

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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HOUSE BILL 82\*  
Committee Substitute Favorable 2/13/13

Short Title: IRC Update.

(Public)

Sponsors:

Referred to:

February 11, 2013

1 A BILL TO BE ENTITLED  
2 AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE AND  
3 TO DECOUPLE FROM CERTAIN PROVISIONS OF THE FEDERAL AMERICAN  
4 TAXPAYER RELIEF ACT OF 2012.

5 The General Assembly of North Carolina enacts:

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

7 "(1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2012,~~  
8 January 2, 2013, including any provisions enacted as of that date that  
9 become effective either before or after that date."

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

11 "(15b) For taxable years 2010 through ~~2012,2013,~~ eighty-five percent (85%) of the  
12 amount allowed as a special accelerated depreciation deduction under  
13 section 168(k) or 168(n) of the Code for property placed in service during  
14 the taxable year. In addition, for taxable year 2010, a taxpayer who placed  
15 property in service during the 2009 taxable year and whose North Carolina  
16 taxable income for the 2009 taxable year reflected a special accelerated  
17 depreciation deduction allowed for the property under section 168(k) of the  
18 Code must add eighty-five percent (85%) of the amount of the special  
19 accelerated depreciation deduction. These adjustments do not result in a  
20 difference in basis of the affected assets for State and federal income tax  
21 purposes."

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

23 "(21b) An amount equal to twenty percent (20%) of the amount added to federal  
24 taxable income as accelerated depreciation under subdivision (a)(15b) of this  
25 section. For the amount added to taxable income in the 2010 taxable year,  
26 the deduction allowed by this subdivision applies to the first five taxable  
27 years beginning on or after January 1, 2011. For the amount added to taxable  
28 income in the 2011 taxable year, the deduction allowed by this subdivision  
29 applies to the first five taxable years beginning on or after January 1, 2012.  
30 For the amount added to taxable income in the 2012 taxable year, the  
31 deduction allowed by this subdivision applies to the first five taxable years  
32 beginning on or after January 1, 2013. For the amount added to taxable  
33 income in the 2013 taxable year, the deduction allowed by this subdivision  
34 applies to the first five taxable years beginning on or after January 1, 2014."

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



1           "(8b) For taxable years 2010 through ~~2012,2013~~, eighty-five percent (85%) of the  
2           amount allowed as a special accelerated depreciation deduction under  
3           section 168(k) or 168(n) of the Code for property placed in service during  
4           the taxable year. In addition, for taxable year 2010, a taxpayer who placed  
5           property in service during the 2009 taxable year and whose North Carolina  
6           taxable income for the 2009 taxable year reflected a special accelerated  
7           depreciation deduction allowed for the property under section 168(k) of the  
8           Code must add eighty-five percent (85%) of the amount of the special  
9           accelerated depreciation deduction. These adjustments do not result in a  
10          difference in basis of the affected assets for State and federal income tax  
11          purposes."

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

13       "(17b) An amount equal to twenty percent (20%) of the amount added to federal  
14       taxable income as accelerated depreciation under subdivision (c)(8b) of this  
15       section. For the amount added to taxable income in the 2010 taxable year,  
16       the deduction allowed by this subdivision applies to the first five taxable  
17       years beginning on or after January 1, 2011. For the amount added to taxable  
18       income in the 2011 taxable year, the deduction allowed by this subdivision  
19       applies to the first five taxable years beginning on or after January 1, 2012.  
20       For the amount added to ~~taxable~~ adjusted gross income in the 2012 taxable  
21       year, the deduction allowed by this subdivision applies to the first five  
22       taxable years beginning on or after January 1, 2013. For the amount added to  
23       adjusted gross income in the 2013 taxable year, the deduction allowed by  
24       this subdivision applies to the first five taxable years beginning on or after  
25       January 1, 2014."

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

27       read:

28       "(23a) For taxable years 2012 and 2013, eighty-five percent (85%) of the amount  
29       by which the taxpayer's expense deduction under section 179 of the Code for  
30       property placed in service in taxable year 2012 or 2013 exceeds the amount  
31       that would have been allowed for the respective taxable year under section  
32       179 of the Code as of May 1, 2010. For purposes of this subdivision, the  
33       definition of section 179 property has the same meaning as under section  
34       179 of the Code as of January 2, 2013. These adjustments do not result in a  
35       difference in basis of the affected assets for State and federal income tax  
36       purposes."

