

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 1065

Short Title: Corporate Welfare Reform.

(Public)

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Sponsors: Representative Luebke.

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Referred to: Business & Labor, if favorable, Finance.

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May 15, 1995

1 A BILL TO BE ENTITLED  
2 AN ACT TO REFORM CORPORATE WELFARE AND OTHER TAX  
3 EXPENDITURES.

Whereas, "tax expenditures", also known as tax loopholes, represent special tax benefits to certain groups of individuals or businesses that have access to and influence upon the General Assembly; and

Whereas, these special tax benefits have been characterized as "corporate welfare" because they amount to a taxpayer subsidy of special economic interest groups; and

Whereas, the average citizen or small business has limited access to and little influence upon General Assembly debate; and

Whereas, the granting of special tax benefits to certain influential groups has the effect of shifting the tax burden and thus increasing taxes for all other citizens and businesses, and has the additional effect of limiting resources for necessary State programs such as education; and

Whereas, repealing special tax benefits that have been granted to specific groups can result in lower taxes for all taxpayers as well as additional funds for necessary programs; and

Whereas, for these reasons, the General Assembly by this bill reforms corporate welfare by repealing special tax benefits; Now, therefore,

4 The General Assembly of North Carolina enacts:

1 Section 1. G.S. 105-130.4(i) reads as rewritten:

2 "(i) All business income of corporations other than public utilities and excluded  
3 corporations shall be apportioned to this State by multiplying the income by a fraction,  
4 the numerator of which is the property factor plus the payroll factor plus ~~twice~~ the sales  
5 factor, and the denominator of which is three. ~~four. Provided, that where the sales factor does~~  
6 ~~not exist, the denominator of the fraction shall be the number of existing factors and where the~~  
7 ~~sales factor exists but the payroll factor or the property factor does not exist, the denominator of~~  
8 ~~the fraction shall be the number of existing factors plus one. If one or more of these factors~~  
9 does not exist, the denominator of the fraction shall be the number of existing factors."

10 Sec. 2. G.S. 105-130.5(a) is amended by adding a new subdivision to read:

11 "(2a) That portion of a financial institution's interest expense that is allocable  
12 to interest income exempt from taxation under this Division. The  
13 allocable portion of the interest expense is the portion for which  
14 deduction would be disallowed pursuant to section 265(b) of the Code if  
15 the interest were earned on a tax-exempt obligation as defined in section  
16 265(b) of the Code."

17 Sec. 3. G.S. 105-130.41 and G.S. 105-151.22 are repealed.

18 Sec. 4. G.S. 105-164.13(1), (2), and (4c) are repealed.

19 Sec. 5. G.S. 105-187.3(a) reads as rewritten:

20 "(a) Amount. – The rate of the use tax imposed by this Article is three percent (3%)  
21 of the retail value of a motor vehicle for which a certificate of title is issued. The tax is  
22 payable as provided in G.S. 105-187.4. The tax may not be less than forty dollars  
23 (\$40.00) for each motor vehicle for which a certificate of title is issued, unless the  
24 issuance of a title for the vehicle is exempt from tax under G.S. 105-187.6(a). The tax  
25 may not be more than one thousand dollars (\$1,000) for each certificate of title issued for  
26 a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in G.S.  
27 20-4.01. ~~The tax may not be more than one thousand five hundred dollars (\$1,500) for each~~  
28 ~~certificate of title issued for any other motor vehicle."~~

29 Sec. 6. Notwithstanding G.S. 105-163.41, no addition to tax may be made  
30 under that statute for a taxable year beginning on or after January 1, 1995, and before  
31 January 1, 1996, with respect to an underpayment of corporation income tax to the extent  
32 the underpayment was created or increased by this act.

33 Sec. 7. Sections 1, 2, 3, and 6 of this act are effective for taxable years  
34 beginning on or after January 1, 1995. Section 4 of this act becomes effective July 1,  
35 1995, and applies to sales made on or after that date. Section 5 of this act becomes  
36 effective July 1, 1995, and applies to certificates of title issued on or after that date. The  
37 remainder of this act is effective upon ratification.