the other Articles of this Chapter. All provisions of this Chapter that are not inconsistent with this Article apply to this Article."

Sec. 10. G.S. 105-130.7(5) reads as rewritten:

"(5) Notwithstanding any other provisions of this Division, a corporation which is a shareholder in a holding company ~~having its commercial domicile in North Carolina~~ shall be allowed as a deduction an amount equal to those dividends received by it from such holding company, multiplied by a fraction, the numerator of which shall be the dividends received by such holding company attributable to North Carolina, and the denominator of which shall be the gross dividends received by such holding company; provided, however, that no deduction shall be allowed where the fraction is smaller than one-third (1/3). For purposes of this section, 'dividends attributable to North Carolina' shall be the amount of dividend income received by the holding company on stock owned in other corporations equal to the total of the proportion of each of such corporation's dividends as shall be determined deductible by the Secretary under subdivisions (1) through (3a) of this section; provided that a holding company ~~having its commercial domicile in North Carolina~~ which owns more than fifty percent (50%) of the outstanding voting stock of one or more holding companies as defined in this subdivision shall be permitted a deduction for all dividends received from such holding companies and all other corporations in which it owns more than fifty percent (50%) of the outstanding voting stock except that no deduction shall be allowed if less than one-third (1/3) of the dividends received by the holding company are attributable to North Carolina. A shareholder of such a holding company shall determine the deductible portion of its dividends received from such holding company as hereinabove provided

except that the amounts received from a subsidiary holding company as 'dividends attributable to North Carolina' shall be determined as though the subsidiary corporation of the subsidiary holding company had paid the dividends directly to the parent holding company. For the purposes of this section and unless the context clearly requires a different meaning, 'holding company' shall mean any corporation ~~having its commercial domicile in North Carolina~~ subject to the tax imposed by G.S. 105-130.3 whose ordinary gross income consists of fifty percent (50%) or more of dividend income received from corporations in which it owns more than fifty percent (50%) of the outstanding voting stock, and 'subsidiary' shall mean any corporation, more than fifty percent (50%) of whose outstanding voting stock is owned by another corporation. For the purposes of this subsection, the term 'dividend' includes, in addition to corporate dividends, distributions received from a partnership by a corporation owning more than a fifty percent (50%) interest in the partnership."

Sec. 11. Section 10 of this act is effective for taxable years beginning on or after January 1, 1987. The remainder of this act is effective upon ratification.

In the General Assembly read three times and ratified this the 13th day of August, 1987.