

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 2138  
Committee Substitute Favorable 7/11/90

Short Title: Tax Fairness Changes.

(Public)

Sponsors:

Referred to:

May 25, 1990

A BILL TO BE ENTITLED

AN ACT TO PROVIDE TRANSITIONAL ADJUSTMENTS RELATING TO  
SUBCHAPTER S CORPORATIONS, TO CORRECT AN ERROR THAT  
INADVERTENTLY DISALLOWED DEDUCTIONS FOR SOME MORTGAGE  
INTEREST PAYMENTS, TO PROVIDE ADDITIONAL TAX RELIEF FOR  
TAXPAYERS WITH DEPENDENTS WHO ARE PERMANENTLY AND  
TOTALLY DISABLED, TO ALLOW A TAX CREDIT FOR STATE INCOME  
TAXES PAID ON GOVERNMENT RETIREMENT BENEFITS RECEIVED IN  
1988, TO PROVIDE THAT AN EXTENSION OF TIME FOR FILING AN  
INCOME OR FRANCHISE TAX RETURN IS NOT AN EXTENSION OF TIME  
FOR PAYING THE TAX, AND TO REDUCE THE THRESHOLD FOR  
PAYMENTS OF ESTIMATED CORPORATE INCOME TAX.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-131.4 reads as rewritten:

**"§ 105-131.4. Carryforwards; carrybacks; loss limitation.**

(a) Carryforwards and carrybacks to and from an S Corporation shall be restricted in the manner provided in section 1371(b) of the Code.

(b) The aggregate amount of losses or deductions of an S Corporation taken into account by a shareholder pursuant to G.S. 105-131.1(b) may not exceed the combined adjusted bases, determined in accordance with G.S. 105-131.3, of the shareholder in the stock and indebtedness of the S Corporation.

1 (c) Any loss or deduction that is disallowed for a taxable period pursuant to  
2 subsection (b) of this section shall be treated as incurred by the corporation in the  
3 succeeding taxable period with respect to that shareholder.

4 (d) (1) Any loss or deduction that is disallowed pursuant to  
5 subsection (b) of this section for the corporation's last taxable period  
6 as an S Corporation shall be treated as incurred by the shareholder  
7 on the last day of any post-termination transition period.

8 (2) The aggregate amount of losses and deductions taken into account by a  
9 shareholder pursuant to subdivision (1) of this subsection may not  
10 exceed the adjusted basis of the shareholder in the stock of the  
11 corporation (determined in accordance with G.S. 105-131.3 at the  
12 close of the last day of any post-termination transition period and  
13 without regard to this subsection).

14 (e) Each shareholder's pro rata share of the reduction of an S Corporation's  
15 income because of the allowance of a carryforward loss to the S Corporation under this  
16 subsection shall be taken into account by the shareholder as a transitional adjustment  
17 under G.S. 105-134.7. Notwithstanding the provisions of subsection (a) of this section,  
18 an S Corporation that sustained a net economic loss in a taxable year beginning before  
19 January 1, 1989, may carry the loss forward to a taxable year beginning on or after  
20 January 1, 1989, and before July 1, 1991, and may deduct the loss in that year to one-  
21 half of the extent it could have carried forward and deducted the loss pursuant to G.S.  
22 105-130.5(b)(4) and G.S. 105-130.8 if the S Corporation Income Tax Act had not  
23 become effective until taxable years beginning on or after July 1, 1991. Any loss  
24 carryforward allowed as a deduction by this subsection may not exceed one-half of the  
25 S Corporation's net income, as defined in the Code subject to the adjustments provided  
26 in G.S. 105-130.5 other than the adjustment provided in G.S. 105-130.5(b)(4), and is  
27 subject to the limitations provided in G.S. 105-131.4(b) and (d). Notwithstanding the  
28 provisions of G.S. 105-131.3, the basis of a shareholder in the stock of an S Corporation  
29 shall be adjusted for the shareholder's pro rata share of the carryforward loss allowed as  
30 a deduction to the S Corporation under this subsection. Notwithstanding the provisions  
31 of G.S. 105-131.6(c)(2), the accumulated adjustments account maintained for each  
32 resident shareholder shall be adjusted for the shareholder's pro rata share of the  
33 carryforward loss allowed as a deduction to the S Corporation under this subsection."

