

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 1283 (Second Edition)

**SHORT TITLE:** Franchise Tax Base Calculation.

**SPONSOR(S):**

	FISCAL IMPACT				
	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
<b>REVENUES:</b>	See "Assumptions and Methodology"				
<b>EXPENDITURES:</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	North Carolina Department of Revenue.				
<b>EFFECTIVE DATE:</b>	Tax years beginning on or after January 1, 2007..				

**BILL SUMMARY:** Since August 1, 1996 the Department of Revenue has been allowing taxpayers, when calculating their franchise tax base, to reduce, but not below zero, a deferred liability by the deferred tax asset amount that resulted when the deferred liability was required under financial accounting standards. The current management of the Department of Revenue feels that the Department did not have the statutory authority to make such a ruling in 1996 and some taxpayers are challenging some of the specifics of the ruling. The proposal attempts to clarify the issue by allowing deferred tax liabilities to be reduced by their corresponding tax assets, but not below zero.

**ASSUMPTIONS AND METHODOLOGY:** Discussions with the Department of Revenue indicate that the impact of the change will be fairly small.

**SOURCES OF DATA:** North Carolina Department of Revenue.

**TECHNICAL CONSIDERATIONS:** None

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