

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER: HB 1119**

**SHORT TITLE:** Limit Franchise Add-Back for Debt

**SPONSOR(S):** Representatives Shaw, Blue, Cansler, Capps, Church, Neely, Robinson, and Shubert

<b>FISCAL IMPACT:</b>	<b>Expenditures:</b>	<b>Increase ( )</b>	<b>Decrease ( )</b>
	<b>Revenues:</b>	<b>Increase ( )</b>	<b>Decrease (x)</b>
	<b>No Impact ( )</b>	<b>No Estimate Available ( )</b>	

<b><u>FUND AFFECTED:</u></b>	<b>General Fund (X)</b>	<b>Highway Fund ( )</b>	<b>Local Govt. ( )</b>
	<b>Other Funds ( )</b>		

**BILL SUMMARY:** Under current law, a corporation that is a parent, a subsidiary, or an affiliate of another corporation is required to add back to its net worth franchise tax base the amount of any debt it has that is payable to its parent, affiliate, or subsidiary or is endorsed or guaranteed by its parent, affiliate, or subsidiary. Debt that is not payable to a parent, affiliate, or subsidiary and is not guaranteed by one of these corporations is not required to be added back to the base. This proposal deletes the requirement that debt endorsed or guaranteed by a related company be added back and retains the requirement that debt payable to a related company be added back.

**EFFECTIVE DATE:** Tax years beginning on or after October 1, 1996

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:**  
Department of Revenue, Corporate Income & Franchise Tax Division

**FISCAL IMPACT**

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01
<b>REVENUES:</b>					
<b>GENERAL FUND</b>	Less than (\$10,000) in a fiscal Year				

**ASSUMPTIONS AND METHODOLOGY:**  
The Department reports that an insignificant amount of debt endorsed by a related company is added back in a tax year and that no such activity has been revealed by Department audits.

**SOURCES OF DATA:**  
NC. Department of Revenue Corporate Income tax Division

**FISCAL RESEARCH DIVISION 733-4910**

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