

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

S

1

SENATE BILL 940

Short Title: Extend Loss Deduction Carryover.

(Public)

Sponsors: Senator Winner.

Referred to: Finance.

May 13, 1991

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT PRE-1989 NET ECONOMIC LOSSES MAY BE CARRIED FORWARD FOR FIFTEEN YEARS FOR INDIVIDUAL INCOME TAX PURPOSES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-134.7 reads as rewritten:

"§ 105-134.7. Transitional adjustments.

(a) The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

- (1) Amounts that were included in the basis of property under federal tax law but not under State tax law before January 1, 1989, shall be added to taxable income in the year the taxpayer disposes of the property.
(2) Amounts that were included in the basis of property under State tax law but not under federal tax law before January 1, 1989, shall be deducted from taxable income in the year the taxpayer disposes of the property.
(3) Amounts that were recognized as income under federal law but not under State law due to a taxpayer's use of the installment method set out in G.S. 105-142(f) prior to January 1, 1989, shall be added to taxable income in the taxpayer's first taxable year beginning on or after January 1, 1989. Amounts that were recognized as income under State law but not under federal law due to a taxpayer's use of a different installment method prior to January 1, 1989, shall be deducted from

- 1 taxable income in the taxpayer's first taxable year beginning on or after
2 January 1, 1989.
- 3 (4) Losses in the nature of net economic losses sustained in any or all of
4 the ~~five~~-fifteen taxable years preceding the taxpayer's first taxable year
5 beginning on or after January 1, 1989, arising from business
6 transactions, business capital, or business property, may be deducted
7 from taxable income subject to the limitations contained in former
8 G.S. 105-147(9)a., c., and d. ~~(repealed)~~.-~~(repealed)~~, except that in
9 applying the provisions of former G.S. 105-147(9)d. to this
10 subdivision, the term 'five' means 'fifteen'.
- 11 (5) The amount of any net operating loss for a taxable year beginning on
12 or after January 1, 1989, carried back to a taxable year beginning
13 before January 1, 1989, pursuant to section 172 of the Code may be
14 deducted from taxable income in the taxable year following the taxable
15 year for which the loss occurred.
- 16 (6) A loss or deduction that was incurred or paid and deducted from State
17 taxable income in a taxable year beginning before January 1, 1989, and
18 is carried forward and deducted in a taxable year beginning on or after
19 January 1, 1989, under the Code shall be added to taxable income.
- 20 (7) The transitional adjustments provided in Division I-S of this Article
21 shall be made with respect to a shareholder's pro rata share of S
22 Corporation income.
- 23 (b) The Secretary may by rule require other adjustments to be made to taxable
24 income as necessary to assure that the transition to the tax changes effective January 1,
25 1989, will not result in double taxation of income, exemption of otherwise taxable
26 income from taxation under this Division, or double allowance of deductions."
- 27 Sec. 2. This act is effective retroactively for taxable years beginning on or
28 after January 1, 1989.