

NORTH CAROLINA GENERAL ASSEMBLY
1969 SESSION

CHAPTER 1124
SENATE BILL 805

1 AN ACT TO AMEND SUBCHAPTER I OF CHAPTER 105 OF THE GENERAL
2 STATUTES TO ALLOW CORPORATIONS DOMICILED IN NORTH CAROLINA TO
3 DEDUCT DIVIDENDS RECEIVED FROM CERTAIN SUBSIDIARY CORPORATIONS
4 FOR INCOME TAX PURPOSES.

5
6 The General Assembly of North Carolina do enact:

7
8 **Section 1.** The Corporation Income Tax Act, being Article 4, Schedule D, Division
9 I of Chapter 105 of the General Statutes is hereby amended as follows:

10 (a) Subsection (c) of G.S. 105-130.5 as the same appears in the 1967 Cumulative
11 Supplement to Volume 2D of the General Statutes is hereby amended by adding a new
12 subparagraph (4) at the end thereof, as follows:

13 "(4) No deduction shall be allowed for any direct or indirect expense applicable
14 to dividend income fully deductible under G.S. 105-130.7(5)."

15 (b) G.S. 105.130.7 as the same appears in the 1967 Cumulative Supplement to
16 Volume 2D of the General Statutes is hereby further amended by adding new subparagraphs (5)
17 and (6) at the end thereof as follows:

18 "(5) Notwithstanding the provisions of subsections (1) through (4) of this
19 Section, a corporation which, at the close of its taxable year, has its
20 commercial domicile within North Carolina shall be allowed to deduct all
21 dividends received from corporations in which it owns more than fifty
22 percent (50%) of the outstanding voting stock."

23 "(6) Notwithstanding any other provisions of this division, a corporation which is
24 a shareholder in a holding company having its commercial domicile in North
25 Carolina shall be allowed as a deduction an amount equal to those dividends
26 received by it from such holding company, multiplied by a fraction, the
27 numerator of which shall be the dividends received by such holding
28 company attributable to North Carolina, and the denominator of which shall
29 be the gross dividends received by such holding company. For purposes of
30 this Section, 'dividends attributable to North Carolina' shall be the amount of
31 dividend income received by the holding company on stock owned in other
32 corporations equal to the total of the proportion of each of such corporation's
33 dividends as shall be determined deductible by the Commissioner under
34 subsections (1) through (4) of this Section; provided that a holding company
35 having its commercial domicile in North Carolina which owns more than
36 fifty percent (50%) of the outstanding voting stock of one or more holding
37 companies as defined in this subsection shall be permitted a deduction for all
38 dividends received from such holding companies and all other corporations
39 in which it owns more than fifty percent (50%) of the outstanding voting
40 stock. A shareholder of such a holding company shall determine the
41 deductible portion of its dividends received from such holding company as
42 hereinabove provided except that the amounts received from a subsidiary
43 holding company as 'dividends attributable to North Carolina' shall be

1 determined as though the subsidiary corporation of the subsidiary holding
2 company had paid the dividends directly to the parent holding company.
3 For the purposes of this Section and unless the context clearly requires a different
4 meaning, 'holding company' shall mean any corporation having its commercial domicile in
5 North Carolina whose ordinary gross income consists of fifty percent (50%) or more of
6 dividend income received from corporations in which it owns more than fifty percent (50%) of
7 the outstanding voting stock, and 'subsidiary' shall mean any corporation, more than fifty
8 percent (50%) of whose outstanding voting stock is owned by another corporation."
9 **Sec. 2.** All laws and clauses of laws in conflict with this Act are hereby repealed.
10 **Sec. 3.** This Act shall be effective for taxable years beginning on and after January
11 1, 1969.
12 In the General Assembly read three times and ratified, this the 30th day of June,
13 1969.