

June 13, 2002

H 1694. CLOSE CORPORATE TAX LOOPHOLES. TO RAISE THE SALES TAX RATE AND REMOVE THE CAP ON SALES OF CERTAIN MACHINERY AND EQUIPMENT; TO REPEAL THE TAX CREDIT FOR INVESTING IN MACHINERY AND EQUIPMENT; TO CONFORM STATE INCOME TAX ON BANKS TO FEDERAL INCOME TAX ON BANKS; TO PROVIDE THAT NEXUS MAY BE BASED ON A SUBSTANTIAL CUSTOMER BASE; AND TO REPEAL THE GUARANTY FUND TAX CREDIT. Rewrites GS 105-164.4(a)(1d) to increase the sales tax on certain machinery and equipment from 1% to 2% and to remove the maximum on the tax, for sales made on or after July 1, 2002. Repeals GS 105-129.9, which provides a tax credit for investments in certain machinery and equipment, effective for business activities occurring on or after Jan. 1, 2003. Rewrites GS 105-130.5(a) to add to federal taxable income, for purposes of determining state net income, the portion of a financial institution's interest expense that is allocable to interest income exempt from taxation, for taxable years beginning on or after Jan. 1, 2002. For taxable years beginning on or after Jan. 1, 2003, repeals GS 105-228.5A, the guaranty fund tax credit. Rewrites GS 105-228.90(b) to define "financial institution" as a holding company, regulated financial corporation, or person engaged in the business of a financial institution. Rewrites GS 105-250 to specify the conditions that result in a financial institution's "doing business" in this state and to create a rebuttable presumption that a financial institution is doing business in the state if its assets and the absolute value of its deposits attributable to sources within the state equal or exceed \$5 million.

Intro. by Miller.

Ref. to Finance	GS 105
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