GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: Senate Bill 729 (First Edition)

SHORT TITLE: Various Changes to the Revenue Laws.

SPONSOR(S): Senators Rucho, Rabon, and Tillman

FISCAL IMPACT

($ in millions)

☐ **Yes** ☐ **No** ☑ **No Estimate Available**

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Impact					
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	**No estimate available. Please see Assumptions & Methodology section for additional details.**				
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	**No estimate available. Please see Assumptions & Methodology section for additional details.**				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue

EFFECTIVE DATE: Taxable years beginning on or after January 1, 2016

TECHNICAL CONSIDERATIONS:
None

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BILL SUMMARY:

Section 1.8 limits the deductible interest expense paid to an affiliated corporation to 15% of the corporate taxpayer’s adjusted taxable income. An exception to this percentage limitation is provided if the interest expense can be traced through the affiliated creditor corporation to an unrelated lender. Under existing law, the limitation is 30%, and there is no exception to the percentage limitation provided for interest expense traced through the affiliated creditor to an unrelated lender.

The bill includes numerous other changes to the Revenue Laws that are primarily technical recommendations of the Department of Revenue, and are not estimated to have a significant fiscal impact.

ASSUMPTIONS AND METHODOLOGY:

Section 1.8 reduces the deductible interest expense limitation from 30% to 15%, but establishes an exception to the percentage limitation if the interest expense can be traced through the affiliated creditor corporation to an unrelated lender. The reduction in the percentage limitation could reduce tax deductions for some corporations, while the exception that nullifies the percentage limitation could increase tax deductions for other taxpayers. While there is insufficient data to calculate a specific fiscal impact, the provision is estimated to increase or reduce tax collections by plus or minus $5 million from year to year.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

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