

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013**

**HOUSE BILL 82
RATIFIED BILL**

**AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE AND
TO DECOUPLE FROM CERTAIN PROVISIONS OF THE FEDERAL AMERICAN
TAXPAYER RELIEF ACT OF 2012.**

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-228.90(b)(1b) reads as rewritten:

"(1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2012,~~
January 2, 2013, including any provisions enacted as of that date that
become effective either before or after that date."

SECTION 2.(a) G.S. 105-130.5(a)(15b) reads as rewritten:

"(15b) For taxable years 2010 through ~~2012,2013,~~ eighty-five percent (85%) of the
amount allowed as a special accelerated depreciation deduction under
section 168(k) or 168(n) of the Code for property placed in service during
the taxable year. In addition, for taxable year 2010, a taxpayer who placed
property in service during the 2009 taxable year and whose North Carolina
taxable income for the 2009 taxable year reflected a special accelerated
depreciation deduction allowed for the property under section 168(k) of the
Code must add eighty-five percent (85%) of the amount of the special
accelerated depreciation deduction. These adjustments do not result in a
difference in basis of the affected assets for State and federal income tax
purposes."

SECTION 2.(b) G.S. 105-130.5(b)(21b) reads as rewritten:

"(21b) An amount equal to twenty percent (20%) of the amount added to federal
taxable income as accelerated depreciation under subdivision (a)(15b) of this
section. For the amount added to taxable income in the 2010 taxable year,
the deduction allowed by this subdivision applies to the first five taxable
years beginning on or after January 1, 2011. For the amount added to taxable
income in the 2011 taxable year, the deduction allowed by this subdivision
applies to the first five taxable years beginning on or after January 1, 2012.
For the amount added to taxable income in the 2012 taxable year, the
deduction allowed by this subdivision applies to the first five taxable years
beginning on or after January 1, 2013. For the amount added to taxable
income in the 2013 taxable year, the deduction allowed by this subdivision
applies to the first five taxable years beginning on or after January 1, 2014."

SECTION 2.(c) G.S. 105-134.6(c)(8b) reads as rewritten:

"(8b) For taxable years 2010 through ~~2012,2013,~~ eighty-five percent (85%) of the
amount allowed as a special accelerated depreciation deduction under
section 168(k) or 168(n) of the Code for property placed in service during
the taxable year. In addition, for taxable year 2010, a taxpayer who placed
property in service during the 2009 taxable year and whose North Carolina
taxable income for the 2009 taxable year reflected a special accelerated
depreciation deduction allowed for the property under section 168(k) of the
Code must add eighty-five percent (85%) of the amount of the special
accelerated depreciation deduction. These adjustments do not result in a
difference in basis of the affected assets for State and federal income tax
purposes."

SECTION 2.(d) G.S. 105-134.6(b)(17b) reads as rewritten:



"(17b) An amount equal to twenty percent (20%) of the amount added to federal taxable income as accelerated depreciation under subdivision (c)(8b) of this section. For the amount added to taxable income in the 2010 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2011. For the amount added to taxable income in the 2011 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2012. For the amount added to ~~taxable~~ adjusted gross income in the 2012 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2013. For the amount added to adjusted gross income in the 2013 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2014."

read: **SECTION 3.(a)** G.S. 105-130.5(a) is amended by adding a new subdivision to

"(23a) For taxable years 2012 and 2013, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code for property placed in service in taxable year 2012 or 2013 exceeds the amount that would have been allowed for the respective taxable year under section 179 of the Code as of May 1, 2010. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes."

read: **SECTION 3.(b)** G.S. 105-130.5(b) is amended by adding a new subdivision to

"(26a) An amount equal to twenty percent (20%) of the amount added to federal taxable income under subdivision (a)(23a) of this section. For the amount added to taxable income in the 2012 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2013. For the amount added to taxable income in the 2013 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2014."

read: **SECTION 3.(c)** G.S. 105-134.6(c) is amended by adding a new subdivision to

"(15a) For taxable years 2012 and 2013, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code for property placed in service in taxable year 2012 or 2013 exceeds the amount that would have been allowed for the respective taxable year under section 179 of the Code as of May 1, 2010. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes."

read: **SECTION 3.(d)** G.S. 105-134.6(b) is amended by adding a new subdivision to

"(21a) An amount equal to twenty percent (20%) of the amount added to adjusted gross income under subdivision (c)(15a) of this section. For the amount added to adjusted gross income in the 2012 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2013. For the amount added to adjusted gross income in the 2013 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2014."

SECTION 4. G.S. 105-129.16G reads as rewritten:

"§ 105-129.16G. (Expiring for taxable years beginning on or after January 1, 2014) Work Opportunity Tax Credit.

