

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 1279

Short Title: Pre-1989 Loss Deduction Extended.

(Public)

Sponsors: Senator Plyler.

Referred to: Finance.

July 5, 1993

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CERTAIN PRE-1989 NET ECONOMIC LOSSES IN EXCESS OF THE AMOUNT CARRIED FORWARD AND DEDUCTED IN THE FIVE YEARS FOLLOWING THE LOSS MAY BE CARRIED FORWARD FOR FIVE ADDITIONAL YEARS BEGINNING WITH THE 1993 TAX YEAR.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-134.7 reads as rewritten:

"§ 105-134.7. Transitional adjustments.

(a) The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

- (1) Amounts that were included in the basis of property under federal tax law but not under State tax law before January 1, 1989, shall be added to taxable income in the year the taxpayer disposes of the property.
- (2) Amounts that were included in the basis of property under State tax law but not under federal tax law before January 1, 1989, shall be deducted from taxable income in the year the taxpayer disposes of the property.
- (3) Amounts that were recognized as income under federal law but not under State law due to a taxpayer's use of the installment method set out in G.S. 105-142(f) prior to January 1, 1989, shall be added to taxable income in the taxpayer's first taxable year beginning on or after

1 January 1, 1989. Amounts that were recognized as income under State
2 law but not under federal law due to a taxpayer's use of a different
3 installment method prior to January 1, 1989, shall be deducted from
4 taxable income in the taxpayer's first taxable year beginning on or after
5 January 1, 1989.

- 6 (4) Losses in the nature of net economic losses sustained in any or all of
7 the five taxable years preceding the taxpayer's first taxable year
8 beginning on or after January 1, 1989, arising from business
9 transactions, business capital, or business property, may be deducted
10 from taxable income subject to the limitations contained in former
11 G.S. 105-147(9)a., c., and d. (repealed).

- 12 (4a) The amount of the losses described in subdivision (4) of this
13 subsection for which a deduction is not allowable at the end of the
14 period provided in former G.S. 105-147(9)d.5. due to the time
15 limitation of that subdivision may be deducted as follows subject to the
16 limitations in former G.S. 105-147(9)a., c., and d.1.-4.: One-fifth of
17 the amount may be deducted in each of the taxpayer's next five taxable
18 years beginning on or after January 1, 1993.

- 19 (5) The amount of any net operating loss for a taxable year beginning on
20 or after January 1, 1989, carried back to a taxable year beginning
21 before January 1, 1989, pursuant to section 172 of the Code may be
22 deducted from taxable income in the taxable year following the taxable
23 year for which the loss occurred.

- 24 (6) A loss or deduction that was incurred or paid and deducted from State
25 taxable income in a taxable year beginning before January 1, 1989, and
26 is carried forward and deducted in a taxable year beginning on or after
27 January 1, 1989, under the Code shall be added to taxable income.

- 28 (7) The transitional adjustments provided in Division I-S of this Article
29 shall be made with respect to a shareholder's pro rata share of S
30 Corporation income.

31 (b) The Secretary may by rule require other adjustments to be made to taxable
32 income as necessary to assure that the transition to the tax changes effective January 1,
33 1989, will not result in double taxation of income, exemption of otherwise taxable
34 income from taxation under this Division, or double allowance of deductions."

35 Sec. 2. This act is effective for taxable years beginning on or after January 1,
36 1993.