

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 184

Short Title: Foreign Sales Corp. Changes.

(Public)

Sponsors: Representative Abernethy.

Referred to: Finance.

February 28, 1991

A BILL TO BE ENTITLED

AN ACT TO EXTEND THE SUNSET ON THE PARTIAL TAX EXEMPTION FOR FOREIGN SALES CORPORATIONS AND TO MODIFY DEPARTMENT OF REVENUE REPORTING DATES IN ORDER TO PROVIDE SUFFICIENT INFORMATION FOR THE GENERAL ASSEMBLY TO DECIDE WHETHER TO RETAIN THE TAX EXEMPTION.

The General Assembly of North Carolina enacts:

Section 1. Chapter 637 of the 1987 Session Laws reads as rewritten:

"CHAPTER 637

"AN ACT TO PROVIDE THAT FOREIGN SALES CORPORATIONS SHALL BE EXEMPT FROM STATE INCOME TAX TO THE SAME EXTENT AS THEY ARE EXEMPT FROM FEDERAL INCOME TAX.

"The General Assembly of North Carolina enacts:

"Section 1. G.S. 105-130.5 is amended by adding a new subsection at the end to read:

'(f) The exempt foreign trade income, as defined in Section 923 of the Code, of a foreign sales corporation shall not be included in the net income of the foreign sales corporation under this Division. Any expenses and commissions paid by a shareholder to a foreign sales corporation that are deductible under the Code shall be deductible from the shareholder's income under this Article. As used in this section, the term "foreign sales corporation" means a corporation that qualifies as a foreign sales corporation under the provisions of Subchapter N of Chapter 1 of the Code and has in effect for the entire taxable year a valid election under the Code to be treated as a foreign sales corporation.'

1 "Sec. 2. The Department of Revenue shall report to the General Assembly on or
2 before May ~~1 of each year~~ 1, 1991, May 1, 1992, and February 1, 1993, the estimated
3 revenue loss for ~~that~~ each year attributable to the exemption of part of the foreign trade
4 income of foreign sales corporations, as provided in G.S. 105-130.5(f).

5 "Sec. 3. This act shall become effective January 1, 1988, and applies to taxable
6 years beginning on or after that date. This act shall expire ~~December 30, 1991~~ December
7 31, 1993."

8 Sec. 2. This act is effective upon ratification.