

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

S

D

SENATE DRS35281-LYx-126 (2/28)

Short Title: Repeal Incentives - Lower Corporate Tax Rate. (Public)

Sponsors: Senator Pittenger.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO LOWER THE CORPORATE INCOME TAX RATE BY ELIMINATING
SPECIAL TAX BREAKS.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding any provision of law to the contrary, effective for business activities occurring on or after January 1, 2008, the following Articles of Chapter 105 of the General Statutes are repealed:

- (1) Article 3A – Tax Incentives for New and Expanding Businesses.
- (2) Article 3B – Business and Energy Tax Credits.
- (3) Article 3C – Tax Incentives for Recycling Facilities.
- (4) Article 3D – Historic Rehabilitation Tax Credits.
- (5) Article 3E – Low-Income Housing Tax Credits
- (6) Article 3F – Research and Development.
- (7) Article 3G – Tax Incentives for Major Computer Manufacturing Facilities.
- (8) Article 3H – Mill Rehabilitation Tax Credit.
- (9) Article 3J – Tax Credits for Growing Businesses.

SECTION 2. Part 5 of Article 4 of Chapter 105 of the General Statutes is repealed.

SECTION 3. Notwithstanding any provision of law to the contrary, effective for business activities occurring on or after January 1, 2008, the following sections of the General Statutes are repealed.

- (1) G.S. 105-130.22. Tax credit for construction of dwelling units for handicapped persons.
- (2) G.S. 105-130.25. Credit against corporate income tax for construction of cogenerating power plants.
- (3) G.S. 105-130.34. Credit for certain real property donations.

- 1 (4) G.S. 105-130.36. Credit for conservation tillage equipment.
2 (5) G.S. 105-130.37. Credit for gleaned crop.
3 (6) G.S. 105-130.39. Credit for certain telephone subscriber line charges.
4 (7) G.S. 105-130.41. Credit for North Carolina State Ports Authority
5 wharfage, handling, and throughput charges.
6 (8) G.S. 105-130.43. Credit for savings and loan supervisory fees.
7 (9) G.S. 105-130.44. Credit for construction of poultry composting
8 facility.
9 (10) G.S. 105-130.45. Credit for manufacturing cigarettes for exportation.
10 (11) G.S. 105-130.46. Credit for manufacturing cigarettes for exportation
11 while increasing employment and utilizing State Ports.
12 (12) G.S. 105-130.47. Credit for qualifying expenses of a production
13 company.
14 (13) G.S. 105-130.48. Credit for recycling oyster shells.

15 **SECTION 4.(a)** G.S. 105-130.5(a) is amended by adding a new subdivision

16 to read:

17 "(a) The following additions to federal taxable income shall be made in
18 determining State net income:

19 ...

20 (2a) The portion of a financial institution's interest expense that is allocable
21 to interest income exempt from taxation under this Part. The allocable
22 portion of the interest expense is the portion for which deduction
23 would be disallowed pursuant to section 265(b) of the Code if the
24 interest income exempt from taxation under this Part were earned on
25 tax-exempt obligations as defined in section 265(b) of the Code."

26 **SECTION 4.(b)** This section is effective for taxable years beginning on or
27 after January 1, 2007. Notwithstanding G.S. 105-163.41, no addition to tax may be
28 made under that statute for a taxable year beginning on or after January 1, 2007, and
29 before January 1, 2008, with respect to an underpayment of corporation tax to the extent
30 the underpayment was created or increased by this section.

31 **SECTION 5.(a)** G.S. 105-130.4(l) reads as rewritten:

- 32 "(l) (1) The sales factor is a fraction, the numerator of which is the total sales
33 of the corporation in this State during the income year, and the
34 denominator of which is the total sales of the corporation everywhere
35 during the income year. Notwithstanding any other provision under
36 this Part, the receipts from any casual sale of property shall be
37 excluded from both the numerator and the denominator of the sales
38 factor. Where a corporation is not taxable in another state on its
39 apportionable income but is taxable in another state only because of
40 nonapportionable income, all sales shall be treated as having been
41 made in this State.
42 (2) Sales of tangible personal property are in this State if the property is
43 received in this State by ~~the purchaser.~~ a purchaser other than the
44 United States government or if the property is shipped from a place in

1 this State and the purchaser is the United States government or the
 2 taxpayer is not taxable in the state of the purchaser. In the case of
 3 delivery of goods by common carrier or by other means of
 4 transportation, including transportation by the purchaser, the place at
 5 which the goods are ultimately received after all transportation has
 6 been completed shall be considered as the place at which the goods are
 7 received by the purchaser. Direct delivery into this State by the
 8 taxpayer to a person or firm designated by a purchaser from within or
 9 without the State shall constitute delivery to the purchaser in this State.

10 (3) Other sales are in this State if:

- 11 a. The receipts are from real or tangible personal property located
- 12 in this State; or
- 13 b. The receipts are from intangible property and are received from
- 14 sources within this State; or
- 15 c. The receipts are from services and the income-producing
- 16 activities are in this State."

17 **SECTION 5.(b)** This section is effective for taxable years beginning on or
 18 after January 1, 2007.

19 **SECTION 6.(a)** G.S. 105-130.4(i) reads as rewritten:

20 "(i) All apportionable income of corporations other than public utilities and
 21 excluded corporations shall be apportioned to this State by multiplying the income by a
 22 fraction, the numerator of which is the property factor plus the payroll factor plus ~~twice~~
 23 the sales factor, and the denominator of which is ~~four~~ three. Provided, that where ~~the~~
 24 ~~sales factor~~ one of the factors does not exist, the denominator of the fraction shall be the
 25 number of existing factors ~~and where the sales factor exists but the payroll factor or the~~
 26 ~~property factor does not exist, the denominator of the fraction shall be the number of~~
 27 ~~existing factors plus one factor.~~"

28 **SECTION 6.(b)** This section is effective for taxable years beginning on or
 29 after January 1, 2007.

30 **SECTION 7.** G.S. 105-130.3 reads as rewritten:

31 **"§ 105-130.3. Corporations.**

32 A tax is imposed on the State net income of every C Corporation doing business in
 33 this State. An S Corporation is not subject to the tax levied in this section. The tax is a
 34 percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
35 In 1997	7.5%
36 In 1998	7.25%
37 In 1999	7%
38 After 1999 <u>In 2000 through 2007</u>	6.9% <u>6.9%</u>
39 <u>After 2007</u>	<u>2%.</u> "

40 **SECTION 8.** G.S. 115C-546.1(b) reads as rewritten:

41 "(b) Each calendar quarter, the Secretary of Revenue shall remit to the State
 42 Treasurer for credit to the Public School Building Capital Fund an amount equal to the
 43 applicable fraction provided in the table below of the net collections received during the
 44 applicable fraction provided in the table below of the net collections received during the

1 previous quarter by the Department of Revenue under G.S. 105-130.3. All funds
2 deposited in the Public School Building Capital Fund shall be invested as provided in
3 G.S. 147-69.2 and G.S. 147-69.3.

4	Period	Fraction
5	10/1/97 to 9/30/98	One-fifteenth (1/15)
6	10/1/98 to 9/30/99	Two twenty-ninths (2/29)
7	10/1/99 to 9/30/00	One-fourteenth (1/14)
8	After 9/30/00 <u>10/1/00 through 9/30/07</u>	Five sixty-ninths (5/69)
9	<u>After 9/30/07</u>	<u>One-quarter (1/4)."</u>

10 **SECTION 9.** This act is effective when it becomes law.