

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE DRH50246-LC-66B (03/20)

Short Title: Stimulate Economy Manufacturing. (Public)

Sponsors: Representative Blackwood.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO STIMULATE THE ECONOMY BY EXEMPTING FROM INCOME
TAX INCOME DERIVED FROM MANUFACTURING.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-228.90(b) is amended by adding a new subdivision to
read:

"(b) Definitions. – The following definitions apply in this Article:

...

(4b) Manufacturing. – An industry in manufacturing sectors 31 through 33,
as defined by NAICS, but not including quick printing or retail
bakeries."

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

"(22) Income, net of expenses, directly attributable to manufacturing
activities. This deduction is optional at the election of the taxpayer."

SECTION 3. G.S. 105-134.6(b) is amended by adding a new subdivision to
read:

"(18) Income, net of expenses, directly attributable to manufacturing
activities. This deduction is optional at the election of the taxpayer."

SECTION 4. G.S. 105-129.2(16) reads as rewritten:

~~"(16) Manufacturing. – An industry in manufacturing sectors 31 through 33,
as defined by NAICS, but not including quick printing or retail
bakeries. Defined in G.S. 105-228.90."~~

SECTION 5. G.S. 105-130.4(i) reads as rewritten:

"(i) All business income of corporations other than public utilities and excluded
corporations shall be apportioned to this State by multiplying the income by a fraction,
the numerator of which is the property factor plus the payroll factor plus twice the sales

1 factor, and the denominator of which is four. ~~Provided, that where~~If the sales factor
2 does not exist, the denominator of the fraction ~~shall be~~is the number of existing factors
3 and ~~where~~if the sales factor exists but the payroll factor or the property factor does not
4 exist, the denominator of the fraction ~~shall be~~is the number of existing factors plus one.

5 For taxpayers that elect to deduct manufacturing income pursuant to G.S.
6 105-130.5(b)(22), in calculating the property factor, the payroll factor, and the sales
7 factor under this section, the following shall be excluded from both the numerator and
8 the denominator: property used directly and primarily for manufacturing, compensation
9 paid directly and primarily for manufacturing, and receipts derived directly and
10 primarily from manufacturing."

11 **SECTION 6.** The General Assembly finds the following:

- 12 (1) For corporations that are taxable in North Carolina and not taxable in
13 any other states, the calculation under Section 2 of this act is the only
14 calculation that applies. Section 5 of this act does not apply to those
15 corporations.
- 16 (2) For a corporation that is taxable in more than one state, if the
17 corporation is currently allocating and apportioning its income to
18 North Carolina by using the fraction provided in G.S. 105-130.4(i), the
19 provisions of Section 5 of this act govern how that fraction is
20 calculated. Section 5 of this act does not itself require a corporation to
21 use the fraction method.
- 22 (3) Alternatively, G.S. 105-130.4(t) sets out the circumstances under
23 which a corporation taxable in more than one state may determine the
24 portion of its income taxable to North Carolina based on its books of
25 account, in accordance with generally accepted accounting procedures
26 as established by the Financial Accounting Standards Board.
- 27 (4) Section 5 of this act would not, therefore, apply to corporations
28 currently using the separate accounting method under G.S.
29 105-130.4(t).

30 **SECTION 7.** This act becomes effective for taxable years beginning on or
31 after January 1, 2005.