

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 50

Short Title: Income Tax Based on Federal Law.

(Public)

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Sponsors: Senators Winner, Guy, Smith; and Bryan.

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Referred to: Finance.

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January 25, 1989

A BILL TO BE ENTITLED

AN ACT TO STRUCTURE INDIVIDUAL INCOME TAX AS A PERCENTAGE OF  
FEDERAL TAXABLE INCOME.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-133 reads as rewritten:

**"§ 105-133. Short title.**

This Division of the income tax Article shall be known ~~and may be cited~~ as the  
Individual Income Tax Act."

Sec. 2. G.S. 105-134 reads as rewritten:

**"§ 105-134. Purpose.**

The general purpose of this Division is to impose a tax for the use of the State  
government upon the net income ~~in excess of the exemptions herein allowed~~ collectible  
annually:

(1) Of every resident of this State.

(2) Of every nonresident individual deriving income from North Carolina  
sources attributable to the ownership of any interest in real or tangible  
personal property in this State or deriving income from a business,  
trade, profession, or occupation carried on in this State."

Sec. 3. G.S. 105-135 through G.S. 105-149 are repealed.

Sec. 4. Division II of Article 4 of Chapter 105 of the General Statutes is  
amended by adding after G.S. 105-134 the following new sections to read:

**"§ 105-134.1. Definitions.**

The following definitions apply in this Division.

- 1           (1) Code. The Internal Revenue Code as enacted as of January 1, 1989,  
2           including any provisions enacted as of that date which become  
3           effective either before or after that date, but not including Sections  
4           63(c)(4), 151(d)(1)(c), and 151(d)(3).
- 5           (2) Department. The Department of Revenue.
- 6           (3) Fiscal year. Defined in Section 441(e) of the Code.
- 7           (4) Gross income. Defined in Section 61 of the Code.
- 8           (5) Head of household. Defined in Section 2(b) of the Code.
- 9           (6) Individual. A natural person.
- 10          (7) Married individual. An individual who is married and is considered  
11          married as provided in Section 7703 of the Code.
- 12          (8) Nonresident individual. An individual who is not a resident of this  
13          State.
- 14          (9) North Carolina net income. Defined in G.S. 105-134.5.
- 15          (10) Resident. An individual who is domiciled in this State at any time  
16          during the taxable year or who resides in this State during the taxable  
17          year for other than a temporary or transitory purpose. In the absence  
18          of convincing proof to the contrary, an individual who is present  
19          within the State for more than six months during the taxable year is  
20          presumed to be a resident, but the absence of an individual from the  
21          State for more than six months raises no presumption that the  
22          individual is not a resident. A resident who removes from the State  
23          during a taxable year is considered a resident until he has both  
24          established a definite domicile elsewhere and abandoned any domicile  
25          in this State. The fact of marriage does not raise any presumption as to  
26          domicile or residence.
- 27          (11) Secretary. The Secretary of Revenue.
- 28          (12) Surviving spouse. Defined in Section 2(a) of the Code.
- 29          (13) Taxable income. Defined in Section 63 of the Code.
- 30          (14) Taxable year. Defined in Section 441(b) of the Code.
- 31          (15) Taxpayer. An individual subject to the tax imposed by this Division.

32        **"§ 105-134.2. Individual income tax imposed.**

33        A tax is imposed upon the North Carolina net income of every individual. The tax  
34        shall be levied, collected, and paid annually and shall be computed at the rate of six and  
35        six-tenths percent (6.6%) of the taxpayer's North Carolina net income.

36        **"§ 105-134.3. Year of assessment.**

37        The tax imposed by this Division shall be assessed, collected, and paid in the year  
38        following the year for which the assessment is made, except as provided to the contrary  
39        in Article 4A of this Chapter.

40        **"§ 105-134.4. Taxable year.**

41        A taxpayer shall compute his North Carolina net income on the basis of the taxable  
42        year used in computing his income tax liability under the Code.

43        **"§ 105-134.5. North Carolina net income defined.**

1 (a) Residents. For residents of this State, the term 'North Carolina net income'  
2 means taxable income as calculated under the Code, adjusted as provided in G.S. 105-  
3 134.6 and G.S. 105-134.7.

4 (b) Nonresidents. For nonresident individuals, the term 'North Carolina net  
5 income' means taxable income as calculated under the Code, adjusted as provided in  
6 G.S. 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which  
7 is the taxpayer's gross income as calculated under the Code, adjusted as provided in  
8 G.S. 105-134.6 and G.S. 105-134.7, and the numerator of which is the amount of that  
9 gross income, as adjusted, that is derived from North Carolina sources and is  
10 attributable to the ownership of any interest in real or tangible personal property in this  
11 State or is derived from a business, trade, profession, or occupation carried on in this  
12 State.

13 (c) Part-year residents. If an individual was a resident of this State for only part  
14 of the taxable year, having moved into or removed from the State during the year, the  
15 term 'North Carolina net income' has the same meaning as in subsection (b) except that  
16 the numerator shall include gross income, adjusted as provided in G.S. 105-134.6 and  
17 G.S. 105-134.7, derived from all sources during the period the individual was a resident.

18 **"§ 105-134.6. Adjustments to taxable income.**

19 (a) Deductions. The following deductions from taxable income shall be made in  
20 calculating North Carolina net income:

- 21 (1) Interest upon the obligations of the United States or its possessions.
- 22 (2) Amounts received from retirement annuities or pensions paid under the  
23 provisions of the Railroad Retirement Act of 1937.
- 24 (3) Retirement, pension, and deferred compensation benefits that are not  
25 subject to State taxation under the following provisions: G.S. 118-49,  
26 120-4.29, 127A-40(e), 128-31, 135-9, 135-95, 143-166.30, and 147-  
27 9.4.
- 28 (4) Any amount not to exceed four thousand dollars (\$4,000) received by  
29 the taxpayer during the taxable year under a federal employee  
30 retirement program to which the taxpayer made contributions during  
31 his working years.
- 32 (5) Any amount not to exceed four thousand dollars (\$4,000) received by  
33 the taxpayer during the taxable year as retired or retainer pay as a  
34 result of service in any of the armed forces of the United States.
- 35 (6) Any amount not to exceed one thousand five hundred dollars (\$1,500)  
36 received by the taxpayer during the taxable year as compensation for  
37 the performance of duties as a member of the North Carolina  
38 organized militia, the national guard as defined in G.S. 127A-3.
- 39 (7) Retirement and pension benefits received from another state by a  
40 former teacher or state employee of the other state if the other state  
41 levies no income tax on individuals or exempts or excludes for income  
42 tax purposes retirement and pension benefits received by retired  
43 members of the North Carolina Retirement System for Teachers and  
44 State Employees.

1 (b) Additions. The following additions to taxable income shall be made in  
2 calculating North Carolina net income:

3 (1) Interest upon the obligations of States, other than this State, and their  
4 political subdivisions.

5 (2) Any amount allowed as a deduction from gross income under the Code  
6 that is taxed under the Code by a separate tax other than the tax  
7 imposed in Section 1 of the Code. The Secretary shall report to the  
8 1991 General Assembly all provisions under the Code for taxing  
9 certain amounts separately and shall recommend whether such  
10 amounts should be taxed separately under this Division or should be  
11 added to taxable income in calculating North Carolina net income.

12 **"§ 105-134.7. Transitional adjustments.**

13 (a) The following adjustments to taxable income shall be made in calculating  
14 North Carolina net income:

15 (1) Amounts that were added to the basis of property under federal tax law  
16 but not under State tax law before January 1, 1990, shall be added to  
17 taxable income in the year the taxpayer's taxable income includes a  
18 gain or loss from the sale or other disposition of the property.

19 (2) Amounts that were added to the basis of property under State tax law  
20 but not under federal tax law before January 1, 1990, shall be deducted  
21 from taxable income in the year the taxpayer's taxable income includes  
22 a gain or loss from the sale or other disposition of the property.

23 (3) Amounts that were recognized as income under federal law but not  
24 under State law due to a taxpayer's use of the installment method set  
25 out in G.S. 105-142(f) prior to January 1, 1990, shall be added to  
26 taxable income in the taxpayer's first taxable year beginning on or after  
27 January 1, 1990.

28 (b) The Secretary may by rule require other adjustments to be made to taxable  
29 income as necessary to assure that the transition to the tax changes effective January 1,  
30 1990, will not result in double taxation of income, exemption of otherwise taxable  
31 income from taxation under this Division, or double allowance of deductions.

32 **"§ 105-134.8. Effective dates of amendments.**

33 Except as otherwise provided in this Chapter, the amendments to this Article made  
34 by Section 4 of Chapter 1340 of the 1957 Session Laws are effective for taxable years  
35 beginning on or after January 1, 1957.

36 **"§ 105-134.9. Inventory.**

37 Whenever, in the opinion of the Secretary, it is necessary in order clearly to  
38 determine the income of any taxpayer, inventories shall be taken by the taxpayer as  
39 prescribed by the Secretary, conforming as nearly as possible to the best accounting  
40 practice in the trade or business and most clearly reflecting the income."

41 Sec. 5. G.S. 105-151 reads as rewritten:

42 **"§ 105-151. Tax credits for income taxes paid to other states by individuals.**

43 (a) ~~Individuals who are residents~~ An individual who is a resident of this State shall  
44 be allowed ~~is allowed~~ a credit against the taxes imposed by this division ~~Division~~ for

1 income taxes imposed by and paid to another state or country on income taxed under  
2 this ~~division~~, Division, subject to the following conditions:

3 (1) The credit shall be allowed only for taxes paid to ~~such other~~ another  
4 state or country on income derived from sources within ~~such the~~ the state  
5 or country ~~which that~~ is taxed under ~~the its~~ laws thereof irrespective of  
6 the residence or domicile of the recipient; provided, that whenever a  
7 taxpayer who is deemed to be a resident of this State under the  
8 provisions of this ~~division~~ Division ~~and who~~ is deemed also to be a  
9 resident of another state or country under the laws of ~~such other~~ that  
10 state or ~~country~~ country, the Secretary of Revenue may, in his  
11 discretion, allow a credit against the taxes imposed by this ~~division~~  
12 Division for ~~such~~ taxes imposed by and paid to ~~such the~~ the other state or  
13 country on income taxed under this ~~division~~ Division.

