

GENERAL ASSEMBLY OF NORTH CAROLINA
1997 SESSION

S.L. 1997-439
HOUSE BILL 1157

AN ACT TO CLARIFY THE CORPORATE INCOME TAX ON CERTAIN TAX-EXEMPT OBLIGATIONS, TO DELETE THE CAP ON CORPORATE INCOME TAX DEDUCTIONS OF DIVIDENDS RECEIVED FROM REGULATED INVESTMENT COMPANIES, AND TO ALLOW THE DEPARTMENT OF REVENUE TO DEDUCT ITS COST OF ADMINISTERING THE DISTRIBUTION OF GROSS RECEIPTS TO CITIES.

The General Assembly of North Carolina enacts:

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

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

- a. This State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State.
- b. A nonprofit educational institution organized or chartered under the laws of this State."

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

"§ 105-130.7. Deductible portion of dividends.

(a) Regulated Investment Companies. – A corporation may deduct the proportionate part of dividends received by it from a regulated investment company or a real estate investment trust, as defined in G.S. 105-130.12, as represents and corresponds to income received by the regulated investment company or real estate investment trust that would not be taxed by this State if received directly by the corporation.

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

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

~~(1),(2) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.~~

~~(3) A corporation may deduct such proportionate part of dividends received by it from a regulated investment company or a real estate investment trust, as defined in G.S. 105-130.12, as represents and~~

~~corresponds to income received by such regulated investment company or real estate investment trust which would not be taxed by this State if received directly by the corporation.~~

- ~~(3a) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.~~
- ~~(4) A corporation that, at the close of its taxable year, has its commercial domicile within North Carolina shall be allowed to deduct all dividends received from corporations in which it owns more than fifty percent (50%) of the outstanding voting stock.~~
- ~~(5) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 3.~~
- ~~(6) In no case shall the total amount of dividends that are allowed as a deduction to a corporation under subdivision (3) of this section exceed fifteen thousand dollars (\$15,000) for the taxable year."~~

Section 3. G.S. 105-116.1(b), as enacted by Section 1 of Session Law 97-118, reads as rewritten:

"(b) Distribution. – The Secretary must distribute to the cities part of the taxes collected under this Article on electric power companies, natural gas companies, and telephone companies. Each city's share for a calendar quarter is the percentage distribution amount for that city for that quarter minus one-fourth of the city's hold-back ~~amount.~~ amount and one-fourth of the city's proportionate share of the annual cost to the Department of administering the distribution. The Secretary must make the distribution within 75 days after the end of each calendar quarter."

Section 4. Sections 1 and 2 of this act are effective for taxable years beginning on or after January 1, 1997. The remainder of this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 19th day of August, 1997.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ Harold J. Brubaker
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 10:21 a.m. this 28th day of August, 1997