

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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SENATE BILL 172

Short Title: Corporate Income Tax Exemption. (Public)

Sponsors: Senators Smith; Allran, Apodaca, Berger of Rockingham, Bingham, Blake, Brock, Brown, East, Forrester, Garwood, Goodall, Hartsell, Horton, Hunt, Jacumin, Pittenger, Presnell, Stevens, Tillman, and Webster.

Referred to: Finance.

February 21, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A CORPORATE INCOME TAX EXEMPTION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-130.3 reads as rewritten:

"§ 105-130.3. Corporations.

(a) Tax. – A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning Tax

In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999	6.9%.

(b) Exemption. – Before computing the tax in subsection (a) of this section, a C Corporation may subtract from State net income the applicable exemption amount. If the corporation is not required to apportion income to this State, the applicable exemption amount is the amount provided in the table below based on the corporation's State net income. If the corporation is required to apportion income to this State, the applicable exemption amount is the product of the corporation's apportionment fraction determined under G.S. 105-130.4(i) multiplied by the amount provided in the table below based on the corporation's State net income.

<u>State Net Income</u>	<u>Exemption Amount</u>
<u>\$100,000 or less</u>	<u>\$25,000</u>
<u>Over \$100,000 through \$200,000</u>	<u>\$12,500</u>
<u>Over \$200,000</u>	<u>-0-</u>

SECTION 2. G.S. 115C-546.1(b) reads as rewritten:

"(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer for credit to the Public School Building Capital Fund an amount equal to the applicable fraction or percentage provided in the table below of the net collections received during the previous quarter by the Department of Revenue under G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All funds deposited in the Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.

Period	<u>Fraction or Percentage</u>
10/1/97 to 9/30/98	One-fifteenth (1/15)
10/1/98 to 9/30/99	Two twenty-ninths (2/29)
10/1/99 to 9/30/00	One-fourteenth (1/14)
<u>10/1/00 to 9/30/05</u>	Five sixty-ninths (5/69)
<u>After 9/30/05</u>	<u>Seven and forty-one hundredths percent</u> <u>(7.41%)</u> "

SECTION 3. Section 1 of this act becomes effective for taxable years beginning on or after January 1, 2005. The remainder of this act is effective when it becomes law.