

May 10, 2006

H 1892. IRC UPDATE. Filed 5/10/06. *TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE USED IN DEFINING AND DETERMINING CERTAIN STATE TAX PROVISIONS AND TO MAKE OTHER CHANGES TO MORE CLOSELY CONFORM TO FEDERAL TAX LAW.*

Section 1 amends GS 105-228.90(b)(1b) by changing the reference to the Internal Revenue Code from that enacted as of January 1, 2005, to that enacted as of January 1, 2006. This change makes recent amendments to the Internal Revenue Code applicable to state law to the extent that it tracks federal tax law.

Section 2 provides that notwithstanding the change in the Internal Revenue Code reference date made by section 1 of the act, any amendments to the Internal Revenue Code made after January 1, 2005, that have the effect of increasing NC taxable income for the 2005 tax year are effective only for tax years beginning on or after January 1, 2006.

Sections 3, 4, 5, and 6 amend GS 105-32.8, 105-130.20, 105-159, and 105-197.1 respectively to shorten from two years to six months the time that a taxpayer has to file a state amended estate, corporate income, individual income, or gift tax return when the federal government corrects or otherwise determines the amount on which the state tax is based. The change accords with the provision in the Multistate Tax Commission's model statute for reporting changes to federal tax liability.

Sections 7 and 8. Under current state law, nonresident alien corporate taxpayers and nonresident alien individual taxpayers must file a state tax return before the date on which their federal tax return is due (state income tax is calculated on the basis of the taxpayer federal income tax return). Sections 7 and 8 amend GS 105-130.17 (corporate tax) by adding new subsection (g) and GS 105-155(a) (individual tax) to change the date on which nonresident alien state tax returns are due to the 15th day of the sixth month after the close of the taxable year, thus making their state tax returns due at the same time as their federal tax returns.

Section 9 amends GS 105-151.11(b) by increasing the amount of child care and employment-related expenses for which a taxpayer may claim credit on their state income tax from \$2,400 to \$3,000 in the case of a household with one qualifying individual and from \$4,800 to \$6,000 in the case of a household with two or more qualifying individuals. This change makes the state tax provision conform to the federal provision, which had changed in 2003.

Sections 1 and 2 are effective when the act becomes law. Sections 3 through 6 become effective July 1, 2006, and apply to federal determinations made on or after that date. Sections 7 through 9 are effective for taxable years beginning on or after January 1, 2006.

Intro. by Wainwright.

GS 105

June 22, 2006

SL 2006-18 (H 1892). IRC UPDATE. *AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE USED IN DEFINING AND DETERMINING CERTAIN STATE TAX PROVISIONS AND TO MAKE OTHER CHANGES TO MORE CLOSELY CONFORM TO FEDERAL TAX LAW.* Summarized in *Daily Bulletin* 5/10/06. Enacted June 21, 2006. Sections 1, 2, and 10 are effective June 21, 2006. Sections 3–6 are effective July 1, 2006. Sections 7–9 are effective for taxable years beginning on or after January 1, 2006.