

GENERAL ASSEMBLY OF NORTH CAROLINA
1987 SESSION

CHAPTER 637
SENATE BILL 752

AN ACT TO PROVIDE THAT FOREIGN SALES CORPORATIONS SHALL BE EXEMPT FROM STATE INCOME TAX TO THE SAME EXTENT AS THEY ARE EXEMPT FROM FEDERAL INCOME TAX.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-130.5 is amended by adding a new subsection at the end to read:

"(f) The exempt foreign trade income, as defined in Section 923 of the Code, of a foreign sales corporation shall not be included in the net income of the foreign sales corporation under this Division. Any expenses and commissions paid by a shareholder to a foreign sales corporation that are deductible under the Code shall be deductible from the shareholder's income under this Article. As used in this section, the term 'foreign sales corporation' means a corporation that qualifies as a foreign sales corporation under the provisions of Subchapter N of Chapter 1 of the Code and has in effect for the entire taxable year a valid election under the Code to be treated as a foreign sales corporation."

Sec. 2. The Department of Revenue shall report to the General Assembly on or before May 1 of each year the estimated revenue loss for that year attributable to the exemption of part of the foreign trade income of foreign sales corporations, as provided in G.S. 105-130.5(f).

Sec. 3. This act shall become effective January 1, 1988, and applies to taxable years beginning on or after that date. This act shall expire December 30, 1991.

In the General Assembly read three times and ratified this the 17th day of July, 1987.