14 (2) The fraction of the gross ~~income for North Carolina income tax purposes~~  
15 ~~which income~~, as calculated under the Code and adjusted as provided  
16 in G.S. 105-134.6 and G.S. 105-134.7, that is subject to income tax in  
17 another state or country shall be ascertained, and the North  
18 Carolina net income tax before credit under this section shall be  
19 multiplied by ~~such that~~ that fraction. The credit allowed shall be either the  
20 product thus calculated or the income tax actually paid the other state  
21 or ~~country~~ country, whichever is smaller.

22 (3) Receipts showing the payment of income taxes to another state or  
23 country and a true copy of a return or returns upon the basis of which  
24 the taxes are assessed ~~must~~ shall be filed with the Secretary of Revenue  
25 at, or prior to, the time credit is claimed. If credit is claimed on  
26 account of a deficiency assessment, a true copy of the notice assessing  
27 or proposing to assess the deficiency, as well as a receipt showing the  
28 payment of the deficiency, shall be filed.

29 (b) If any taxes paid to another state or country for which a taxpayer has been  
30 allowed a credit under this section are at any time credited or refunded to the taxpayer, a  
31 tax equal to that portion of the credit allowed for such taxes so credited or refunded  
32 shall be due and payable from the taxpayer within 30 days ~~from~~ after the date of the  
33 receipt of the refund or notice of the credit. If the amount of tax is not paid within 30  
34 days ~~of after~~ after receipt or ~~notice~~ notice, the taxpayer shall be subject to the penalties and  
35 interest on delinquent payments provided ~~for~~ in Subchapter I of this Chapter."

36 Sec. 6. G.S. 105-151.1 reads as rewritten:

37 "**§ 105-151.1. Tax credit for construction of dwelling units for handicapped**  
38 **persons.**

39 There shall be allowed to resident owners of multifamily rental units located in  
40 North Carolina as a credit against the tax imposed by this Division, an amount equal to  
41 five hundred fifty dollars (\$550.00) for each dwelling unit constructed by such resident  
42 owner which conforms to the recommendations of section (11x) of the North Carolina  
43 Building Code for the taxable year within which the construction of such dwelling units  
44 is completed; provided, that credit will be allowed under this section only for the

1 number of such dwelling units completed during the taxable year which were required  
2 to be built in compliance with section (11x) of the North Carolina Building Code;  
3 provided further, that if the credit allowed by this section exceeds the tax imposed by  
4 this Division reduced by all other credits allowed by ~~the provisions of this Division, such~~  
5 the excess shall be allowed as a credit against the tax imposed by this Division for the  
6 next succeeding year; and provided further, that in order to secure the credit allowed by  
7 this section the taxpayer shall file with his income tax return for the taxable year with  
8 respect to which such credit is to be claimed, a copy of the occupancy permit on the face  
9 of which there shall be recorded by the building inspector the number of units  
10 completed during the taxable year which conform to section (11x) of the North Carolina  
11 Building Code. When he has recorded the number of such units on the face of the  
12 occupancy permit, the building inspector shall promptly ~~make and forward~~ a copy of the  
13 permit to the Special Office for the Handicapped, Department of Insurance."

14 Sec. 7. G.S. 105-151.2 through G.S. 105-151.10 are repealed.

15 Sec. 8. G.S. 105-151.11 reads as rewritten:

16 **"§ 105-151.11. Credit against personal income tax for child care and certain**  
17 **employment-related expenses.**

18 (a) ~~Any person who maintains a household which includes as a member one or~~  
19 ~~more qualifying individuals shall be allowed as a credit against the tax imposed by this~~  
20 ~~Division an amount equal to seven percent (7%) of the employment-related expenses as~~  
21 ~~defined in subdivision (b)(2) herein.~~

22 (b) For the purposes of this section:

23 (1) The term "qualifying individual" means:

- 24 a. ~~A dependent of the taxpayer who is under the age of 15 and~~  
25 ~~with respect to whom the taxpayer is entitled to a deduction~~  
26 ~~under G.S. 105-149(a)(5);~~  
27 b. ~~A dependent of the taxpayer who is physically or mentally~~  
28 ~~incapable of caring for himself; or~~  
29 c. ~~The spouse of the taxpayer, if the spouse is physically or~~  
30 ~~mentally incapable of caring for himself or herself.~~

31 (2) ~~The term "employment related expenses" means amounts paid for~~  
32 ~~expenses for household service and for the care of a qualifying~~  
33 ~~individual, but only if such expenses are incurred to enable the~~  
34 ~~taxpayer to be gainfully employed. The term includes expenses~~  
35 ~~incurred for services outside the taxpayer's household if the expenses~~  
36 ~~incurred are for the care of a qualifying individual described in (b)(1)a.~~  
37 ~~or a qualifying individual described in (b)(1)b. or c. who regularly~~  
38 ~~spends at least eight hours each day in the taxpayer's household.~~

39 (3) a. ~~For the purposes of this section, an individual shall be treated as~~  
40 ~~maintaining a household for any period only if over half of the cost of~~  
41 ~~maintaining the household during such period is furnished by such~~  
42 ~~individual.~~

43 b. ~~In the case of a married person living with his or her spouse and~~  
44 ~~such spouse is maintaining the household, the credit provided~~

1 for herein shall be allowed with respect to employment-related  
2 expenses in connection with any qualifying individuals, except  
3 as limited herein, of the spouse not maintaining the household.

- 4 (4) If a child (as defined in G.S. 105-149(a)(5)) who is under the age of 15  
5 or who is physically or mentally incapable of caring for himself  
6 receives over half of his support during the calendar year from his  
7 parents who are divorced or separated with the intent to remain  
8 separate and apart, and such child is in the custody of one or both of  
9 his parents for more than one half of the calendar year, in the case of  
10 any taxable year beginning in such calendar year such child shall be  
11 treated as being a qualifying individual described in subparagraph a or  
12 b of subdivision (b)(1), as the case may be, with respect to that parent  
13 who has custody for a longer period during such calendar year than the  
14 other parent, and shall not be treated as being a qualifying individual  
15 with respect to such other parent.

16 (b1) The amount of employment-related expenses for which a credit may be  
17 claimed may not exceed two thousand four hundred dollars (\$2,400) if the taxpayer's  
18 household includes one qualifying individual, and may not exceed four thousand eight  
19 hundred dollars (\$4,800) if the taxpayer's household includes more than one qualifying  
20 individual.

- 21 (e) (1) If the taxpayer is married and living with his spouse for any  
22 period during the taxable year, there shall be taken into account  
23 employment-related expenses incurred during any month of such  
24 period only if:

- 25 a. Both spouses are gainfully employed on a substantially full-  
26 time basis, or one spouse is gainfully employed on a  
27 substantially full-time basis and the other spouse is a full-time  
28 student, which shall mean an individual who during each of five  
29 calendar months during the taxable year is a full-time student at  
30 an educational institution, or  
31 b. The spouse is a qualifying individual described in subdivision  
32 (b)(1)e.

- 33 (2) No credit shall be allowed under this section with respect to any  
34 amount paid by the taxpayer to an individual with respect to whom a  
35 deduction is allowable under G.S. 105-149(a)(5) to the taxpayer or his  
36 spouse, or who is a child of the taxpayer (within the meaning of G.S.  
37 105-149(a)(5)) who has not attained the age of 19 at the close of the  
38 taxable year.

- 39 (3) In the case of employment-related expenses incurred during any  
40 taxable year solely with respect to a qualifying individual (other than  
41 an individual who is also described in subdivision (b)(1)a), the amount  
42 of such expenses which may be taken into account for purposes of this  
43 section shall be reduced:

- 1 a. ~~If such individual is described in subdivision (b)(1)b, by the~~  
2 ~~amount by which the sum of:~~  
3 ~~1. Such individual's adjusted gross income for such taxable year,~~  
4 ~~and~~  
5 ~~2. The disability payments received by such individual during~~  
6 ~~such year, exceed one thousand dollars (\$1,000), or~~  
7 b. ~~In the case of a qualifying individual described in subdivision~~  
8 ~~(b)(1)c, by the amount of disability payments received by such~~  
9 ~~individual during the taxable year.~~

10 For purposes of this paragraph, the term "disability payment" means a payment  
11 (other than a gift) which is made on account of the physical or mental condition of an  
12 individual and which is not included in gross income.

13 ~~(d) If a husband and wife are living together at the end of the taxable year, no~~  
14 ~~credit under this section shall be allowed unless they file a combined return for the year.~~

15 (a) A person who is allowed a credit against federal income tax for a percentage  
16 of employment-related expenses under Section 21 of the Code shall be allowed as a  
17 credit against the tax imposed by this Division an amount equal to seven percent (7%)  
18 of the employment-related expenses as defined in Section 21(b)(2) of the Code.

19 (b) The amount of employment-related expenses for which a credit may be  
20 claimed may not exceed two thousand four hundred dollars (\$2,400) if the taxpayer's  
21 household includes one qualifying individual, as defined in Section 21(b)(1) of the  
22 Code, and may not exceed four thousand eight hundred dollars (\$4,800) if the taxpayer's  
23 household includes more than one qualifying individual.

24 ~~(e)-(c) No credit shall be allowed under this section unless the taxpayer completes~~  
25 ~~and attaches to his return the necessary form or forms as may be required by the~~  
26 ~~Secretary. Secretary of Revenue, nor shall any deduction be allowed under G.S. 105-147(11)~~  
27 ~~for amounts claimed under this subdivision. No credit shall be allowed under this section~~  
28 ~~for amounts deducted from gross income in calculating taxable income under the Code.~~

29 ~~(f) (d) The credit allowed by this section shall not exceed the amount of tax~~  
30 ~~imposed by this Division for the taxable year reduced by the sum of all credits~~  
31 ~~allowable under this Division, except for payments of tax made by or on behalf of the~~  
32 ~~taxpayer.~~

33 ~~(g) (e) No credit shall be allowed under this section with respect to employment-~~  
34 ~~related expenses paid by a nonresident of this State."~~

35 Sec. 9. G.S. 105-151.12 reads as rewritten:

36 **"§ 105-151.12. Credit for certain real property donations.**

37 ~~(a) Any~~ A person that who makes a qualified donation of interests in real property  
38 located in North Carolina during the taxable year that is useful for (i) public beach  
39 access or use, (ii) public access to public waters or trails, (iii) fish and wildlife  
40 conservation, or (iv) other similar land conservation purposes, shall be allowed as a  
41 credit against the taxes imposed by this Division an amount equal to twenty-five percent  
42 (25%) of the fair market value of the donated property interest. To be eligible for this  
43 credit, the interest in property must be donated to and accepted by either the State, local  
44 government-government, or a body that is both organized to receive and administer lands



1 for conservation purposes and is qualified to receive charitable contributions pursuant to  
2 G.S. 105-147(15) or (16); under the Code; provided, however, that lands required to be  
3 dedicated pursuant to local governmental regulation or ordinance and dedications made  
4 to increase building density levels permitted under such regulations or ordinances shall  
5 are not be eligible for this credit. The credit allowed under this section may not exceed  
6 five thousand dollars (\$5,000). To support the credit allowed by this section, the  
7 taxpayer shall file with the income tax return for the taxable year in which the credit is  
8 ~~claimed,~~ claimed a certification by the Department of Natural Resources and  
9 Community Development that the property donated is suitable for one or more of the  
10 valid public benefits set forth by this subsection.

