A BILL TO BE ENTITLED
AN ACT TO REDUCE THE FRANCHISE TAX AND TO MODIFY FILM GRANT LIMITS.

The General Assembly of North Carolina enacts:

FRANCHISE TAX CHANGES

SECTION 1.(a) G.S. 105-120.2(b) reads as rewritten:
"(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the
Secretary of Revenue, at the time the return is due, the greater of the following:
(1) A franchise or privilege tax at the rate of one dollar and fifty cents ($1.50) set
in G.S. 105-122(d2) per one thousand dollars ($1,000) of the amount
determined under subsection (a) of this section. In no case shall
the tax be more than one hundred fifty thousand dollars ($150,000) nor less
than two hundred dollars ($200.00).
(2) If the tax calculated under this subdivision exceeds the tax calculated under
subdivision (1) of this subsection, then the tax is levied at the rate of one dollar
and fifty cents ($1.50) set in G.S. 105-122(d2) per one thousand dollars
($1,000) on the greater of the following: the total actual investment in tangible
property in this State of such corporation as computed under G.S. 105-122(d),
a. Fifty-five percent (55%) of the appraised value as determined for ad
valorem taxation of all the real and tangible personal property in this
State of such corporation plus the total appraised value of
intangible property returned for taxation of intangible personal
property as computed under G.S. 105-122(d).
b. The total actual investment in tangible property in this State of such
corporation as computed under G.S. 105-122(d)."

SECTION 1.(b) G.S. 105-122(d)(2) is repealed.

SECTION 1.(c) G.S. 105-122(d2) reads as rewritten:
"(d2) Tax Rate. – For a C Corporation, For an electric power company or a company that
is a member of a qualified group, the tax rate is one dollar and fifty cents ($1.50) per one thousand
dollars ($1,000) of the company's tax base as determined under subsection (d) of this section. For
purposes of this subsection, the term "electric power company" has the same meaning as defined
in G.S. 105-130.4(s3) and the term "qualified group" means an affiliated group that has one or
more members that is an electric power company.
For all other C Corporations, as defined in G.S. 105-130.2, the tax rate is one dollar and
fifty cents ($1.50), one dollar and twenty-nine cents ($1.29) per one thousand dollars ($1,000) of
the corporation's tax base as determined under subsection (d) of this section. For an S
Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars ($200.00) for the first one million dollars ($1,000,000) of the corporation's tax base as determined under subsection (d) of this section and one dollar and fifty cents ($1.50) per one thousand dollars ($1,000) of its tax base that exceeds one million dollars ($1,000,000).

In no event may the tax imposed by this section be less than two hundred dollars ($200.00)."

SECTION 1.(d) G.S. 105-122(d2), as amended by subsection (c) of this section, reads as rewritten:
"(d2) Tax Rate. – For an electric power company or a company that is a member of a qualified group, the tax rate is one dollar and fifty cents ($1.50) per one thousand dollars ($1,000) of the company's tax base as determined under subsection (d) of this section. For purposes of this subsection, the term "electric power company" has the same meaning as defined in G.S. 105-130.4(s3) and the term "qualified group" means an affiliated group that has one or more members that is an electric power company.

For all other C Corporations, as defined in G.S. 105-130.2, the tax rate is one dollar and twenty-nine cents ($1.29) per one thousand dollars ($1,000) of the corporation's tax base as determined under subsection (d) of this section. For an S Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars ($200.00) for the first one million dollars ($1,000,000) of the corporation's tax base as determined under subsection (d) of this section and one dollar and twenty-nine cents ($1.29) per one thousand dollars ($1,000) of its tax base that exceeds one million dollars ($1,000,000).

In no event may the tax imposed by this section be less than two hundred dollars ($200.00)."

SECTION 1.(e) G.S. 105-122(d2), as amended by subsections (c) and (d) of this section, reads as rewritten:
"(d2) Tax Rate. – For an electric power company or a company that is a member of a qualified group, the tax rate is one dollar and fifty cents ($1.50) per one thousand dollars ($1,000) of the company's tax base as determined under subsection (d) of this section. For purposes of this subsection, the term "electric power company" has the same meaning as defined in G.S. 105-130.4(s3) and the term "qualified group" means an affiliated group that has one or more members that is an electric power company.

For all other C Corporations, as defined in G.S. 105-130.2, the tax rate is ninety-six cents ($0.96) per one thousand dollars ($1,000) of the corporation's tax base as determined under subsection (d) of this section. For an S Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars ($200.00) for the first one million dollars ($1,000,000) of the corporation's tax base as determined under subsection (d) of this section and ninety-six cents ($0.96) per one thousand dollars ($1,000) of its tax base that exceeds one million dollars ($1,000,000).

In no event may the tax imposed by this section be less than two hundred dollars ($200.00)."

SECTION 1.(f) Subsections (a) through (c) of this section are effective for taxable years beginning on or after January 1, 2021, and applicable to the calculation of franchise tax reported on the 2020 and later corporate income tax returns. Subsection (d) of this section is effective for taxable years beginning on or after January 1, 2022, and applicable to the calculation of franchise tax reported on the 2021 and later corporate income tax returns. Subsection (e) of this section is effective for taxable years beginning on or after January 1, 2027, and applicable to the calculation of franchise tax reported on the 2026 and later corporate income tax returns. Except as otherwise provided, this section is effective when it becomes law.

MODIFY FILM GRANT

SECTION 2.(a) G.S. 143B-437.02A reads as rewritten:
"§ 143B-437.02A. The Film and Entertainment Grant Fund.
(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide funds to encourage the production of motion pictures, television shows, movies for television, productions intended for on-line distribution, and commercials and to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines may provide for the Secretary to award the grant proceeds over a period of time, not to exceed three years. Those guidelines shall include the following provisions, which shall apply to each grant from the account:

(1) The funds are reserved for a production on which the production company has qualifying expenses of at least the following:
   a. For a feature-length film:
      1. Three million dollars ($3,000,000), One million five hundred thousand dollars ($1,500,000), if for theatrical viewing.
      2. One million dollars ($1,000,000), Five hundred thousand dollars ($500,000), if a movie for television.
   b. For a television series, one million dollars ($1,000,000)–five hundred thousand dollars ($500,000) per episode.
   c. For a commercial for theatrical or television viewing or on-line distribution, two hundred fifty thousand dollars ($250,000).

(2) The funds are not used to provide a grant in excess of any of the following:
   …
   b. An amount more than seven million dollars ($7,000,000) for a feature-length film, more than twelve–fifteen million dollars ($12,000,000–$15,000,000) for a single season of a television series, or two hundred fifty thousand dollars ($250,000) for a commercial for theatrical or television viewing or on-line distribution.

(d1) Agreement Binding. – An agreement awarding a grant pursuant to this section for which the production company is entitled to payment for performance under the agreement is a binding obligation of the State and is not subject to State funds being appropriated by the General Assembly.

"SECTION 2.(b) This section is effective when it becomes law and applies to grants made on or after that date.

EFFECTIVE DATE

SECTION 3. Except as otherwise provided, this act is effective when it becomes law.