34 Sec. 2. G.S. 105-151.19 reads as rewritten:

35 **"§ 105-151.19. Credit for North Carolina dividends.**

36 There is allowed as a credit against the tax imposed by this Division an amount  
37 equal to six percent (6%) of the amount of dividends received by the taxpayer during  
38 the taxable year from stock issued by a qualified corporation, up to a maximum credit of  
39 three hundred dollars (\$300.00) per taxpayer for the taxable year. A corporation is a  
40 qualified corporation if fifty percent (50%) or more of the dividends from stock issued  
41 by the corporation would be deductible by a corporate shareholder for the taxable year  
42 under the provisions of G.S. 105-130.7(1), (2), (3), (3a), or (5) except that no credit  
43 shall be allowed for dividends ~~issued with respect to~~ deemed distributable from earnings

1 for a taxable period during which the corporation is an S Corporation subject to the  
2 provisions of Division I-S of this Article.

3 This credit applies only with respect to dividends received while the taxpayer was a  
4 resident of this State. In the case of a married couple filing a joint return where both  
5 spouses received dividends during the taxable year, the three hundred dollar (\$300.00)  
6 maximum applies separately to each spouse's dividends for a potential total credit of six  
7 hundred dollars (\$600.00) for the couple. This credit may not exceed the amount of tax  
8 imposed by this Division for the taxable year reduced by the sum of all credits allowed  
9 under this Division, except payments of tax made by or on behalf of the taxpayer."

10 Sec. 3. Notwithstanding any other provision of law, with respect to dividends  
11 received by a taxpayer from an S Corporation and included in the taxpayer's North  
12 Carolina taxable income under Division II of Article 4 of Chapter 105 of the General  
13 Statutes for the taxpayer's 1989 taxable year, if (i) the dividends were distributed during  
14 the corporation's 1988 taxable year which began on or after January 2, 1988, and ended  
15 on or after January 1, 1989, or (ii) the dividends were distributed before October 1,  
16 1989, then the three hundred dollar (\$300.00) limitation in G.S. 105-151.19 shall not  
17 apply and any credit otherwise allowable with respect to these dividends shall be  
18 allowed without regard to the three hundred dollar (\$300.00) limitation. No additional  
19 credit is allowed under G.S. 105-151.19 for dividends distributed on or after October 1,  
20 1989, from an S Corporation during its 1989 taxable year, to the extent the taxpayer's  
21 total credit under G.S. 105-151.19 for the taxable year exceeds three hundred dollars  
22 (\$300.00).

23 Sec. 4. G.S. 105-134.6(b) reads as rewritten:

24 "(b) Deductions. The following deductions from taxable income shall be made in  
25 calculating North Carolina taxable income, to the extent each item is included in gross  
26 income:

- 27 (1) Interest upon the obligations of (i) the United States or its possessions,  
28 (ii) this State or a political subdivision of this State, or (iii) a nonprofit  
29 educational institution organized or chartered under the laws of this  
30 State.
- 31 (2) Interest upon obligations and gain from the disposition of obligations  
32 to the extent the interest or gain is exempt from tax under the laws of  
33 this State.
- 34 (3) Benefits received under Title II of the Social Security Act and amounts  
35 received from retirement annuities or pensions paid under the  
36 provisions of the Railroad Retirement Act of 1937.
- 37 (4) Any amount not to exceed one thousand five hundred dollars (\$1,500)  
38 received by the taxpayer during the taxable year as compensation for  
39 the performance of duties as a member of the North Carolina  
40 organized militia, the national guard as defined in G.S. 127A-3.
- 41 (5) Refunds of State, local, and foreign income taxes included in the  
42 taxpayer's gross income.

