

GENERAL ASSEMBLY OF NORTH CAROLINA  
1991 SESSION

CHAPTER 752  
SENATE BILL 103

AN ACT TO CLARIFY SUBCHAPTER S CORPORATION LOSS  
CARRYFORWARDS.

The General Assembly of North Carolina enacts:

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

"(e) Each shareholder's pro rata share of the reduction of an S Corporation's income because of the allowance of a carryforward loss to the S Corporation under this subsection shall be taken into account by the shareholder as a transitional adjustment under G.S. 105-134.7. Notwithstanding the provisions of subsection (a) of this section, an S Corporation that sustained a net economic loss in a taxable year beginning before January 1, 1989, may carry the loss forward to a taxable year beginning on or after January 1, 1989, and before July 1, 1991, and may deduct the loss in ~~that each~~ year to one-half of the extent it could have carried forward and deducted the loss pursuant to G.S. 105-130.5(b)(4) and G.S. 105-130.8 if the S Corporation Income Tax Act had not become effective until taxable years beginning on or after July 1, 1991. Any loss carryforward allowed as a deduction by this subsection may not exceed one-half of the S Corporation's net income, as defined in the Code subject to the adjustments provided in G.S. 105-130.5 other than the adjustment provided in G.S. 105-130.5(b)(4), and is subject to the limitations provided in G.S. 105-131.4(b) and (d). Notwithstanding the provisions of G.S. 105-130.8(4), a net economic loss carried forward to a 1990 or 1991 taxable year pursuant to this subsection is not applied to or offset by that part of the net income of a preceding tax year from which the loss was not deductible solely due to the 'one-half' limitations provided in this subsection. Notwithstanding the provisions of G.S. 105-131.3, the basis of a shareholder in the stock of an S Corporation shall be adjusted for the shareholder's pro rata share of the carryforward loss allowed as a deduction to the S Corporation under this subsection. Notwithstanding the provisions of G.S. 105-131.6(c)(2), the accumulated adjustments account maintained for each resident shareholder shall be adjusted for the shareholder's pro rata share of the carryforward loss allowed as a deduction to the S Corporation under this subsection."

Sec. 2. This act is effective retroactively for taxable years beginning on or after January 1, 1989, and expires for taxable years beginning on or after July 1, 1991.

In the General Assembly read three times and ratified this the 16th day of July, 1991.

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James C. Gardner

President of the Senate

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Daniel Blue, Jr.  
Speaker of the House of Representatives