11 (b) The credit allowed by this section may not exceed the amount of tax imposed  
12 by this Division for the taxable year reduced by the sum of all credits allowed under this  
13 Division, except payments of tax made by or on behalf of the taxpayer.

14 (e) Any unused portion of this credit may be carried forward for the next  
15 succeeding five years.

16 (d) ~~The fair market value, or any portion thereof, of a qualifying donation that is  
17 not eligible for a credit pursuant to this section may be considered as a charitable  
18 contribution pursuant to G.S. 105-147(15) or (16). That portion of the donation allowed  
19 as a credit pursuant to this section shall not be eligible as a charitable contribution.~~

20 (c) No credit shall be allowed under this section for amounts deducted from gross  
21 income in calculating taxable income under the Code.

22 (e) (d) ~~In the case of property owned by the entirety, where both spouses are  
23 required to file North Carolina income tax returns, each spouse may claim one half of  
24 the credit allowed by this section or one spouse may claim the entire credit allowed by  
25 this section by agreement with the other spouse, provided both spouses were living  
26 together at the end of the taxable year and file their separate returns for the taxable year  
27 on the combined form. the credit allowed by this section may be claimed only if the  
28 spouses file a joint return under G.S. 105-152.1. Where only one spouse is required to  
29 file a North Carolina income tax return, ~~such~~ that spouse may claim the credit allowed  
30 by this section.~~

31 (f) (e) In the case of marshland for which a claim has been filed pursuant to G.S.  
32 113-205, the offer of donation must be made before December 31, 1990, to qualify for  
33 the credit allowed by this section."

34 Sec. 10. G.S. 105-151.13 reads as rewritten:

35 "**§ 105-151.13. Credit for conservation tillage equipment.**

36 (a) ~~Any~~ A person who purchases conservation tillage equipment for use in a  
37 farming business, including tree farming, shall be allowed as a credit against the tax  
38 imposed by this Division an amount equal to twenty-five percent (25%) of the cost of  
39 the equipment. This credit may not exceed two thousand five hundred dollars (\$2,500)  
40 for any ~~income~~ taxable year. The credit may ~~only~~ only be claimed only by the first purchaser  
41 of the equipment and may not be claimed by a person who purchases the equipment for  
42 resale or for use outside this State. This credit may not exceed the amount of tax  
43 imposed by this Division for the taxable year reduced by the sum of all credits  
44 allowable under this Division, except tax payments made by or on behalf of the

1 taxpayer. If the credit allowed by this section exceeds the tax imposed under this  
2 Division, the excess may be carried forward and applied to the tax imposed under this  
3 Division for the next succeeding five years. The basis in any equipment for which a  
4 credit is allowed under this section shall be reduced by the amount of the credit  
5 allowable.

6 (b) As used in this section, 'conservation tillage equipment' means:

- 7 (1) A planter such as a planter commonly known as a 'no-till' planter  
8 designed to minimize disturbance of the soil in planting crops or trees,  
9 including equipment that may be attached to equipment already owned  
10 by the taxpayer; ~~or, or~~  
11 (2) Equipment designed to minimize disturbance of the soil in  
12 reforestation site preparation, including equipment that may be  
13 attached to equipment already owned by the taxpayer; provided,  
14 however, this shall include only those items of equipment generally  
15 known as a 'KG-Blade', a 'drum-chopper', or a 'V-Blade'.

16 (c) In the case of conservation tillage equipment owned jointly by a husband and  
17 wife, where both spouses are required to file North Carolina income tax returns, ~~each~~  
18 ~~spouse may claim one-half of the credit allowed by this section or one spouse may claim the~~  
19 ~~entire credit allowed by this section by agreement with the other spouse, provided both spouses~~  
20 ~~were living together at the end of the taxable year and file their separate returns for the taxable~~  
21 ~~year on the combined form. the credit allowed by this section may be claimed only if the~~  
22 ~~spouses file a joint return under G.S. 105-152.1. Where only one spouse is required to~~  
23 ~~file a North Carolina income tax return, that spouse may claim the credit allowed by this~~  
24 ~~section."~~

25 Sec. 11. G.S. 105-151.14 reads as rewritten:

26 "**§ 105-151.14. Credit for gleaned crop.**

27 (a) ~~Any~~ A person who grows a crop and permits the gleaning of the crop shall be  
28 allowed as a credit against the tax imposed by this Division an amount equal to ten  
29 percent (10%) of the market price of the quantity of the gleaned crop. This credit may  
30 not exceed the amount of tax imposed by this Division for the taxable year reduced by  
31 the sum of all credits allowable under this Division, except tax payments made by or on  
32 behalf of the taxpayer. ~~No deduction is allowed under G.S. 105-147(15) or (16) for the items~~  
33 ~~for which a credit is claimed under this section. No credit is allowed under this section for~~  
34 ~~amounts that were deducted from gross income in calculating taxable income under the~~  
35 ~~Code. Any unused portion of the credit may be carried forward for the next succeeding~~  
36 ~~five years.~~

37 (b) The following definitions apply to this section:

- 38 (1) 'Gleaning' means the harvesting of a crop that has been donated by the  
39 grower to a nonprofit organization which will distribute the crop to  
40 individuals or other nonprofit organizations it considers appropriate  
41 recipients of the ~~food~~; food.  
42 (2) 'Market price' means the season average price of the crop as  
43 determined by the North Carolina Crop and Livestock Reporting  
44 Service in the Department of Agriculture, or the average price of the

1 crop in the nearest local market for the month in which the crop is  
2 gleaned if the Crop and Livestock Reporting Service does not  
3 determine the season average price for that ~~crop~~; and crop.

- 4 (3) 'Nonprofit organization' means an organization ~~for~~ to which charitable  
5 contributions are deductible under ~~G.S. 105-130.9 or G.S. 105-147(15) or~~  
6 ~~(16)-the Code."~~

7 Sec. 12. G.S. 105-151.15 reads as rewritten:

8 **"§ 105-151.15. Credit for distributing North Carolina wine.**

9 (a) Credit. A person who is required by Article 2C of this Chapter to pay the  
10 excise tax levied on unfortified or fortified wine is allowed as a credit against the tax  
11 imposed by this Division an amount equal to the product of twenty cents (20¢) and the  
12 number of liters of qualifying native wine on which the person paid excise tax during  
13 the taxable year. To obtain this credit a person who is a wine wholesaler or an importer  
14 ~~must~~ shall attach the following to the tax return on which the credit is claimed:

- 15 (1) A copy of the sales invoice between the manufacturer of the wine for  
16 which the credit is claimed and the grower from whom the fruits or  
17 berries of which the wine is composed was purchased;  
18 (2) A statement signed by the manufacturer of the wine certifying that the  
19 wine for which the credit is claimed is qualifying native wine and  
20 giving the names of any other wine wholesalers or importers in North  
21 Carolina who received part of the same qualifying native wine.

22 If the person claiming the credit is an unfortified winery or a fortified winery, the  
23 person must attach to his return a signed statement certifying that the wine for which the  
24 credit is claimed is qualifying native wine. This credit may not exceed the amount of  
25 tax imposed by this Division for the taxable year reduced by the sum of all credits  
26 allowable under this Division, except tax payments made by or on behalf of the  
27 taxpayer.

28 (b) Definitions. The following definitions apply in this section:

- 29 (1) Native Wine. Unfortified or fortified wine at least sixty percent (60%)  
30 of which is composed of fruits or berries grown in North Carolina.  
31 (2) Qualifying Native Wine. Native wine that is part of the first 950 liters  
32 of wine produced by a manufacturer from a ton of fruits or berries  
33 grown in North Carolina."

34 Sec. 13. G.S. 105-151.16 is repealed.

35 Sec. 14. G.S. 105-151.17 reads as rewritten:

36 **"§ 105-151.17. Credit for creating jobs in severely distressed county.**

37 (a) Credit. – A person who (i) for at least 40 weeks during the year has at least  
38 nine employees, (ii) whose business is located, for part or all of his taxable year, in a  
39 severely distressed county, and (iii) who is eligible as provided in subsection (b) may  
40 qualify for a credit against the tax imposed by this Division by creating new full-time  
41 jobs with the business in the severely distressed county during that year. A person who  
42 hires an additional full-time employee during that year to fill a position located in a  
43 severely distressed county is allowed a credit of two thousand eight hundred dollars  
44 (\$2,800) for the additional employee. A position is located in a county if (i) at least

1 fifty percent (50%) of the employee's duties are performed in the county, or (ii) the  
2 employee is a resident of the county. The credit may not be taken in the ~~income-taxable~~  
3 year in which the additional employee is hired. Instead, the credit shall be taken in  
4 equal installments over the four years following the ~~income-taxable~~ year in which the  
5 additional employee was hired and shall be conditioned on the continued employment  
6 by the taxpayer of the number of full-time employees the taxpayer had upon hiring the  
7 employee that caused the taxpayer to qualify for the credit. If, in one of the four years  
8 in which the installment of a credit accrues, the number of the taxpayer's full-time  
9 employees falls below the number of full-time employees the taxpayer had in the year in  
10 which the taxpayer qualified for the credit or the position filled by the employee is  
11 moved to another county, the credit expires and the taxpayer may not take any  
12 remaining installment of the credit. The taxpayer may, however, take the portion of an  
13 installment that accrued in a previous year and was carried forward to the extent  
14 permitted under subsection (e) of this section.

15 The North Carolina Employment Security Commission shall determine the number  
16 of new full-time jobs eligible for the credit allowed by this section by comparing the  
17 average number of full-time employees reported by the taxpayer on the quarterly wage  
18 reports submitted to the Commission during the year with the number reported the  
19 previous year, and shall provide that information to the Secretary of Revenue annually  
20 for each employer eligible under subsection (b) of this section.