- 1 (6) a. An amount, not to exceed four thousand dollars (\$4,000), equal to  
2 the sum of the amount calculated in subparagraph b. plus the amount  
3 calculated in subparagraph c.  
4 b. The amount calculated in this subparagraph is the amount  
5 received during the taxable year from one or more state, local,  
6 or federal government retirement plans.  
7 c. The amount calculated in this subparagraph is the amount  
8 received during the taxable year from one or more retirement  
9 plans other than state, local, or federal government retirement  
10 plans, not to exceed a total of two thousand dollars (\$2,000) in  
11 any taxable year.  
12 d. In the case of a married couple filing a joint return where both  
13 spouses received retirement benefits during the taxable year, the  
14 maximum dollar amounts provided in this subdivision for  
15 various types of retirement benefits apply separately to each  
16 spouse's benefits.

- 17 (7) The amount of inheritance tax attributable to an item of income in  
18 respect of a decedent required to be included in gross income under the  
19 Code, adjusted as provided in G.S. 105-134.5, 105-134.6, and 105-  
20 134.7. The amount of inheritance tax attributable to an item of income  
21 in respect of a decedent is (i) the amount by which the inheritance tax  
22 paid under Article 1 of this Chapter on property transferred to a  
23 beneficiary by a decedent exceeds the amount of inheritance tax that  
24 would have been payable by the beneficiary if the item of income in  
25 respect of a decedent had not been included in the property transferred  
26 to the beneficiary by the decedent, (ii) multiplied by a fraction, the  
27 numerator of which is the amount required to be included in gross  
28 income for the taxable year under the Code, adjusted as provided in  
29 G.S. 105-134.5, 105-134.6, and 105-134.7, and the denominator of  
30 which is the total amount of income in respect of a decedent  
31 transferred to the beneficiary by the decedent. For an estate or trust,  
32 the deduction allowed by this subdivision shall be computed by  
33 excluding from the gross income of the estate or trust the portion, if  
34 any, of the items of income in respect of a decedent that are properly  
35 paid, credited, or to be distributed to the beneficiaries during the  
36 taxable year.

- 37 (8) The amount by which the taxpayer's mortgage interest deduction under  
38 the Code was reduced pursuant to section 163(g) of the Code."

39 Sec. 5. G.S. 105-151.18 reads as rewritten:

40 "**§ 105-151.18. Credit for the disabled.**

41 (a) Disabled Taxpayer. ~~A person-taxpayer~~ who (i) is retired on disability, (ii) at  
42 the time of retirement, was permanently and totally disabled, ~~disabled as defined in section~~  
43 ~~22 of the Code,~~ and (iii) claims a federal income tax credit under section 22 of the Code  
44 for the taxable year, is allowed as a credit against the tax imposed by this Division an

1 amount equal to one-third of the amount of the federal income tax credit for which he  
2 the taxpayer is eligible under section 22 of the Code.

3 (b) Disabled Dependent. If a dependent or spouse for whom a taxpayer is  
4 allowed an exemption under the Code is permanently and totally disabled, the taxpayer  
5 is allowed a credit against the tax imposed by this Division. In order to claim the credit  
6 allowed by this subsection, the taxpayer must attach to the tax return on which the credit  
7 is claimed a statement from a physician or local health department certifying that the  
8 dependent or spouse for whom the credit is claimed is permanently and totally disabled,  
9 as defined in this section. The amount of the credit allowed shall be determined as  
10 follows: For a taxpayer whose North Carolina adjusted gross income does not exceed  
11 the appropriate income amount provided in the table below, based on the taxpayer's  
12 filing status, the credit allowed is the appropriate initial credit provided in the table  
13 below. For a taxpayer whose North Carolina adjusted gross income does exceed the  
14 appropriate income amount, the credit allowed is the appropriate initial credit reduced  
15 by four dollars (\$4.00) for every one thousand dollars (\$1,000) by which the taxpayer's  
16 North Carolina adjusted gross income exceeds the appropriate income amount.

