

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003**

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**HOUSE BILL 1290**

Short Title: Conform Bank Expense Deduction.

(Public)

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Sponsors: Representatives McComas; Luebke and Insko.

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Referred to: Finance.

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May 15, 2003

A BILL TO BE ENTITLED

1 AN ACT TO CONFORM STATE INCOME TAX ON BANKS TO FEDERAL  
2 INCOME TAX ON BANKS.  
3

4 The General Assembly of North Carolina enacts:

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

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

9 ...

10 (2a) The portion of a financial institution's interest expense that is allocable  
11 to interest income exempt from taxation under this Part. The allocable  
12 portion of the interest expense is the portion for which deduction  
13 would be disallowed pursuant to section 265(b) of the Code if the  
14 interest income exempt from taxation under this Part were earned on  
15 tax-exempt obligations as defined in section 265(b) of the Code."

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