21 For the purposes of this section, a full-time job is a position that requires at least  
22 1,600 hours of work per year and is intended to be held by one employee during the  
23 entire year. A full-time employee is an employee who holds a full-time job.

24 (b) Eligibility. – A taxpayer is eligible for the credit allowed by this subsection  
25 only if he owns a business that engages in manufacturing, agribusiness, processing,  
26 warehousing, wholesaling, retailing, research and development, or a service-related  
27 industry, as determined by the Employment Security Commission.

28 (c) County Designation. – A severely distressed county is a county designated as  
29 such by the Secretary of the Department of Commerce. Each year, on or before  
30 December 31, the Secretary of the Department of Commerce shall designate which  
31 counties are considered severely distressed, and shall provide that information to the  
32 Secretary of Revenue. A county is considered severely distressed if its distress factor is  
33 one of the twenty highest in the State and it has an unemployment rate of seven percent  
34 (7%) or more. The Secretary of Commerce shall assign to each county in the State a  
35 distress factor which is the sum of (1) the county's rank in a ranking of counties by rate  
36 of unemployment from lowest to highest and (2) the county's rank in a ranking of  
37 counties by per capita income from highest to lowest. In measuring rates of  
38 unemployment and per capita income, the Secretary of Commerce shall use data from  
39 the North Carolina Employment Security Commission and the United States  
40 Department of Commerce for the most recent thirty-six month period for which data is  
41 available. A designation as a severely distressed county is effective only for the  
42 calendar year following the designation.

43 (d) Planned Expansion. – A person who, during the year in which a county is  
44 designated as a severely distressed county, signs a letter of commitment with the

1 Department of Commerce to create at least twenty new full-time jobs in that distressed  
 2 county within two years ~~of~~ after the date the letter is signed qualifies for the credit  
 3 allowed by this section even though the employees are not hired that year. The credit  
 4 shall be available in the ~~income-taxable~~ year after at least twenty employees have been  
 5 hired if such hirings are within the two-year commitment period. The conditions  
 6 outlined in subsection (a) apply to a credit taken under this subsection, except that if the  
 7 county is no longer designated a severely distressed county after the year the letter of  
 8 commitment was signed, the credit is still available. If the taxpayer does not hire the  
 9 employees within the two-year period, he does not qualify for the credit. However, if  
 10 the taxpayer qualifies for a credit under subsection (a) in the year any new employees  
 11 are hired, he may take the credit under that subsection.

12 (e) Limitations. – The sale, merger, acquisition, or bankruptcy of a business, or  
 13 any other transaction by which an existing business reformulates itself as another  
 14 business, does not create new eligibility in a succeeding business with respect to jobs  
 15 for which the predecessor was not eligible under this section. A taxpayer may,  
 16 however, take any installment of or carried-over portion of a credit that his predecessor  
 17 could have taken if he had taxable income. Jobs transferred from one county in the  
 18 State to another county in the State shall not be considered new jobs for purposes of this  
 19 section. A credit taken under this section may not exceed fifty percent (50%) of the tax  
 20 imposed by this Division for the taxable year, reduced by the sum of all other credits  
 21 allowed under this Division, except tax payments made by or on behalf of the taxpayer.  
 22 Any unused portion of the credit may be carried forward for the next succeeding five  
 23 years."

24 Sec. 15. G.S. 105-152 reads as rewritten:

25 "**§ 105-152. Returns.**

26 (a) The following persons shall file with the Secretary ~~of Revenue~~ an income tax  
 27 return under affirmation, showing therein specifically the ~~items of gross-taxable~~ income  
 28 and the ~~deductions allowed~~ adjustments required by this Division, and such other facts as  
 29 the Secretary may require for the purpose of making any computation required by this  
 30 Division:

31 (1) Every resident or nonresident who has ~~a gross-North Carolina net~~  
 32 ~~income during the income-taxable year which is in excess of the~~  
 33 ~~personal exemption to which he or she is entitled under the provisions~~  
 34 ~~of G.S. 105-149(a), without the inclusion of the exemptions for~~  
 35 ~~dependents provided under subdivision (5), any part of which is~~  
 36 ~~subject to taxation in this State. in excess of one dollar (\$1.00).~~

37 (2) Every resident or nonresident ~~required under the provisions of G.S.~~  
 38 ~~105-149(b) to prorate his exemption and who has a gross income~~  
 39 ~~during the income year from sources both within and without this State~~  
 40 ~~in excess of the prorated exemption, any part of which is subject to~~  
 41 ~~taxation in this State.~~

42 (3) (2) Every partnership doing business in this State as provided in  
 43 G.S. 105-154.

1           (4)           (3)       Any person whom the Secretary believes to be liable for a  
2                            tax under this Division, when so notified by the Secretary of Revenue  
3                            and requested to file a return.

4           (b)       If the taxpayer is unable to make his own return, the return shall be made by a  
5                            duly authorized agent or by a guardian or other person charged with the care of the  
6                            person or property of such ~~the~~ taxpayer.

7           (c)       The return of an ~~individual, individual~~ who, while living, ~~receiving received~~  
8                            North Carolina net income in excess of the exemption one dollar (\$1.00) during the  
9                            ~~income taxable~~ year, and who has died before making the return, shall be made in his  
10                           name and behalf by the ~~administrator, administrator~~ or executor of the estate, and the tax  
11                           shall be levied upon and collected from ~~his the~~ estate.

12           (d)       When the Secretary of Revenue has reason to believe that any taxpayer so  
13                           conducts ~~the a~~ trade or business as either directly or indirectly to distort his ~~true net~~  
14                           taxable income and the net income properly attributable to the State, or his North Carolina  
15                           net income whether by the arbitrary shifting of income, through price fixing, charges for  
16                           service, or otherwise, whereby the net income is arbitrarily assigned to one or another  
17                           unit in a group of taxpayers carrying on business under a substantially common control,  
18                           he may require such facts as he deems necessary for the proper computation of the ~~entire~~  
19                           ~~net taxable income and the North Carolina net income properly attributable to the State,~~  
20                           income, and in determining the same the Secretary of Revenue shall have regard to the  
21                           fair profit ~~which that~~ would normally arise from the conduct of the trade or business.

22           (e)       ~~A joint return may not be filed by a husband and wife; however, a husband~~  
23                           ~~and wife may, at their election, file their separate income tax returns on a single form,~~  
24                           ~~and a husband and wife so filing shall be deemed to have expressly agreed that:~~

25                    (1)       ~~If the sum of the payments by either spouse, including withheld and~~  
26                           ~~estimated taxes, exceeds the amount of the tax for which such spouse~~  
27                           ~~is separately liable, the excess may be applied by the Department of~~  
28                           ~~Revenue to the credit of the other spouse if the sum of the payments by~~  
29                           ~~such other spouse, including withholding and estimated taxes, is less~~  
30                           ~~than the amount of the tax for which such other spouse is separately~~  
31                           ~~liable.~~

32                    (2)       ~~If the sum of the payments made by both spouses with respect to the~~  
33                           ~~taxes for which they are separately liable, including withheld and~~  
34                           ~~estimated taxes, exceeds the total of the taxes due, refund of the excess~~  
35                           ~~may be made payable to both spouses or if either is deceased, to the~~  
36                           ~~survivor.~~

37           A joint return may be filed by a husband and wife as provided in G.S. 105-152.1. A  
38           husband and wife filing jointly are jointly and severally liable for the tax imposed by  
39           this Division reduced by the sum of all credits allowable under this Division including  
40           tax payments made by or on behalf of the husband and wife. A husband and wife filing  
41           jointly shall be deemed to have expressly agreed that if the amount of the payments  
42           made by them with respect to the taxes for which they are liable, including withheld and  
43           estimated taxes, exceeds the total of the taxes due, refund of the excess may be made  
44           payable to both spouses or, if either is deceased, to the survivor.

1           (f) Each person required to file a return under this section shall attach to his  
2 return a copy of his federal income tax return for the taxable year. The Secretary may  
3 require a taxpayer to provide the Department with copies of any return the taxpayer has  
4 filed with the Internal Revenue Service and to verify any information in the return."

5           Sec. 16. Division II of Article 4 of Chapter 105 of the General Statutes is  
6 amended by adding after G.S. 105-152 a new section to read:

7 **"§ 105-152.1. Joint returns.**

8           A husband and wife shall make a single return jointly if:

9           (1) Their federal taxable income is determined on a joint federal return;

10           and

11           (2) Both spouses are residents of this State or both spouses have North  
12 Carolina net income."

13           Sec. 17. G.S. 105-154 reads as rewritten:

14 **"§ 105-154. Information at the source.**

15           (a) Every individual, partnership, corporation, joint-stock company or  
16 association, or insurance company, being a resident or having a place of business or  
17 having one or more employees, agents, or other representatives in this State, in whatever  
18 capacity acting, including lessors or mortgagors of real or personal property, fiduciaries,  
19 employers, and all officers and employees of the State or of any political subdivision of  
20 the State and all officers and employees of the United States ~~of America~~ or of any  
21 political subdivision or agency thereof having the control, receipt, custody, disposal, or  
22 payment of interest (other than interest coupons payable to bearer), rent, salaries, wages,  
23 dividends, premiums, annuities, compensations, remunerations, ~~emoluments~~  
24 emoluments, or other fixed or determinable annual or periodical gains, profits, and  
25 incomes paid or payable during any year to any taxpayer, shall make complete return  
26 thereof to the Secretary ~~of Revenue~~ under such regulations and in such form and manner  
27 and to such extent as may be prescribed by him. The filing of any report in compliance  
28 with the provisions of this section by a foreign corporation shall not constitute an act in  
29 evidence of and shall not be deemed to be evidence that such corporation is doing  
30 business in this State.

31           (b) Every partnership doing business in the State shall make a ~~return~~, return  
32 stating specifically the items of its gross taxable income and the deductions allowed  
33 adjustments required by this Division, and shall include in the return the names and  
34 addresses of the individuals who would be entitled to share in the net income if  
35 distributable, and the amount of the distributive share of each individual, together with  
36 the distributive shares of corporation dividends. The return shall be signed by one of  
37 the partners under affirmation in the form prescribed in G.S. 105-155 of this Division,  
38 and the same penalties prescribed in G.S. 105-236 shall apply in the event of a willful  
39 misstatement."