(a) Credit. – A taxpayer who is allowed a federal tax credit under Part IV, Subpart F of the Code for the taxable year is allowed a credit against the tax imposed by this Part. The credit is equal to ~~six percent (6%)~~ a percentage of the amount of credit allowed under the Code for

wages paid during the taxable year for positions located in this State. A position is located in this State if more than fifty percent (50%) of the employee's duties are performed in the State. The percentage is as follows:

- (1) For taxable year 2013, three percent (3%).
- (2) For all other taxable years, six percent (6%).

...."
SECTION 5.(a) G.S. 105-134.6(c) is amended by adding a new subdivision to read:

"(16) For taxable year 2013, the amount of the taxpayer's deduction for qualified tuition and related expenses under section 222 of the Code. The purpose of this subdivision is to decouple from the extension of the federal deduction under section 207 of the American Taxpayer Relief Act of 2012."

SECTION 5.(b) G.S. 105-134.6(d)(2) reads as rewritten:

"(2) The taxpayer may deduct the amount by which the taxpayer's deductions allowed under the Code were reduced, and the amount of the taxpayer's deductions that were not allowed, because the taxpayer elected a federal tax credit in lieu of a deduction. This deduction is not allowed in the following circumstances:

- a. ~~only to the extent that~~ If a similar credit is ~~not~~ allowed by this Chapter for the amount.
- b. For taxable year 2013, if the taxpayer elected to claim the Hope scholarship credit, the Lifetime Learning credit, or the American Opportunity tax credit under section 25A of the Code in lieu of a deduction for qualified tuition and expenses under section 222 of the Code."

SECTION 6.(a) G.S. 105-134.6(c) is amended by adding a new subdivision to read:

"(17) For taxable year 2013, the amount excluded from the taxpayer's gross income for a qualified charitable distribution from an individual retirement plan by a person who has attained age 70 1/2 under section 408(d)(8) of the Code. The purpose of this subdivision is to decouple from the extension of the income exclusion under section 208 of the American Taxpayer Relief Act of 2012."

SECTION 6.(b) G.S. 105-134.6(d) is amended by adding a new subdivision to read:

"(23) For taxable year 2013, the taxpayer may deduct the amount that would have been allowed as a charitable deduction under section 170 of the Code had the taxpayer not elected to take the income exclusion under 408(d)(8) of the Code."

SECTION 7. G.S. 105-134.6(c) is amended by adding a new subdivision to read:

"(18) For taxable year 2013, the amount excluded from the taxpayer's gross income for the discharge of qualified principal residence indebtedness under section 108 of the Code. The purpose of this subdivision is to decouple from the extension of the income exclusion under section 202 of the American Taxpayer Relief Act of 2012."

SECTION 8. G.S. 105-134.6(c) is amended by adding a new subdivision to read:

"(19) For taxable year 2013, the amount of the taxpayer's deduction for mortgage insurance premiums as qualified residence interest under section 163 of the Code. The purpose of this subdivision is to decouple from the extension of the income exclusion under section 204 of the American Taxpayer Relief Act of 2012."

SECTION 9. G.S. 105-151.31 reads as rewritten:

"§ 105-151.31. (Repealed for taxable years beginning on or after January 1, 2014) Earned income tax credit.

(a) Credit. – An individual who claims for the taxable year an earned income tax credit under section 32 of the Code is allowed a credit against the tax imposed by this Part equal to ~~five percent (5%)~~ a percentage of the amount of credit the individual qualified for under section 32 of the Code. A nonresident or part-year resident who claims the credit allowed by this

section must reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The percentage is as follows:

(1) For taxable year 2013, four and one-half percent (4.5%).

(2) For all other taxable years, five percent (5%).

...."

SECTION 10. G.S. 105-151.32 reads as rewritten:

"§ **105-151.32. Credit for adoption expenses.**

(a) Credit. – An individual who is allowed a federal adoption tax credit under section ~~2336C~~ of the Code for the taxable year is allowed a credit against the tax imposed by this Part. The credit is equal to ~~fifty percent (50%)~~ a percentage of the amount of credit allowed under section ~~2336C~~ of the Code. The percentage is as follows:

(1) For taxable year 2013, thirty percent (30%).

(2) For all other taxable years, fifty percent (50%).

...."

SECTION 11. Except as otherwise provided, this act is effective when it becomes law and applies to the estates of decedents dying on or after January 1, 2012. Notwithstanding Section 1 of this act, any amendments to the Internal Revenue Code enacted after January 1, 2012, that increase North Carolina taxable income for the 2012 taxable year become effective for taxable years beginning on or after January 1, 2013.

In the General Assembly read three times and ratified this the 7th day of March, 2013.

s/ Daniel J. Forest
President of the Senate

s/ Paul Stam
Speaker Pro Tempore of the House of Representatives

Pat McCrory
Governor

Approved _____, m. this _____ day of _____, 2013