

June 11, 2002

H 1603. IRC UPDATE. TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE USED IN DEFINING AND DETERMINING CERTAIN STATE TAX PROVISIONS. (1) Amends GS 105-228.90(b)(1b), which specifies the version of the federal Internal Revenue Code that is the one referred to in various portions of the GS Chapter 105; current law specifies the code as in effect on Jan. 1, 2001, and this bill would change that to the code in effect on May 1, 2002. (2) Amends GS 105-130.5 (which relates to corporate income tax) and GS 105-134.6 (which relates to individual income tax) to add as an element of taxable income for state income tax the following addition to federal income tax taxable income: the amount allowed as a 30% accelerated depreciation deduction under section 168(k) or 1400L of the Internal Revenue Code. In addition, a taxpayer who was allowed a 30% deduction under either of those sections in a taxable year beginning before Oct. 1, 2001, and whose NC taxable income in that earlier year reflected that accelerated depreciation deduction would have to add to federal taxable income in the first taxable year beginning on or after Oct. 1, 2001, an amount equal to the amount of the deduction allowed in the earlier taxable year. The adjustment would not result in a difference in basis of the affected assets for state and federal income tax purposes. This provision is effective for taxable years beginning on or after Jan. 1, 2002. (3) Amends each of the statutes referenced in the preceding section (GS 105-130.5 and -134.6) to add provisions specifying that in each of the taxpayer's first five taxable years beginning on or after Jan. 1, 2005, a deduction is to be made from federal income tax taxable income of the following amounts in calculating state income tax taxable income: 20% of the amount added as taxable income in a previous year as accelerated depreciation as a result of the provisions in the preceding section. (4) Amends GS 105-32.2, which provides that the amount of the NC estate tax is the maximum credit for state death taxes allowed under Section 2011 of the Internal Revenue Code, to specify that this remains the case without regard to the phaseout of that credit under subdivision (b)(2) of Section 2011. This provision is effective on and after Jan. 1, 2002, and applies to estates of decedents dying on or after that date. It is repealed for estates of decedents dying on or after Jan. 1, 2004. (5) Effective for taxable years beginning on or after Jan. 1, 2002, repeals GS 105-134.6(b)(13), which provides a deduction from income for state income tax purposes for the amount that is distributed to a beneficiary of the Parental Savings Trust Fund of the State Educational Assistance Authority. (6) Provides that any amendments to the Internal Revenue Code enacted in 2001 that increase NC taxable income for the 2001 taxable year become effective for taxable years beginning on or after January 1, 2002.

Intro. by Luebke, Allen, Wainwright.

Ref. to Finance	GS 105
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