

May 10, 2001

H 1445. SIMPLIFY TAXATION OF FINANCIAL INSTITUTIONS. TO SIMPLIFY THE TAXATION OF FINANCIAL INSTITUTIONS BY REPEALING THE STATE PRIVILEGE LICENSE TAX IMPOSED ON THEIR ASSETS AND BY CONFORMING TO FEDERAL LAW. Repeals GS 105-102.3, which levies privilege license tax on banks and other financial institutions. Repeal is effective for taxable years beginning on or after July 1, 2002. Adds new GS 105-130.5(a)(2a), directing the following addition to federal taxable income in determining state taxable income for corporations: amount equal to 35% of that portion of financial institution's interest expense allocable to interest income exempt from state taxation. Provides that allocable portion of interest expense is that portion for which deduction would be disallowed pursuant to IRC section 265(b) if interest were earned on tax-exempt obligation as defined in IRC section 265(b). This change effective for taxable years beginning on or after Jan. 1, 2002.

Intro. by Luebke.

Ref. to Financial Inst	GS 105
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