

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 1186

Short Title: Banks/Alternative Minimum Tax.

(Public)

Sponsors: Representative Gamble.

Referred to: Finance.

May 16, 1996

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE AN ALTERNATIVE MINIMUM TAX FOR
2 CORPORATIONS THAT REDUCE THEIR TAXABLE INCOME BY
3 DEDUCTING INTEREST EXPENSE ATTRIBUTABLE TO TAX-EXEMPT
4 INTEREST INCOME.
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6 The General Assembly of North Carolina enacts:

7 Section 1. Division I of Article 4 of Chapter 105 of the General Statutes is
8 amended by adding a new section to read:

9 **"§ 105-130.3B. Alternative minimum tax.**

10 (a) Tax Imposed. – A tax is imposed on every C Corporation doing business in
11 this State equal to the excess of the tentative minimum tax for the taxable year over the
12 income tax imposed by G.S. 105-130.3 for the taxable year. This tax is in addition to the
13 tax imposed by G.S. 105-130.3. This tax is due at the time prescribed in G.S. 105-130.17
14 for filing corporation income tax returns.

15 (b) Tentative Minimum Tax. – The tentative minimum tax is seven and seventy-
16 five one-hundredths percent (7.75%) of the excess of the taxpayer's alternative minimum
17 taxable income over the exemption amount. The exemption amount is the applicable
18 exemption amount provided in section 55(d) of the Code. The alternative minimum
19 taxable income is the taxpayer's State net income for the taxable year plus fifty percent
20 (50%) of the amount of interest expense that was deducted in calculating State net

1 income and is allocable to interest income exempt from taxation under this Division. In
2 the case of a financial institution, the allocable amount of the interest expense is the
3 amount for which deduction would be disallowed pursuant to section 265(b) of the Code
4 if the interest were earned on a tax-exempt obligation as defined in section 265(b) of the
5 Code."

6 Sec. 2. Notwithstanding G.S. 105-163.41, no addition to tax may be made
7 under that statute for a taxable year beginning on or after January 1, 1996, and before
8 January 1, 1997, with respect to an underpayment of corporation income tax to the extent
9 the underpayment was created or increased by this act.

10 Sec. 3. This act is effective for taxable years beginning on or after January 1,
11 1996.