<u>Filing Status</u>	<u>Initial Credit</u>	<u>Income Amount</u>
<u>Head of Household</u>	<u>\$64.00</u>	<u>\$16,000</u>
<u>Surviving Spouse or Joint Return</u>	<u>\$80.00</u>	<u>\$20,000</u>
<u>Single</u>	<u>\$48.00</u>	<u>\$12,000</u>
<u>Married Filing Separately</u>	<u>\$40.00</u>	<u>\$10,000</u>

29 (c) Definitions. The following definitions apply in this section:

30 (1) North Carolina Adjusted Gross Income. Adjusted gross income, as  
31 determined under the Code, adjusted as provided in G.S. 105-134.6  
32 and G.S. 105-134.7.

33 (2) Permanently and Totally Disabled. Unable to engage in any  
34 substantial gainful activity by reason of any medically determinable  
35 physical or mental impairment that can be expected to result in death  
36 or that has lasted or can be expected to last for a continuous period of  
37 not less than 12 months. For the purpose of this section, a minor is  
38 permanently and totally disabled if the impact of the impairment on the  
39 minor's ability to function is equivalent in severity to that which would  
40 make an adult unable to engage in any substantial gainful activity.

41 (d) Limitations. A nonresident or part-year resident who claims the credit  
42 allowed by this section shall reduce the amount of the credit by multiplying it by the  
43 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed  
44 under this section may not exceed the amount of tax imposed by this Division for the

1 taxable year reduced by the sum of all credits allowed under this Division, except  
2 payments of tax made by or on behalf of the taxpayer."

3 Sec. 6. Division II of Article 4 of Chapter 105 of the General Statutes is  
4 amended by adding after G.S. 105-151.19 a new section to read:

5 **"§ 105-151.20. Credit for tax paid on certain government retirement benefits.**

6 A taxpayer who received government retirement benefits during the 1988 tax year  
7 may claim a credit against the tax imposed by this Division equal to the amount by  
8 which the tax under this Division paid by the taxpayer for the 1988 tax year would have  
9 been reduced if none of the taxpayer's government retirement benefits had been  
10 included in the taxpayer's taxable income. If a taxpayer received a refund of any tax  
11 paid under this Division on government retirement benefits for the 1988 tax year, the  
12 amount of the refund reduces the amount of the credit allowed under this section.

13 As used in this section, the term 'government retirement benefits' means retirement  
14 benefits received from one or more state, local, or federal government retirement plans.  
15 As used in this section, the term '1988 tax year' means the taxpayer's taxable year  
16 beginning on a day in 1988.

17 The credit allowed under this section shall be taken in equal installments over  
18 the taxpayer's first three taxable years beginning on or after January 1, 1990. The credit  
19 allowed under this section may not exceed the amount of tax imposed by this Division  
20 reduced by the sum of all credits allowed against the tax, except payments of tax made  
21 by or on behalf of the taxpayer."

22 Sec. 7. G.S. 105-129 reads as rewritten:

23 **"§ 105-129. Extension of time for filing returns.**

24 (a) ~~The return required by this Article or schedule shall be due on or before the~~  
25 ~~dates specified unless written application for extension of time in which to file, containing~~  
26 ~~reasons therefor, is made to the Secretary of Revenue grants an extension on or before the~~  
27 ~~due date of such the return. The Secretary of Revenue for good cause may extend the~~  
28 ~~time for filing any return under this Article or schedule, provided interest at the rate~~  
29 ~~established pursuant to G.S. 105-241.1(i) is paid upon the total amount of tax due. Article. A~~  
30 taxpayer requesting an extension of time for filing shall, on or before the date the return  
31 is due, submit an application for an extension of time for filing on a form prescribed by  
32 the Secretary and pay the full amount of the tax anticipated to be due."