40           Sec. 18. G.S. 105-155 reads as rewritten:

41 **"§ 105-155. Time and place of filing returns.**

42           Returns shall be in such forms as the Secretary ~~of Revenue~~ may from time to time  
43 prescribe, and shall be filed with the Secretary at his main office, or at any branch office  
44 which he may establish. The return of every ~~person~~ taxpayer reporting on a calendar

1 year basis shall be filed on or before the fifteenth day of April in each year, and the  
2 return of every ~~person~~ taxpayer reporting on a ~~fiscal~~ different taxable year basis shall be  
3 filed on or before the fifteenth day of the fourth month following the close of the ~~fiscal~~  
4 taxable year. In case of sickness, absence, or other disability or whenever in his  
5 judgment good cause exists, the Secretary may allow further time for filing returns.

6 There shall be annexed to the return the affirmation of the taxpayer making the  
7 return in the following form: 'Under penalties prescribed by law, I hereby affirm that to  
8 the best of my knowledge and belief this return, including any accompanying schedules  
9 and statements, is true and complete. (If prepared by a person other than the taxpayer,  
10 his affirmation is based on all information of which he has any knowledge.)' The  
11 Secretary shall ~~cause to be prepared~~ prepare blank forms for the ~~said~~ returns, and shall  
12 ~~cause them to be distributed~~ distribute them throughout the State, and ~~to be furnished~~  
13 furnish them upon application; but failure to receive or secure the form shall not relieve  
14 any taxpayer from the obligation of ~~making any filing~~ a return herein required.  
15 required by this Division."

16 Sec. 19. G.S. 105-156 reads as rewritten:

17 "**§ 105-156. Failure to file returns; supplementary returns.**

18 If the Secretary of Revenue shall be of the opinion that any taxpayer has failed to file  
19 a return or to include in a return filed, either intentionally or through error, items of  
20 taxable income, he may require from ~~such~~ the taxpayer a return or supplementary return,  
21 under oath, in such form as he shall prescribe, of all the items of income which the  
22 taxpayer received during the year for which the return is made, whether or not taxable  
23 under the provisions of this Division. If from a supplementary return or otherwise the  
24 Secretary finds that any items of ~~income~~ income taxable under this ~~Division~~ Division  
25 have been omitted from the original return, or that any items returned as taxable ~~that~~  
26 not taxable, or that any item ~~as of~~ taxable income is overstated, he may require the items  
27 so omitted to be disclosed to him under oath of the taxpayer, and to be added to or  
28 deducted from the original return. ~~Such~~ The supplementary return and the correction of  
29 the original return shall not relieve the taxpayer from any of the penalties to which he  
30 may be liable under G.S. 105-236. The Secretary may proceed under the provisions of  
31 G.S. ~~105-241.1~~ 105-241.1 whether or not he requires a return or a supplementary return  
32 under this section."

33 Sec. 20. G.S. 105-156.1 is repealed.

34 Sec. 21. G.S. 105-157 reads as rewritten:

35 "**§ 105-157. Time and place of payment of tax.**

36 (a) Except as otherwise provided in this section and in Article 4A of this Chapter,  
37 the full amount of the tax payable as shown on the face of the return shall be paid to the  
38 Secretary of Revenue at the office where the return is filed at the time fixed by law for  
39 filing the return. ~~return; provided, that when a husband and wife have elected under G.S. 105-~~  
40 ~~152(e) to file their separate income tax returns on a single form and the amount for which one~~  
41 ~~spouse is separately liable has been reduced by credit for overpayment of tax by the other~~  
42 ~~spouse as provided in that subsection, only the amount in excess of such credit shall be~~  
43 ~~payable; provided, that if~~ If the amount shown to be due ~~after all credits~~ is less than one  
44 dollar (\$1.00), no payment need be made.



1 (b) The tax may be paid with uncertified check during such time and under such  
 2 regulations as the Secretary of Revenue ~~shall~~ may prescribe; but if a check so received is  
 3 not paid by the bank on which it is drawn, the taxpayer by whom ~~such the check is~~ was  
 4 tendered shall remain liable for the payment of the tax and for all legal penalties the  
 5 same as if ~~such the check~~ had not been tendered."

6 Sec. 22. G.S. 105-158 reads as rewritten:

7 **"§ 105-158. Abatement of income taxes of certain members of the armed forces**  
 8 **upon death.**

9 In the case of any individual

10 (1) Who dies

- 11 a. On or after January 1, ~~1964;~~ 1964,  
 12 b. While in active service as a member of the armed forces of the  
 13 United States, and  
 14 c. While serving in a combat zone; ~~zone (as determined under~~  
 15 ~~G.S.105-141(b)(12);~~ or

16 (2) Who dies

- 17 a. On or after January 1, ~~1964;~~ 1964, and  
 18 b. As a result of wounds, ~~disease~~ disease, or injury incurred while  
 19 in active service as a member of the armed forces of the United  
 20 States, and while serving in a combat zone on or after January  
 21 1, 1964,

22 No individual income tax imposed by ~~the State of North Carolina~~ this Division shall apply  
 23 with respect to the taxable year in which falls the date of his death, or with respect to  
 24 any prior taxable year ending on or after the first day he so served in a combat zone; and  
 25 any tax under this Division and under the corresponding provisions of prior revenue  
 26 laws for taxable years preceding those above specified which is unpaid at the date of his  
 27 death (including interest, additions to the tax, and additional amounts) shall not be  
 28 assessed and if assessed the assessment shall be abated, and if collected shall be credited  
 29 or refunded as an overpayment. As used in this section, the term 'combat zone' means  
 30 an area which the President of the United States by executive order designates as an  
 31 area in which the Armed Forces of the United States are or have been engaged in  
 32 combat."

33 Sec. 23. G.S. 105-159 reads as rewritten:

34 **"§ 105-159. Corrections and changes.**

35 If the amount of the ~~net-taxable~~ income for any year of any taxpayer under this  
 36 Division, as reported or as reportable to the United States Treasury Department, is  
 37 changed, corrected, or otherwise determined by the Commissioner of Internal Revenue  
 38 or other officer of the United States of competent authority, ~~such the taxpayer~~, within  
 39 two years after receipt of the internal revenue agent's report or supplemental report  
 40 reflecting the corrected or determined ~~net-taxable~~ income shall make return under oath  
 41 or affirmation to the Secretary of Revenue of ~~such the corrected, changed~~ changed, or  
 42 determined ~~net-taxable~~ income. In making ~~any an~~ assessment or refund under this  
 43 section, the Secretary shall consider all ~~facts or~~ evidence brought to his attention,  
 44 whether or not ~~the same were it was~~ considered or taken into account in the federal

1 assessment or correction. If the taxpayer fails to notify the Secretary of Revenue of  
2 assessment of additional tax by the Commissioner of Internal Revenue, the statute of  
3 limitations shall not apply. The Secretary of Revenue shall ~~thereupon~~ proceed to  
4 ~~determine,~~ determine from such evidence as ~~he~~ may have been brought to his attention ~~or~~  
5 ~~shall otherwise acquire,~~ the correct North Carolina net income of ~~such~~ the taxpayer for the  
6 ~~fiscal or calendar taxable~~ year, and if there ~~shall be~~ is any additional tax due from such  
7 taxpayer ~~the same~~ it shall be assessed and collected; and if there ~~shall have~~ has been an  
8 overpayment of the tax the ~~said~~ Secretary shall, within 30 days after the final  
9 determination of the North Carolina net income of ~~such~~ the taxpayer, refund the amount  
10 of ~~such~~ the excess: Provided, that any taxpayer who fails to comply with this section as  
11 ~~to making report of such change as made by the federal government~~ within the time specified  
12 shall be subject to all penalties as provided in G.S. 105-236, in case of additional tax  
13 due, and shall forfeit his rights to any refund due by reason of such change.

14 When the taxpayer makes the return reflecting the corrected ~~net taxable~~ income as  
15 required by this section, the Secretary of Revenue shall make assessments or refunds  
16 based thereon within three years ~~from~~ after the date the return required by this section is  
17 filed and not thereafter. When the taxpayer does not make the return reflecting the  
18 corrected ~~net taxable~~ income as required by this section but the Department of Revenue  
19 receives from the United States government or one of its agents a report reflecting ~~such~~  
20 corrected ~~net taxable~~ income, the Secretary of Revenue shall make assessments for taxes  
21 due based on ~~such~~ the corrected ~~net taxable~~ income within five years ~~from~~ after the date  
22 the report from the United States government or its agent is actually received and not  
23 thereafter.

24 Nothing in this section shall be construed as preventing the Secretary of Revenue  
25 from making an assessment immediately following the receipt from any source of  
26 information concerning the correction, change in, or determination of ~~net taxable~~  
27 income of a taxpayer by the United States government. The assessment of tax or  
28 additional tax under this section shall not be subject to any statute of limitations except  
29 as provided in this section."

30 Sec. 24. G.S. 105-159.1 reads as rewritten:

31 "**§ 105-159.1. Designation of tax by individual to political party.**

32 (a) Every individual whose income tax liability for the taxable year is one dollar  
33 (\$1.00) or more may designate on his or her income tax return that one dollar (\$1.00) of  
34 the amount of tax paid by him or her to the Department of Revenue shall ~~thereafter~~ be  
35 paid by the Secretary of Revenue, ~~in the manner hereinafter described,~~ to the State  
36 Treasurer for the use of all political parties ~~as defined herein~~ upon a pro rata basis  
37 according to their respective party voter registrations according to the most recent  
38 certification of the State Board of Elections; Provided, however, that no political party  
39 with less than one percent (1%) of the total number of registered voters in the State shall  
40 receive any ~~such of these~~ funds, and the registration of ~~such parties~~ a party shall not be  
41 included in calculating the pro rata distribution. ~~For purposes of~~ As used in this section,  
42 ~~political party~~ the term 'political party' shall ~~mean~~ means a political party which at the  
43 last preceding general State election received at least ten percent (10%) of the entire  
44 vote cast in the State for ~~Governor,~~ Governor or for presidential electors, or a group of

1 voters who by July 1 of the preceding calendar year, by virtue of a petition as a new  
2 political party, had duly qualified as a new political party within the meaning of Chapter  
3 163 of the General Statutes of North Carolina. Statutes.

