

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 17

Short Title: Bank Interest Expense Deductions.

(Public)

Sponsors: Representatives Gamble; and Luebke.

Referred to: Financial Institutions.

February 1, 1993

A BILL TO BE ENTITLED

AN ACT TO ELIMINATE CORPORATE INCOME TAX DEDUCTIONS FOR BANKS' EXPENSES RELATED TO PRODUCING TAX-EXEMPT INCOME AND TO CLARIFY THE LAW PROVIDING THAT HOLDING COMPANIES AND OTHER CORPORATIONS MAY DEDUCT EXPENSES RELATED TO PRODUCING DEDUCTIBLE DIVIDEND INCOME.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-130.5(a) is amended by adding a new subdivision to read:

"(2a) That portion of a financial institution's interest expense that is allocable to interest exempt from taxation under this Division. The allocable portion of the interest expense is the portion for which deduction would be disallowed pursuant to section 265(b) of the Code if the interest were earned on a tax-exempt obligation as defined in section 265(b) of the Code."

Sec. 2. G.S. 105-130.5(c)(3) reads as rewritten:

"(3) ~~No~~ Except as provided in this subdivision, 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). Division.

a. A financial institution that was allowed a deduction under section 265(b)(3) of the Code for interest expenses related to interest exempt under this Division is not required to add back the deducted interest expenses.

1                    b.    A corporation is not required to attribute expenses related to  
2                    dividend income not taxed under G.S. 105-130.5(b)(3) and G.S.  
3                    105-130.7."  
4                    Sec. 3. This act is effective for taxable years beginning on or after January 1,  
5                    1993.