33 Sec. 8. G.S. 105-130.17(d) reads as rewritten:

34 "(d) In case of sickness, absence, or other disability or whenever in his judgment  
35 good cause exists, the Secretary may allow further time for filing returns. A taxpayer  
36 requesting an extension of time for filing shall, on or before the date the return is due,  
37 submit an application for an extension of time for filing on a form prescribed by the  
38 Secretary and pay the full amount of the tax anticipated to be due."

39 Sec. 9. G.S. 105-130.19(a) reads as rewritten:

40 "(a) Except as provided in Article 4C of this Chapter, the full amount of the tax  
41 payable as shown on the face of the return shall be paid to the Secretary of Revenue at  
42 the office where the return is filed and within the time fixed by law for filing the return.  
43 An extension of time granted for filing the return under G.S. 105-130.17(d) is not an  
44 extension of time for payment of the full amount of the tax payable."

1           Sec. 10. G.S. 105-155 reads as rewritten:

2   **"§ 105-155. Time and place of filing returns.**

3       (a) Returns shall be in ~~such forms as the Secretary may from time to time prescribe,~~  
4 the forms prescribed by the Secretary and shall be filed with the Secretary at ~~his~~-the  
5 Secretary's main office or at any branch office. The return of every taxpayer reporting  
6 on a calendar year basis shall be filed on or before the fifteenth day of April in each  
7 year, and the return of every taxpayer reporting on a fiscal year basis shall be filed on or  
8 before the fifteenth day of the fourth month following the close of the fiscal year. ~~In~~  
9 ~~case of sickness, absence, or other disability or whenever in his judgment good cause exists, the~~

10       (b) The Secretary may may, for good cause, allow further time for filing returns.  
11 A taxpayer requesting an extension of time for filing shall, on or before the date the  
12 return is due, submit an application for an extension of time for filing on a form  
13 prescribed by the Secretary and pay the full amount of the tax anticipated to be due.

14       (c) There shall be annexed to the return the affirmation of the taxpayer making  
15 the return in the following form: 'Under penalties prescribed by law, I hereby affirm  
16 that to the best of my knowledge and belief this return, including any accompanying  
17 schedules and statements, is true and complete. (If prepared by a person other than the  
18 taxpayer, that the preparer's affirmation is based on all information of which the  
19 preparer has any knowledge.)' The Secretary shall prepare blank forms for the returns,  
20 distribute them throughout the State, and furnish them upon application; but failure to  
21 receive or secure the form shall not relieve any taxpayer from the obligation of filing a  
22 return required by this Division."

23           Sec. 11. G.S. 105-157 reads as rewritten:

24   **"§ 105-157. Time and place of payment of tax.**

25       (a) Except as otherwise provided in this section and in Article 4A of this Chapter,  
26 the full amount of the tax payable as shown on the face of the return shall be paid to the  
27 Secretary at the office where the return is filed at the time fixed by law for filing the  
28 return. An extension of time granted for filing the return under G.S. 105-155 is not an  
29 extension of time for payment of the full amount of the tax payable. If the amount  
30 shown to be due is less than one dollar (\$1.00), no payment need be made.

31       (b) The tax may be paid with uncertified check during such time and under such  
32 regulations as the Secretary may prescribe; but if a check so received is not paid by the  
33 bank on which it is drawn, the taxpayer by whom the check was tendered shall remain  
34 liable for the payment of the tax and for all legal penalties the same as if the check had  
35 not been tendered."

36           Sec. 12. G.S. 105-160.6 reads as rewritten:

37   **"§ 105-160.6. Time and place of filing returns.**

38       Returns required under the provisions of G.S. 105-160.5 shall be in such form as the  
39 Secretary may prescribe, and shall be filed with the Secretary at the Secretary's main  
40 office or at any branch office which the Secretary may establish. The return of every  
41 fiduciary reporting on a calendar-year basis shall be filed on or before the 15th day of  
42 April in each year, and the return of every fiduciary reporting on a fiscal year basis shall  
43 be filed on or before the 15th day of the fourth month following the close of the fiscal  
44 year. ~~In the case of sickness, absence, or other disability or whenever in his judgment good~~

1 ~~cause exists, the~~ The Secretary may for good cause allow further time for filing a return.  
2 A person requesting an extension of time for filing shall, on or before the date the return  
3 is due, submit an application for an extension of time for filing on a form prescribed by  
4 the Secretary and pay the full amount of the tax anticipated to be due."