4 (b) For each quarterly period beginning on or after January 1, 1978, ~~and for each~~  
5 ~~quarterly period thereafter,~~ on or before the last day of the month following the close of  
6 ~~each the~~ quarterly period, the Secretary of Revenue shall remit all funds so designated  
7 ~~above pursuant to this section~~ collected during the preceding quarter to the State  
8 Treasurer who shall ~~thereafter~~ deposit them in an interest-bearing account to be known  
9 as the North Carolina ~~Election Campaign~~ Political Parties Financing Fund. Any interest  
10 earned on funds so deposited shall be credited to the political party ~~for to~~ which said the  
11 ~~funds were designated. allocated.~~ A report to the State Treasurer, State Board of  
12 ~~Elections Elections,~~ and each State party chairman shall accompany each ~~such~~  
13 remittance, and shall detail the amount of funds forwarded, the cumulative total of funds  
14 forwarded to date for the year, and an estimate of the probable total amount to be  
15 collected and forwarded for that calendar year.

16 (d) The Secretary of Revenue shall amend the income tax return in order that all  
17 taxpayers desiring to make the political contributions authorized ~~herein shall in this~~  
18 section may do so by designating ~~same~~ on the front face of the tax return. The line of  
19 authorization for ~~such the~~ designation shall be color contrasted with the color scheme of  
20 the remainder of the income tax return. ~~Such return, The return or its accompanying~~  
21 ~~explanatory instruction, instruction~~ shall readily indicate that any ~~such~~ designations  
22 neither increase nor decrease an individual's tax liability."

23 Sec. 25. Section 6 of Chapter 1089 of the 1987 Session Laws reads as  
24 rewritten:

25 "Sec. 6. This act is effective for taxable years beginning on or after ~~July~~ January 1,  
26 1990."

27 Sec. 26. G.S. 53A-15(i) reads as rewritten:

28 "(i) The securities, evidences of indebtedness and shares of the capital stock issued  
29 by the corporation established under the provisions of this Article, ~~their transfer, and~~  
30 ~~income therefrom,~~ and deposits of financial institutions invested therein, shall at all times  
31 be free from taxation within the State. Gain from the transfer of, and income from, such  
32 securities, evidences of indebtedness, and shares of stock, shall be taxable under Article  
33 4 of Chapter 105 of the General Statutes to the same extent as it is taxable under the  
34 Internal Revenue Code."

35 Sec. 27. G.S. 115E-21 reads as rewritten:

36 "**§ 115E-21. Tax exemption.**

37 The exercise of the powers granted by this Chapter will be in all respects for the  
38 benefit of the people of the State and will promote their health and welfare, and no tax  
39 or assessment shall be levied upon any project undertaken by the agency prior to the  
40 retirement or provision for the retirement of all bonds or notes issued and obligations  
41 incurred by the agency in connection with such project.

42 Any bonds or notes issued by the agency under the provisions of this Chapter, ~~their~~  
43 ~~transfer and the income therefrom (including any profit made on the sale thereof)~~ Chapter  
44 shall at all times be free from taxation by the State or any local unit or political

1 subdivision or other instrumentality of the State, excepting inheritance or gift taxes.  
2 Gain from the transfer of, and income from, such bonds and notes shall be taxable under  
3 Article 4 of Chapter 105 of the General Statutes to the same extent as it is taxable under  
4 the Internal Revenue Code."

5 Sec. 28. G.S. 116-183 reads as rewritten:

6 **"§ 116-183. Acceptance of grants; exemption from taxation.**

7 The Board is hereby authorized, subject to the approval of the Director of the  
8 Budget, to accept grants of money or materials or property of any kind for any project  
9 from a federal agency, private agency, corporation or individual, upon such terms and  
10 conditions as such federal agency, private agency, corporation or individual may  
11 impose. The bonds issued under the provisions of this Article ~~and the income therefrom~~  
12 shall at all times be free from taxation within the State. Gain from the transfer of, and  
13 income from, such bonds shall be taxable under Article 4 of Chapter 105 of the General  
14 Statutes to the same extent as it is taxable under the Internal Revenue Code."

15 Sec. 29. G.S. 116-196 reads as rewritten:

16 **"§ 116-196. Exemption from taxation; bonds eligible for investment or deposit.**

17 Any bonds issued under this Article, including any of such bonds constituting a part  
18 of the surplus of any bank, trust company or other ~~corporation, and the transfer of and the~~  
19 ~~income from any such bonds (including any profit made on the sale thereof and all principal,~~  
20 ~~interest and redemption premiums, if any) corporation~~ shall at all times be exempt from all  
21 taxes or assessment, direct or indirect, general or special, whether imposed for the  
22 purpose of general revenue or otherwise, which are levied or assessed by the State or by  
23 any county, political subdivision, agency or other instrumentality of the State. Gain  
24 from the transfer of, and income from, such bonds shall be taxable under Article 4 of  
25 Chapter 105 of the General Statutes to the same extent as it is taxable under the Internal  
26 Revenue Code. Bonds issued by the Board under the provisions of this Article are  
27 hereby made securities in which all public officers and public bodies of the State and its  
28 political subdivisions, all insurance companies, trust companies, banking associations,  
29 investment companies, executors, administrators, trustees and other fiduciaries may  
30 properly and legally invest funds, including capital in their control or belonging to them.  
31 Such bonds are hereby made securities which may properly and legally be deposited  
32 with and received by any State or municipal officer or any agency or political  
33 subdivision of the State for any purpose for which the deposit of bonds or obligations of  
34 the State is now or may hereafter be authorized by law."

35 Sec. 30. G.S. 122A-19 reads as rewritten:

36 **"§ 122A-19. Tax exemption.**

37 The exercise of the powers granted by this Chapter will be in all respects for the  
38 benefit of the people of the State, for their well-being and prosperity and for the  
39 improvement of their social and economic conditions, and the Agency shall not be  
40 required to pay any tax or assessment on any property owned by the Agency under the  
41 provisions of this Chapter or upon the income therefrom.

42 Any obligations issued by the Agency under the provisions of this Chapter, ~~their~~  
43 ~~transfer and the income therefrom (including any profit made on the sale thereof), Chapter~~  
44 shall at all times be free from taxation by the State or any local unit or political

1 subdivision or other instrumentality of the State, excepting inheritance or gift taxes.  
2 Gain from the transfer of, and income from, such obligations shall be taxable under  
3 Article 4 of Chapter 105 of the General Statutes to the same extent as it is taxable under  
4 the Internal Revenue Code."

5 Sec. 31. G.S. 122D-14 reads as rewritten:

6 "**§ 122D-14. Exemption from taxes.**

7 The exercise of the powers granted by this Chapter will be in all respects for the  
8 benefit of the people of the State, for their well-being and prosperity and for the  
9 improvement of their social and economic conditions, and the Authority shall not be  
10 required to pay any tax or assessment on any property owned by the Authority under the  
11 provisions of this Chapter or upon the income therefrom.

12 Any obligations issued by the Authority under the provisions of this Chapter, ~~their~~  
13 ~~transfer and the income therefrom (including any profit made on the sale thereof),~~ Chapter  
14 shall at all times be free from taxation by the State or any local unit or political  
15 subdivision or other instrumentality of the State, excepting inheritance or gift taxes.  
16 Gain from the transfer of, and income from, such obligations shall be taxable under  
17 Article 4 of Chapter 105 of the General Statutes to the same extent as it is taxable under  
18 the Internal Revenue Code."

19 Sec. 32. G.S. 131A-21 reads as rewritten:

20 "**§ 131A-21. Tax exemption.**

21 The exercise of the powers granted by this Chapter will be in all respects for the  
22 benefit of the people of the State and will promote their health and welfare, and no tax  
23 or assessment shall be levied upon any health care facilities undertaken by the  
24 Commission prior to the retirement or provision for the retirement of all bonds or notes  
25 issued and obligations incurred by the Commission in connection with such health care  
26 facilities.

27 Any bonds or notes issued by the Commission under the provisions of this Chapter,  
28 ~~their transfer and the income therefrom (including any profit made on the sale thereof),~~ Chapter  
29 shall at all times be free from taxation by the State or any local unit or political  
30 subdivision or other instrumentality of the State, excepting inheritance or gift taxes.  
31 Gain from the transfer of, and income from, such bonds and notes shall be taxable under  
32 Article 4 of Chapter 105 of the General Statutes to the same extent as it is taxable under  
33 the Internal Revenue Code."

34 Sec. 33. G.S. 131E-28(c) reads as rewritten:

35 "(c) Bonds, notes, debentures, or other evidences of indebtedness of a hospital  
36 authority issued under the Local Government Revenue Bond Act, Chapter 159 of the  
37 General Statutes, Article 5, or issued pursuant to the bond and revenue anticipation  
38 provisions of Chapter 159 of the General Statutes, Article 9, or issued pursuant to G.S.  
39 131E-26(b) or contracted pursuant to G.S. 131E-32 ~~and the transfer of and income from~~  
40 ~~such instruments, including profits on sales,~~ shall at all times be free from taxation by the  
41 State or any of its subdivisions, except for inheritance or gift taxes. Gain from the  
42 transfer of, and income from, such bonds, notes, debentures, or other evidences of  
43 indebtedness shall be taxable under Article 4 of Chapter 105 of the General Statutes to  
44 the same extent as it is taxable under the Internal Revenue Code."

1           Sec. 34. G.S. 143B-456(g) reads as rewritten:

2           "(g) Any obligations issued by the Authority under the provisions of this ~~Part, their~~  
3 ~~transfer and the income therefrom (including any profit made on the sale thereof),~~ Part shall at  
4 all times be free from taxation by the State or any local unit or political subdivision or  
5 other instrumentality of the State, excepting inheritance or gift taxes. Gain from the  
6 transfer of, and income from, such obligations shall be taxable under Article 4 of  
7 Chapter 105 of the General Statutes to the same extent as it is taxable under the Internal  
8 Revenue Code."

9           Sec. 35. G.S. 157-26 reads as rewritten:

10 **"§ 157-26. Tax exemptions.**

11           The authority shall be exempt from the payment of any taxes or fees to the State or  
12 any subdivision thereof, or to any officer or employee of the State or any subdivision  
13 thereof. The property of an authority used for public purposes shall be exempt from all  
14 local and municipal taxes and for the purposes of such tax exemption, it is hereby  
15 declared as a matter of legislative determination that an authority is and shall be deemed  
16 to be a municipal corporation. Bonds, notes, debentures and other evidences of  
17 indebtedness of an authority (including any corporate agent thereof authorized by this  
18 Article to exercise the powers of the authority) heretofore or hereafter issued are  
19 declared to be issued for a public purpose and to be public instrumentalities ~~and, together~~  
20 ~~with the interest thereon, and~~ shall be exempt from taxes. Gain from the transfer of, and  
21 income from, such bonds, notes, debentures, and other evidences of indebtedness, and  
22 shares of stock, shall be taxable under Article 4 of Chapter 105 of the General Statutes  
23 to the same extent as it is taxable under the Internal Revenue Code."

