

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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HOUSE BILL 1980

Short Title: Taxation of Nonqualified Patronage by Coop. (Public)

Sponsors: Representatives Howard and Brubaker (Primary Sponsors).

Referred to: Finance.

May 9, 2007

1 A BILL TO BE ENTITLED  
2 AN ACT TO CONFORM TO FEDERAL TAX TREATMENT OF NONQUALIFIED  
3 PATRONAGE DIVIDENDS PAID BY A COOPERATIVE.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Article 9 of Chapter 105 of the General Statutes is amended by  
6 adding a new section to read:

7 "**§ 105-266.3. Taxation of nonqualified patronage dividends paid by cooperative.**

8 This section applies to a taxpayer that calculates federal tax liability under § 1383 of  
9 the Code for the current taxable year. For the purposes of Part 1 of Article 4 of this  
10 Chapter, the taxpayer is considered to have made a payment of tax for the current  
11 taxable year on the later of the date the return for the current taxable year was filed or  
12 the date the return for the current taxable year was due to be filed. To the extent this  
13 payment creates an overpayment, the overpayment is refundable in accordance with  
14 G.S. 105-266. The amount of this payment of tax is the difference of the following:

15 (1) The amount the taxpayer's tax under Part 1 of Article 4 for the earlier  
16 taxable year was increased because the nonqualified written notices of  
17 allocation or the nonqualified per-unit retain certificates declared in  
18 that year were not deductible in arriving at State net income.

19 (2) The amount the taxpayer's tax under Part 1 of Article 4 for the current  
20 taxable year was decreased because the nonqualified written notices of  
21 allocation or the nonqualified per-unit retain certificates redeemed in  
22 that year were deductible in arriving at State net income. This  
23 reduction may not decrease the taxpayer's tax below zero."

24 SECTION 2. This act is effective for taxable years beginning on or after  
25 January 1, 2002.