

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1157
Senate Finance Committee Substitute Adopted 7/10/97

Short Title: Various Corporate Tax Law Changes.

(Public)

Sponsors:

Referred to:

April 24, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO CLARIFY THE CORPORATE INCOME TAX ON CERTAIN TAX-
3 EXEMPT OBLIGATIONS AND TO DELETE THE CAP ON CORPORATE
4 INCOME TAX DEDUCTIONS OF DIVIDENDS RECEIVED FROM
5 REGULATED INVESTMENT COMPANIES.

6 The General Assembly of North Carolina enacts:

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

8 "(1a) Interest upon the obligations of any of the following, net of related
9 expenses, to the extent included in federal taxable income:

10 a. This State, a political subdivision of this State, or a commission,
11 an authority, or another agency of this State or of a political
12 subdivision of this State.

13 b. A nonprofit educational institution organized or chartered under
14 the laws of this State."

15 Section 2. G.S. 105-130.7 reads as rewritten:

16 "**§ 105-130.7. Deductible portion of dividends.**

17 (a) Regulated Investment Companies. – A corporation may deduct the
18 proportionate part of dividends received by it from a regulated investment company or a
19 real estate investment trust, as defined in G.S. 105-130.12, as represents and corresponds

1 to income received by the regulated investment company or real estate investment trust
2 that would not be taxed by this State if received directly by the corporation.

3 (b) Subsidiary Dividends. – A corporation that, at the close of its taxable year, has
4 its commercial domicile within North Carolina may deduct all dividends received from
5 corporations in which it owns more than fifty percent (50%) of the outstanding voting
6 stock.

7 Dividends from stock issued by a corporation are deductible to the extent provided in
8 this section.

9 (1), (2). Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.

10 (3) A corporation may deduct such proportionate part of dividends received
11 by it from a regulated investment company or a real estate investment
12 trust, as defined in G.S. 105-130.12, as represents and corresponds to
13 income received by such regulated investment company or real estate
14 investment trust which would not be taxed by this State if received
15 directly by the corporation.

16 (3a) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.

17 (4) A corporation that, at the close of its taxable year, has its commercial
18 domicile within North Carolina shall be allowed to deduct all dividends
19 received from corporations in which it owns more than fifty percent
20 (50%) of the outstanding voting stock.

21 (5) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.

22 (6) In no case shall the total amount of dividends that are allowed as a
23 deduction to a corporation under subdivision (3) of this section exceed
24 fifteen thousand dollars (\$15,000) for the taxable year."

25 Section 3. This act is effective for taxable years beginning on or after January
26 1, 1997.