24           Sec. 36. G.S. 159B-26 reads as rewritten:

25 **"§ 159B-26. Tax exemption.**

26           ~~Bonds, their transfer and the income therefrom (including any profit made on the sale~~  
27 ~~thereof),~~ Bonds shall at all times be free from taxation by the State or any political  
28 subdivision or any agency of either thereof, excepting inheritance or gift taxes. Gain  
29 from the transfer of, and income from, such bonds shall be taxable under Article 4 of  
30 Chapter 105 of the General Statutes to the same extent as it is taxable under the Internal  
31 Revenue Code."

32           Sec. 37. G.S. 159C-14 reads as rewritten:

33 **"§ 159C-14. Tax exemption.**

34           The authority shall not be required to pay any taxes on any project or on any other  
35 property owned by the authority under the provisions of this Chapter or upon the  
36 income therefrom.

37           The interest on bonds issued by the authority shall be exempt from ~~all~~ income taxes  
38 within the State to the same extent as it is exempt from income taxes under the Internal  
39 Revenue Code.

40           All projects and all transactions therefor shall be subject to taxation to the extent  
41 such projects and transactions would be subject to taxation if no public body were  
42 involved therewith."

43           Sec. 38. G.S. 105-160 reads as rewritten:

44 **"§ 105-160. Short title.**

1 This Division shall be known ~~and may be cited~~ as the Income Tax Act for Estates and  
2 Trusts."

3 Sec. 39. G.S. 105-161, 105-162, and 105-163 are repealed.

4 Sec. 40. Division III of Article 4 of Chapter 105 of the General Statutes is  
5 amended by adding after G.S. 105-160 a new section to read:

6 **§ 105-160.1. Estates and trusts.**

7 (a) Imposition of the Tax. The tax imposed by this Division shall apply to the  
8 taxable income of estates and trusts as determined under the provisions of the Code  
9 except as otherwise provided in this Division.

10 (b) Computation and Payment. The taxable income of an estate or trust shall be  
11 the same as taxable income for such an estate or trust under the provisions of the Code,  
12 adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7. The tax shall be computed  
13 at the rate of six and six-tenths percent (6.6%) of an amount equal to the taxable income  
14 multiplied by a fraction, the numerator of which is the estate or trust's gross income  
15 from North Carolina sources, plus the gross income from sources outside of the State  
16 and from intangible sources which is for the benefit of a resident of this State, and the  
17 denominator of which is the estate or trust's gross income as calculated under the Code.  
18 For purposes of the preceding sentence, the words 'taxable income' and 'gross income'  
19 shall be computed subject to the adjustments provided in G.S. 105-134.6 and G.S. 105-  
20 134.7. The tax computed under the provisions of this Division shall be paid by the  
21 fiduciary responsible for administering the estate or trust.

22 (c) Definitions. For the purpose of this Division, the words and phrases defined  
23 in Division II of this Article shall have the same meanings prescribed to them in that  
24 Division, except in those instances where the context clearly indicates a different  
25 meaning.

26 (d) Tax Credits for Income Taxes Paid to Other States.

27 (1) If a fiduciary is required to pay income tax to this State for an estate or  
28 a trust for which he acts, he shall be allowed a credit against the taxes  
29 imposed by this section for income taxes imposed by and paid to  
30 another state or country on income derived from sources within that  
31 other state or country in accordance with the formula contained in  
32 subdivision (2) of this subsection and the requirements of subdivision  
33 (3) of this subsection.

34 (2) The fraction of the gross income for North Carolina income tax  
35 purposes which is derived from sources within and subject to income  
36 tax in another state or country shall be ascertained and the North  
37 Carolina net income tax before credit under this subsection shall be  
38 multiplied by that fraction. The credit allowed shall be either the  
39 product thus calculated or the income tax actually paid the other state  
40 or country, whichever is smaller.

41 (3) Receipts showing the payment of income taxes to another state or  
42 country and a true copy of a return or returns upon the basis of which  
43 the taxes are assessed shall be filed with the Secretary of Revenue at or  
44 prior to the time credit is claimed. If credit is claimed on account of a

1                   deficiency assessment, a true copy of the notice assessing or proposing  
2                   to assess the deficiency, as well as a receipt showing the payment of  
3                   the deficiency, shall be filed.

4           (4)       If any taxes paid to another state or country for which a fiduciary has  
5                   been allowed a credit under this section are at any time credited or  
6                   refunded to the fiduciary, a tax equal to that portion of the credit  
7                   allowed for the taxes so credited or refunded shall be due and payable  
8                   from the fiduciary within 30 days after the date of the receipt of the  
9                   refund or the notice of the credit. If the amount of tax due is not paid  
10                  within 30 days after receipt or notice, the fiduciary shall be subject to  
11                  the penalties and interest on delinquent payments provided in G.S.  
12                  105-236 and G.S. 105-241.1.

13           (5)       A resident beneficiary of an estate or trust who is taxed under the  
14                   provisions of Division II of this Article on income from an estate or  
15                   trust determined to be includable in his gross income shall be allowed  
16                   a credit against the tax imposed for income taxes paid by the fiduciary  
17                   to another state or country on the income in accordance with the  
18                   formula contained in subsection (d)(2) of this section and the  
19                   requirements of subsection (d)(3) of this section; provided, that if any  
20                   taxes paid to another state or country for which a beneficiary has been  
21                   allowed credit under this section are at any time credited or refunded  
22                   to the beneficiary, a tax equal to that portion of the credit allowed for  
23                   the taxes so credited or refunded shall be due and payable from the  
24                   beneficiary within 30 days after the date of receipt of the refund or  
25                   notice of the credit. If the amount of tax due is not paid within 30 days  
26                   after receipt or notice, the beneficiary shall be subject to the penalties  
27                   and interest on delinquent payments provided in G.S. 105-236 and  
28                   G.S. 105-241.1.

29           (e)       Returns. The fiduciary of an estate or trust shall file an income tax return for  
30                   the following trusts or estates under affirmation, showing therein specifically the taxable  
31                   income and the adjustments required by this Division, and such other facts as the  
32                   Secretary may require for the purpose of making any computation required by this  
33                   Division:

34                   (1)       Every estate or trust which has taxable income under this Division  
35                   during the taxable year in excess of one dollar (\$1.00).

36                   (2)       Every estate or trust which the Secretary believes to be liable for a tax  
37                   under this Division, when so notified by the Secretary of Revenue and  
38                   requested to file a return.

39           (f)       Time and Place of Filing Returns. Returns required under the provisions of  
40                   subsection (e) of this section shall be in such form as the Secretary of Revenue may  
41                   prescribe, and shall be filed with the Secretary at his main office, or at any branch office  
42                   which he may establish. The return of every fiduciary reporting on a calendar-year  
43                   basis shall be filed on or before the fifteenth day of April in each year, and the return of  
44                   every fiduciary reporting on a fiscal year basis shall be filed on or before the fifteenth



1 day of the fourth month following the close of the fiscal year. In the case of sickness,  
2 absence, or other disability or whenever in his judgment good cause exists, the  
3 Secretary may allow further time for filing these returns.

4 (g) Time and Place of Payment of Tax.

5 (1) The full amount of the tax payable as shown on the face of the return  
6 shall be paid to the Secretary of Revenue at the office where the return  
7 is filed at the time fixed by law for filing the return; provided, that if  
8 the amount shown to be due after all credits is less than one dollar  
9 (\$1.00), no payment need be made.

10 (2) The tax may be paid with uncertified check, but if a check so received  
11 is not paid by the bank on which it is drawn, the fiduciary by whom  
12 the check is tendered shall remain liable for the payment of the tax and  
13 for all penalties lawfully imposed.

14 (h) Corrections and Changes. For purposes of this section, the provisions of G.S.  
15 105-159 requiring an individual to report changes, corrections, or the determination of  
16 net income by the Internal Revenue Service shall apply also to fiduciaries required to  
17 file returns for estates and trusts."

18 Sec. 41. G.S. 105-163.02(11) reads as rewritten:

19 "(11) 'Taxable year' shall have the meaning ascribed to such term in G.S. ~~105-~~  
20 ~~135(9)-105-134.1(14)~~ and G.S. 105-130.2(5), as appropriate. In addition, 'taxable year'  
21 shall be that taxable year for which a manufacturer files an income tax return upon  
22 which the tax credit provided for under this Division is claimed."

23 Sec. 42. G.S. 105-163.1(3) reads as rewritten:

24 "(3) 'Dependent' means a dependent with respect to whom an income tax  
25 exemption is allowed under the ~~provisions of G.S. 105-149(a)(5)~~ the Code."

26 Sec. 43. G.S. 105-163.2(a) and (b) read as rewritten:

27 "(a) Every employer making payment of wages on or after January 1, 1960, shall  
28 deduct and withhold with respect to the wages of each employee for each payroll period  
29 an amount determined as follows:

30 Such amount which, if an equal amount was collected for each similar payroll period  
31 with respect to a similar amount of wages for each payroll period during an entire  
32 calendar year, would aggregate or approximate the income tax liability of such  
33 employee under Article 4 of this Chapter after making allowance for the personal  
34 exemptions to which such employee would be entitled on the basis of his status during  
35 such payroll period and after making allowance for withholding purposes for a  
36 deduction from wages of the amount of the standard deduction allowed under ~~G.S. 105-~~  
37 ~~147(22)~~ the Code and without making allowance for any other deductions.

38 (b) The Secretary of Revenue shall cause to be prepared and shall promulgate  
39 tables for computing amounts to be withheld with respect to different rates of wages for  
40 different payroll periods applicable to the various combinations of exemptions to which  
41 an employee may be entitled and taking into account the ~~limited ten percent (10%)~~  
42 standard deduction above referred to. Such tables may provide for the same amount to  
43 be withheld within reasonable salary brackets or ranges so designed as to result in the  
44 withholding during a year of approximately the amount of an employee's indicated

1 income tax liability with respect to said year. The withholding of wages pursuant to and  
2 in accordance with such tables shall be deemed as a matter of law to constitute  
3 compliance with the provisions of subsection (a) of this section, notwithstanding any  
4 other provisions of this Article."

