

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023**

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SENATE BILL 478

Short Title: Small Business Capital Improvement Account. (Public)

Sponsors: Senators Batch, Garrett, and Chaudhuri (Primary Sponsors).

Referred to: Rules and Operations of the Senate

April 4, 2023

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW SMALL BUSINESSES TO ELIMINATE STATE INCOME TAXES ON
3 A PORTION OF REVENUE IF USED FOR CAPITAL EXPENDITURES.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-153.5 reads as rewritten:

6 "**§ 105-153.5. Modifications to adjusted gross income.**

7 ...
8 (b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may
9 deduct from the taxpayer's adjusted gross income any of the following items that are included in
10 the taxpayer's adjusted gross income:

11 ...
12 (7a) The amount deposited during the taxable year by a taxpayer that is a small
13 business to a capital improvement account. The deduction allowed by this
14 subdivision is limited to deposit amounts of five percent (5%) of the taxpayer's
15 adjusted gross income up to one million dollars (\$1,000,000), two percent
16 (2%) of the taxpayer's adjusted gross income above one million dollars
17 (\$1,000,000) up to two million dollars (\$2,000,000), and one percent (1%) of
18 the taxpayer's adjusted gross income above two million dollars (\$2,000,000)
19 up to three million dollars (\$3,000,000). For purposes of this subdivision, a
20 "small business" is a business whose cumulative gross receipts from business
21 activity for the taxable year do not exceed ten million dollars (\$10,000,000)
22 and a "capital improvement account" is an account at a federally insured
23 banking institution into which are deposited amounts to be used solely for an
24 improvement that adds value to real property owned and used exclusively by
25 the small business, prolongs the useful life of such property at least 10 years,
26 or adapts such property to new uses for the small business.

27 ...
28 (c) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the
29 taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's
30 adjusted gross income:

31 ...
32 (7a) The amount deducted in a prior taxable year pursuant to subdivision (7a) of
33 subsection (b) of this section to the extent this amount was withdrawn and not
34 used to pay for improvements listed in that subdivision.

35"



1 **SECTION 2.** This act is effective for taxable years beginning on or after January 1,
2 2023.