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

38       read:

39       "(26a) An amount equal to twenty percent (20%) of the amount added to federal  
40       taxable income under subdivision (a)(23a) of this section. For the amount  
41       added to taxable income in the 2012 taxable year, the deduction allowed by  
42       this subdivision applies to the first five taxable years beginning on or after  
43       January 1, 2013. For the amount added to taxable income in the 2013 taxable  
44       year, the deduction allowed by this subdivision applies to the first five  
45       taxable years beginning on or after January 1, 2014."

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

47       read:

48       "(15a) For taxable years 2012 and 2013, eighty-five percent (85%) of the amount  
49       by which the taxpayer's expense deduction under section 179 of the Code for  
50       property placed in service in taxable year 2012 or 2013 exceeds the amount  
51       that would have been allowed for the respective taxable year under section

1 179 of the Code as of May 1, 2010. For purposes of this subdivision, the  
2 definition of section 179 property has the same meaning as under section  
3 179 of the Code as of January 2, 2013. These adjustments do not result in a  
4 difference in basis of the affected assets for State and federal income tax  
5 purposes."

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

7 read:

8 "(21a) An amount equal to twenty percent (20%) of the amount added to adjusted  
9 gross income under subdivision (c)(15a) of this section. For the amount  
10 added to adjusted gross income in the 2012 taxable year, the deduction  
11 allowed by this subdivision applies to the first five taxable years beginning  
12 on or after January 1, 2013. For the amount added to adjusted gross income  
13 in the 2013 taxable year, the deduction allowed by this subdivision applies to  
14 the first five taxable years beginning on or after January 1, 2014."

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

16 **"§ 105-129.16G. (Expiring for taxable years beginning on or after January 1, 2014) Work**  
17 **Opportunity Tax Credit.**

18 (a) Credit. – A taxpayer who is allowed a federal tax credit under Part IV, Subpart F of  
19 the Code for the taxable year is allowed a credit against the tax imposed by this Part. The credit  
20 is equal to ~~six percent (6%)~~ a percentage of the amount of credit allowed under the Code for  
21 wages paid during the taxable year for positions located in this State. A position is located in  
22 this State if more than fifty percent (50%) of the employee's duties are performed in the State.  
23 The percentage is as follows:

24 (1) For taxable year 2013, three percent (3%).

25 (2) For all other taxable years, six percent (6%).

26 ...."

27 **SECTION 5.(a)** G.S. 105-134.6(c) is amended by adding a new subdivision to

28 read:

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

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

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

39 a. ~~only to the extent that~~ ~~If~~ a similar credit is ~~not~~ allowed by this  
40 Chapter for the amount.

41 b. For taxable year 2013, if the taxpayer elected to claim the Hope  
42 scholarship credit, the Lifetime Learning credit, or the American  
43 Opportunity tax credit under section 25A of the Code in lieu of a  
44 deduction for qualified tuition and expenses under section 222 of the  
45 Code."

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

47 read:

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

1 the income exclusion under section 208 of the American Taxpayer Relief  
2 Act of 2012."

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

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

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

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

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

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

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

22 **"§ 105-151.31. (Repealed for taxable years beginning on or after January 1, 2014) Earned**  
23 **income tax credit.**

24 (a) Credit. – An individual who claims for the taxable year an earned income tax credit  
25 under section 32 of the Code is allowed a credit against the tax imposed by this Part equal to  
26 ~~five percent (5%)~~ a percentage of the amount of credit the individual qualified for under section  
27 32 of the Code. A nonresident or part-year resident who claims the credit allowed by this  
28 section must reduce the amount of the credit by multiplying it by the fraction calculated under  
29 G.S. 105-134.5(b) or (c), as appropriate. The percentage is as follows:

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

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

32 ...."

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

34 **"§ 105-151.32. Credit for adoption expenses.**

35 (a) Credit. – An individual who is allowed a federal adoption tax credit under section  
36 ~~2336C~~ of the Code for the taxable year is allowed a credit against the tax imposed by this Part.  
37 The credit is equal to ~~fifty percent (50%)~~ a percentage of the amount of credit allowed under  
38 section ~~2336C~~ of the Code. The percentage is as follows:

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

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

41 ...."

42 **SECTION 11.** Except as otherwise provided, this act is effective when it becomes  
43 law and applies to the estates of decedents dying on or after January 1, 2012. Notwithstanding  
44 Section 1 of this act, any amendments to the Internal Revenue Code enacted after January 1,  
45 2012, that increase North Carolina taxable income for the 2012 taxable year become effective  
46 for taxable years beginning on or after January 1, 2013.