

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003

H

D

HOUSE DRH70385-LC-199B (4/5)

Short Title: Corporate Income Tax Exemption. (Public)

Sponsors: Representatives Daughtridge and LaRoque (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A CORPORATE INCOME TAX EXEMPTION.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** G.S. 105-130.3 reads as rewritten:

**"§ 105-130.3. Corporations.**

(a) Tax. – A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section.

The tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999	6.9%.

(b) Exemption. – Before computing the tax in subsection (a) of this section, a Corporation may subtract from State net income the applicable exemption amount. If the corporation is not required to apportion income to this State, the applicable exemption amount is ten thousand dollars (\$10,000). If the corporation is required to apportion income to this State, the applicable exemption amount is the product of the corporation's apportionment fraction determined under G.S. 105-130.4(i) multiplied by ten thousand dollars (\$10,000)."

**SECTION 1.(b)** G.S. 105-130.3(b), as amended by this section, reads as rewritten:

"(b) Exemption. – Before computing the tax in subsection (a) of this section, a Corporation may subtract from State net income the applicable exemption amount. If the corporation is not required to apportion income to this State, the applicable exemption amount is ~~ten~~ twenty thousand dollars (\$20,000). If the corporation is required to apportion income to this State, the applicable exemption

1 amount is the product of the corporation's apportionment fraction determined under  
 2 G.S. 105-130.4(i) multiplied by ~~ten~~ twenty thousand dollars (\$20,000).~~(\$10,000).~~"

3 **SECTION 2.** G.S. 115C-546.1(b) reads as rewritten:

4 "(b) Each calendar quarter, the Secretary of Revenue shall remit to the State  
 5 Treasurer for credit to the Public School Building Capital Fund an amount equal to the  
 6 applicable fraction or percentage provided in the table below of the net collections  
 7 received during the previous quarter by the Department of Revenue under  
 8 G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All  
 9 funds deposited in the Public School Building Capital Fund shall be invested as  
 10 provided in G.S. 147-69.2 and G.S. 147-69.3.

<b>Period</b>	<b><u>Fraction or Percentage</u></b>
10/1/97 to 9/30/98	One-fifteenth (1/15)
10/1/98 to 9/30/99	Two twenty-ninths (2/29)
10/1/99 to 9/30/00	One-fourteenth (1/14)
<u>10/1/00 to 9/30/04</u> <del>After 9/30/00</del>	Five sixty-ninths (5/69)
<u>10/1/04 to 9/30/05</u>	<u>Seven and thirty-six one-hundredths percent</u> (7.36%)
<u>After 9/30/05</u>	<u>Seven and forty-four one-hundredths percent</u> (7.44%)"

11  
12  
13  
14  
15  
16  
17  
18  
19  
20 **SECTION 3.** Section 1(a) of this act becomes effective for taxable years  
 21 beginning on or after January 1, 2004. Section 1(b) of this act becomes effective for  
 22 taxable years beginning on or after January 1, 2005. The remainder of this act is  
 23 effective when it becomes law.