

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

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HOUSE BILL 873

Short Title: Modernize Income Tax of Trusts and Estates. (Public)

Sponsors: Representatives Bradford, Setzer, Kidwell, and Wray (Primary Sponsors).  
*For a complete list of sponsors, refer to the North Carolina General Assembly web site.*

Referred to: Judiciary 1, if favorable, Finance, if favorable, Rules, Calendar, and Operations of the House

April 26, 2023

A BILL TO BE ENTITLED

AN ACT TO MODERNIZE INCOME TAXATION OF TRUSTS AND ESTATES.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-160.2 reads as rewritten:

**"§ 105-160.2. Imposition of tax.**

(a) ~~The Tax.~~ – A tax is imposed by this Part applies to for each taxable year on the taxable income of estates and trusts as determined under the provisions of the Code except as otherwise provided in this Part. The taxable income of an estate or trust is the same as taxable income for such an the estate or trust under the provisions of the Code, adjusted as provided in G.S. 105-153.5 and G.S. 105-153.6, except that the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6 are apportioned between the estate or trust and the beneficiaries based on the distributions made during the taxable year. The tax is at the rate levied in G.S. 105-153.7. The fiduciary responsible for administering the estate or trust shall pay the tax.

(b) ~~State-Sourced Income.~~ – The tax is computed on the amount of the taxable income of the estate or trust that is for the benefit of a resident of this State, or for the benefit of a nonresident to the extent that the includes income that is:

(i) ~~(1) is derived~~ Derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State ~~or State.~~

(ii) ~~(2) is derived~~ Derived from a business, trade, profession, or occupation carried on in this State. ~~For purposes of the preceding sentence, taxable income and gross income is computed subject to the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6. The tax on the amount computed above is at the rate levied in G.S. 105-153.7. The fiduciary responsible for administering the estate or trust shall pay the tax computed under the provisions of this Part.~~

(c) ~~Estates.~~ – Except as provided in subsection (e) of this section, the taxable income of an estate includes taxable income that is for the benefit of a resident of this State where any of the following conditions exist:

(1) The decedent died a resident of this State.

(2) The resident of this State, including the estate of the resident of this State, is certain to receive income or other benefit from the estate.

(d) ~~Trusts.~~ – The taxable income of a trust includes taxable income that is for the benefit of a resident of this State where the trust is administered in this State.



1       (e)    Long-Term Estates. – Estates remaining open for more than 50 years from the  
2 decedent's date of death will be subject to tax under this section as a trust."  
3           **SECTION 2.** This act is effective for taxable years beginning on or after January 1,  
4 2023.