5 Sec. 13. G.S. 105-160.7(a) reads as rewritten:

6 "(a) The full amount of the tax payable as shown on the face of the return shall be  
7 paid to the Secretary at the office where the return is filed at the time fixed by law for  
8 filing the return. However, if the amount shown to be due after all credits is less than  
9 one dollar (\$1.00), no payment need be made. An extension of time granted for filing  
10 the return under G.S. 105-160.6 is not an extension of time for payment of the full  
11 amount of the tax payable."

12 Sec. 14. G.S. 105-263 reads as rewritten:

13 **"§ 105-263. Time for filing reports extended.**

14 ~~The Secretary of Revenue, when he deems the same necessary or advisable, may~~  
15 Revenue may, in his discretion, extend to any person, firm, or corporation or public utility  
16 corporation, or public utility a further specified time within which to file any report  
17 required by law to be filed with the Secretary of Revenue, Revenue. in which event the  
18 attaching or taking effect of any penalty for failure to file such report or to pay any tax or fee  
19 shall be extended or postponed accordingly.—An extension of time for filing a report  
20 granted under G.S. 105-129, 105-130.17, 105-155, or 105-160.6 is not an extension of  
21 time for payment of the full amount of the tax payable or for the attachment of any  
22 penalty for failure to pay the tax. Any other extension of time for filing a report is also  
23 an extension of time for attachment of any penalty for failure to file a report or to pay  
24 any tax or fee. Interest, at the rate established pursuant to G.S. 105-241.1(i), from the  
25 time the report or return was originally required to be filed to the time of payment shall  
26 be added to and paid with any tax that might be due on returns so extended."

27 Sec. 15. G.S. 105-163.38 reads as rewritten:

28 **"§ 105-163.38. Definitions.**

29 ~~As used in this Article,—The following definitions apply in this Article, unless the~~  
30 context requires otherwise:

31 (1) ~~" Corporation" means a corporation that has a reasonably~~  
32 estimated tax liability of at least five thousand dollars (\$5,000). The  
33 term "corporation" includes joint stock companies or associations  
34 that meet these requirements.—Code. The Internal Revenue Code as  
35 enacted as of January 1, 1990, including any provisions enacted as of  
36 that date which become effective either before or after that date.

37 (1a) Corporation. Defined in section 7701 of the Code.

38 (2) ~~" Estimated tax" means the Estimated tax. The amount of~~  
39 income tax the corporation estimates as the amount imposed by  
40 Article 4 for the taxable year. The appropriate percentage of estimated  
41 tax payable during the taxable year shall be determined by the following  
42 table:

43 For Taxable Years Beginning On and After: Percentages  
44 June 25, 1983, and before June 25, 1984 25%



1           ~~June 25, 1984, and before June 25, 1985~~     50%  
 2           ~~June 25, 1985, and before June 25, 1986~~     75%  
 3           ~~June 25, 1986~~     100%

4           (3)     ~~"Fiscal year" means an~~ Fiscal year. An accounting period of  
 5           12 months ending on the last day of any month other than December.

6           (4)     ~~"Secretary" means the~~ Secretary. The Secretary of Revenue.

7           (5)     ~~"Taxable year" means the~~ Taxable year. The calendar year or  
 8           fiscal year used as a basis to determine net income under Article 4.  
 9           If no fiscal year has been established, 'fiscal year' means the  
 10          calendar year. In the case of a return made for a fractional part of  
 11          the year under Article 4, or under rules prescribed by the Secretary,  
 12          'taxable year' means the period for which the return is made."

