

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE DRH30328-LCx-125 (05/06)

Short Title: Conform Bank Expense Deduction. (Public)

Sponsors: Representative McComas.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CONFORM STATE INCOME TAX ON BANKS TO FEDERAL
INCOME TAX ON BANKS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-130.5(a) is amended by adding a new subdivision to
read:

"(a) The following additions to federal taxable income shall be made in
determining State net income:

...

(2a) The portion of a financial institution's interest expense that is allocable to interest income exempt from taxation under this Part. The allocable portion of the interest expense is the portion for which deduction would be disallowed pursuant to section 265(b) of the Code if the interest income exempt from taxation under this Part were earned on tax-exempt obligations as defined in section 265(b) of the Code."

SECTION 2. This act is effective for taxable years beginning on or after January 1, 2003. Notwithstanding G.S. 105-163.41, no addition to tax may be made under that statute for a taxable year beginning on or after January 1, 2003, and before January 1, 2004, with respect to an underpayment of corporation tax to the extent the underpayment was created or increased by this act.