

GENERAL ASSEMBLY OF NORTH CAROLINA
1989 SESSION

CHAPTER 718
SENATE BILL 894

AN ACT TO ELIMINATE DOUBLE TAXATION OF INCOME IN RESPECT OF A
DECEDENT.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-147 is amended by adding a new subdivision to read:

"(29) The amount of inheritance tax attributable to an item of income in respect of a decedent required to be included in gross income under G.S. 105-142.1(a). The amount of inheritance tax attributable to an item of income in respect of a decedent is (i) the amount by which the inheritance tax paid under Article 1 of this Chapter on property transferred to a beneficiary by a decedent exceeds the amount of inheritance tax that would have been payable by the beneficiary if the item of income in respect of a decedent had not been included in the property transferred to the beneficiary by the decedent, (ii) multiplied by a fraction, the numerator of which is the amount required to be included in gross income for the taxable year under G.S. 105-142.1(a) and the denominator of which is the total amount of income in respect of a decedent transferred to the beneficiary by the decedent. For an estate or trust, the deduction allowed by this subdivision shall be computed by excluding from the gross income of the estate or trust the portion, if any, of the items of income in respect of a decedent that are properly paid, credited, or to be distributed to the beneficiaries during the taxable year.

The Secretary of Revenue may provide to a beneficiary of an item of income in respect of a decedent any information contained on an inheritance tax return that the beneficiary needs to compute the deduction allowed by this subdivision."

Sec. 2. G.S. 105-134.6(b), as enacted by House Bill 89 or Senate Bill 51, Chapter ___ of the 1989 Session Laws, is amended by adding at the end a new subdivision to read:

"(5) The amount of inheritance tax attributable to an item of income in respect of a decedent required to be included in gross income under the Code, adjusted as provided in G.S. 105-134.5, 105-134.6, and 105-134.7. The amount of inheritance tax attributable to an item of income in respect of a decedent is (i) the amount by which the inheritance tax paid under Article 1 of this Chapter on property transferred to a beneficiary by a decedent exceeds the amount of inheritance tax that would have been payable by the beneficiary if the item of income in respect of a decedent had not been included in the property transferred to the beneficiary by the decedent, (ii) multiplied by a fraction, the numerator of which is the amount required to be included in gross income for the taxable year under the Code, adjusted as provided in G.S. 105-134.5, 105-134.6, and 105-134.7, and the denominator of which is the total amount of income in respect of

a decedent transferred to the beneficiary by the decedent. For an estate or trust, the deduction allowed by this subdivision shall be computed by excluding from the gross income of the estate or trust the portion, if any, of the items of income in respect of a decedent that are properly paid, credited, or to be distributed to the beneficiaries during the taxable year.

The Secretary of Revenue may provide to a beneficiary of an item of income in respect of a decedent any information contained on an inheritance tax return that the beneficiary needs to compute the deduction allowed by this subdivision."

Sec. 3. Sections 1 and 3 of this act are effective for taxable years beginning on or after January 1, 1989. Section 2 of this act shall become effective for taxable years for which G.S. 105-147 is repealed by House Bill 89 or Senate Bill 51, if either bill is enacted by the 1989 General Assembly.

In the General Assembly read three times and ratified this the 3rd day of August, 1989.