13          Sec. 16. G.S. 105-163.40 reads as rewritten:

14    **"§ 105-163.40. Time for submitting declaration; time and method for paying**  
 15    **estimated tax.**

16    (a)    Due Dates of Declarations. – Declarations of estimated tax are due at the  
 17    same time as the corporation's first installment payment. Installment payments are due  
 18    as follows:

19           (1)     If, before the 1st day of the 4th month of the taxable year,  
 20           the corporation's estimated tax equals or exceeds ~~five thousand dollars~~  
 21           ~~(\$5,000),~~ five hundred dollars (\$500.00), the corporation shall pay  
 22           the estimated tax in four equal installments on or before the 15th day  
 23           of the 4th, 6th, 9th and 12th months of the taxable year.

24           (2)     If, after the last day of the 3rd month and before the 1st day  
 25           of the 6th month of the taxable year, the corporation's estimated tax  
 26           equals or exceeds ~~five thousand dollars (\$5,000),~~ five hundred dollars  
 27           (\$500.00), the corporation shall pay the estimated tax in three equal  
 28           installments on or before the 15th day of the 6th, 9th and 12th  
 29           months of the taxable year.

30           (3)     If, after the last day of the 5th month and before the 1st day  
 31           of the 9th month of the taxable year, the corporation's estimated tax  
 32           equals or exceeds ~~five thousand dollars (\$5,000),~~ five hundred dollars  
 33           (\$500.00), the corporation shall pay the estimated tax in two equal  
 34           installments on or before the 15th day of the 9th and 12th months.

35           (4)     If, after the last day of the 8th month and before the 1st day  
 36           of the 12th month of the taxable year, the corporation's estimated  
 37           tax equals or exceeds ~~five thousand dollars (\$5,000),~~ five hundred  
 38           dollars (\$500.00), the corporation shall pay the estimated tax on or  
 39           before the 15th day of the 12th month of the taxable year.

40    (b)    Payment of Estimated Tax When Declaration Amended. – When a  
 41    corporation submits an amended declaration after making one or more installment  
 42    payments on its estimated tax, the amount of each remaining installment shall be the  
 43    amount that would have been payable if the estimate in the amended declaration was the

1 original estimate, increased or decreased as appropriate by the amount computed by  
2 dividing:

- 3                   (1)     The absolute value of the difference between:  
4                   a.     The amount paid and  
5                   b.     The amount that would have been paid if the estimate  
6                   in the amended declaration was the original estimate by  
7                   (2)     The number of remaining installments.  
8     (c)     Short Taxable Year. – Payment of estimated tax for taxable years of less than  
9     12 months shall be made in accordance with rules promulgated by the Secretary."

10           Sec. 17. The current operations budget that will likely be adopted by the  
11 1990 Session of the General Assembly will contain \$2.8 million of operating budget  
12 reductions for the Department of Revenue. This reduction would seriously undermine  
13 the actions of the 1989 General Assembly to modernize the State's tax enforcement  
14 efforts. In addition, the 1989-91 General Fund revenue estimates used during the  
15 budget process are based on projected revenues from the enactment of the  
16 modernization program. Thus, the proposed budget cuts will have a direct negative  
17 impact on 1990-91 revenue collections and will exacerbate the recognized 1991 Session  
18 General Fund shortfall.

19           It is the intent of the General Assembly that the proceeds of this act shall be  
20 used to maintain the integrity of the 1989 Session action modernizing the State's tax  
21 enforcement program.

22           Sec. 18. Section 1 of this act is effective retroactively for taxable years  
23 beginning on or after January 1, 1989, and shall expire for taxable years beginning on or  
24 after July 1, 1991. Sections 5 and 6 of this act are effective for taxable years beginning  
25 on or after January 1, 1990. Sections 7 through 14 of this act are effective upon  
26 ratification and apply to taxable years ending on or after the date of ratification.  
27 Sections 15 and 16 of this act are effective for taxable years beginning on or after  
28 August 1, 1990. The remainder of this act is effective retroactively for taxable years  
29 beginning on or after January 1, 1989.