5 Sec. 44. G.S. 105-163.3 reads as rewritten:

6 **"§ 105-163.3. Withholding in accordance with regulations.**

7 The manner of withholding and the amount to be deducted and withheld under G.S.  
8 105-163.2 shall be determined in accordance with tables, rules and regulations  
9 promulgated by the Secretary. The withholding exemption allowed by such tables, rules  
10 and regulations shall, as nearly as possible, approximate the exemptions to which an  
11 employee would be entitled under ~~G.S. 105-149~~ the Code."

12 Sec. 45. G.S. 105-163.5(b) reads as rewritten:

13 "(b) Every employee shall, on or before January 1, 1960, or at the time of  
14 commencing employment, whichever is later, furnish his employer with a signed  
15 withholding exemption certificate informing the employer of the exemptions which the  
16 employee claims, which in no event shall exceed the amount of exemptions to which the  
17 employee is entitled under ~~G.S. 105-149~~ the Code; but, in the event that the employee  
18 fails to file the exemption certificate required herein, the employer, in computing  
19 amounts to be withheld from said employee's wages, shall allow the employee the  
20 exemption accorded a single person with no dependents."

21 Sec. 46. G.S. 105-163.16(d) and (e) read as rewritten:

22 "(d) When a husband and wife have elected under ~~G.S. 105-152(e)~~ G.S. 105-152.1 to  
23 file ~~their separate income tax returns on a single form~~ a joint return and a refund for  
24 overpayment of tax is made payable to both spouses as provided in that subsection, the  
25 provisions of this section shall apply to such refund.

26 (e) Any taxpayer who shall be entitled to a refund of taxes withheld or estimated  
27 taxes paid as provided by this section may elect to contribute all or any part of such  
28 refund to the Wildlife Fund for the support of wildlife management and protection  
29 programs primarily for nongame wildlife species and wildlife species which are or may  
30 hereafter be designated as endangered or threatened. The Secretary shall provide  
31 appropriate language and space on the individual income tax form in which to make  
32 ~~such this election and shall note the same in his instructions as a contribution qualifying as a~~  
33 ~~deduction under G.S. 105-147(16)~~. Any such election shall become irrevocable upon  
34 filing the taxpayer's income tax return for the taxable year. All of such contributions  
35 shall be transmitted to the State Treasurer for credit to the Wildlife Fund which shall be  
36 made available to the Wildlife Resources Commission for the support of management  
37 and protection programs primarily for nongame wildlife and endangered and threatened  
38 species and to match federal funds which may become available for such purposes."

39 Sec. 47. G.S. 105-203 reads as rewritten:

40 **"§ 105-203. Shares of stock.**

41 All shares of stock (including shares and units of ownership of mutual funds,  
42 investment ~~trusts~~ trusts, and investment funds) owned by residents of this State or  
43 having a business, ~~commercial~~ commercial, or taxable situs in this State on December 31  
44 of each year, with the exception herein provided, shall be subject to an annual tax,

1 which is hereby levied, of twenty-five cents (25¢) on every one hundred dollars  
2 (\$100.00) of the total fair market value of such stock on December 31 of each year less  
3 such proportion of such value as is equal to the proportion of the dividends upon such stock  
4 deductible by such taxpayer in computing his income tax liability under the provisions of G.S.  
5 105-130.7 and 105-147(7) without regard to the fifteen-thousand-dollar (\$15,000) limitation  
6 under subdivision (7) of G.S. 105-147 and 105-130.7 to:

- 7       (1) In the case of a taxpayer that is a corporation, the proportion of the  
8       dividends upon such stock deductible by such taxpayer in computing  
9       its income tax liability under G.S. 105-130.7 without regard to the  
10       fifteen-thousand-dollar (\$15,000) limitation under G.S. 105-130.7; and  
11       (2) In the case of a taxpayer that is not a corporation, the proportion of the  
12       dividends upon such stock that would be deductible by such taxpayer,  
13       if the taxpayer were a corporation, in computing its income tax  
14       liability under the provisions of G.S. 105-130.7(1),(2),(3), and (3a),  
15       without regard to the fifteen-thousand-dollar (\$15,000) limitation  
16       under G.S. 105-130.7.

17       The tax herein levied shall not apply to shares of stock in building and loan  
18 associations or savings and loan associations which pay a tax as levied under Article 8D  
19 of Chapter 105 of the General Statutes, nor to shares of stock owned by any corporation  
20 which has its commercial domicile in North Carolina, where such corporation owns  
21 more than fifty percent (50%) of the outstanding voting stock.

22       The tax herein levied shall not apply to units of ownership in an investment trust, the  
23 corpus of which is composed (i) entirely of obligations of this State or (ii) entirely of  
24 obligations of the United States and of this State, at least eighty percent (80%) of the  
25 fair market value of which represents obligations of this State. For the purpose of this  
26 paragraph, "State" includes the State of North Carolina, political subdivisions of this  
27 State, and agencies of such governmental units; "United States" includes the United  
28 States and its possessions, and the District of Columbia; "obligations" includes bonds,  
29 notes and other evidences of debt. In order for the exemption provided for in this  
30 paragraph to apply, it shall be the duty of the trustees of an investment trust to provide  
31 to the Secretary of Revenue, in form satisfactory to him and not later than December 31  
32 of the year with respect to which the exemption applies, information sufficient to  
33 establish the applicability of this exemption.

34       Indebtedness incurred directly for the purchase of shares of stock may be deducted  
35 from the total value of such shares; provided, the specific shares of stock so purchased  
36 are pledged as collateral to secure said indebtedness; provided further, that only so  
37 much of said indebtedness may be deducted as is in the same proportion as the taxable  
38 value of said shares of stock is to the total value of said shares of stock."

39       Sec. 48. G.S. 105-259 reads as rewritten:

40       **"§ 105-259. Secrecy required of officials; penalty for violation.**

41       With respect to any one of the following persons: (i) the Secretary of Revenue  
42 and all other officers or employees, and former officers and employees, of the  
43 Department of Revenue; (ii) local tax officials, as defined in G.S. 105-273, and former  
44 local tax officials; (iii) members and former members of the Property Tax Commission;

1 (iv) any other person authorized in this section to receive information concerning any  
2 item contained in any report or return, or authorized to inspect any report or return; and  
3 (v) the Commissioner of Insurance and all other officers or employees and former  
4 officers and employees of the Department of Insurance with respect to State and federal  
5 income tax returns filed with the Commissioner of Insurance by domestic insurance  
6 companies; and except in accordance with proper judicial order or as otherwise  
7 provided by law, it shall be unlawful for any of said persons to divulge or make known  
8 in any manner the amount of income, income tax or other taxes of any taxpayer, or  
9 information relating thereto or from which the amount of income, income tax or other  
10 taxes or any part thereof might be determined, deduced or estimated, whether the same  
11 be set forth or disclosed in or by means of any report or return required to be filed or  
12 furnished under this Subchapter, or in or by means of any audit, assessment, application,  
13 correspondence, schedule or other document relating to such taxpayer, notwithstanding  
14 the provisions of Chapter 132 of the General Statutes or of any other law or laws  
15 relating to public records. It shall likewise be unlawful to reveal whether or not any  
16 taxpayer has filed a return, and to abstract, compile or furnish to any person, firm or  
17 corporation not otherwise entitled to information relating to the amount of income,  
18 income tax or other taxes of a taxpayer, any list of names, addresses, social security  
19 numbers or other personal information concerning such taxpayer, whether or not such  
20 list discloses a taxpayer's income, income tax or other taxes, or any part thereof, except  
21 that when an election is made by a husband and wife ~~under G.S. 105-152(e) to file their~~  
22 ~~separate returns on a single form, or in order to determine an exemption allowable under G.S.~~  
23 ~~105-149(a)(2) under G.S. 105-152.1 to file a joint return,~~ any information given to one  
24 spouse concerning the income or income tax of the other spouse reported or reportable  
25 on such single return or on separate returns shall not be a violation of the provisions of  
26 this section.

27 Nothing in this section shall be construed to prohibit the publication of statistics, so  
28 classified as to prevent the identification of particular reports or returns, and the items  
29 thereof; the inspection of such reports or returns by the Governor, Attorney General, or  
30 their duly authorized representative; or the inspection by a legal representative of the  
31 State of the report or return of any taxpayer who shall bring an action to set aside or  
32 review the tax based thereon, or against whom an action or proceeding has been  
33 instituted to recover any tax or penalty imposed by this Subchapter; nor shall the  
34 provisions of this section prohibit the Department of Revenue furnishing information to  
35 other governmental agencies of persons and firms properly licensed under Schedule B,  
36 G.S. 105-33 to 105-113. The Department of Revenue may exchange information with  
37 the officers of organized associations of taxpayers under Schedule B, G.S. 105-33 to  
38 105-113, with respect to parties liable for such taxes and as to parties who have paid  
39 such license taxes.

40 When any record of the Department of Revenue shall have been photographed,  
41 photocopied or microphotocopied pursuant to the authority contained in G.S. 8-45.3, the  
42 original of said record may thereafter be destroyed at any time upon the order of the  
43 Secretary of Revenue, notwithstanding the provisions of G.S. 121-5, G.S. 132-3 or any  
44 other law or laws relating to the preservation of public records. Any record which shall

1 not have been so photographed, photocopied or microphotocopied shall be preserved for  
2 three years, and thereafter until the Secretary of Revenue shall order the same to be  
3 destroyed.

4 Any person, officer, agent, clerk, employee, local tax official or former officer,  
5 employee or local tax official violating the provisions of this section shall be guilty of a  
6 misdemeanor and fined not less than two hundred dollars (\$200.00) nor more than one  
7 thousand dollars (\$1,000) and/or imprisoned, in the discretion of the court; and if such  
8 offending person be a public officer or employee, he shall be dismissed from such office  
9 or employment, and shall not hold any public office or employment in this State for a  
10 period of five years thereafter.

11 Notwithstanding the provisions of this section, the Secretary of Revenue may permit  
12 the Commissioner of Internal Revenue of the United States, or the revenue officer of  
13 any other state imposing any of the taxes imposed in this Subchapter, or the duly  
14 authorized representative of either, to inspect the report or return of any taxpayer; or  
15 may furnish such officer or his authorized agent an abstract of the report or return of any  
16 taxpayer; or supply such officer with information concerning any item contained in any  
17 report or return, or disclosed by the report of any investigation of such report or return  
18 of any taxpayer. Such permission, however, shall be granted or such information  
19 furnished to such officer, or his duly authorized representatives, only if the statutes of  
20 the United States or of such other state grants substantially similar privilege to the  
21 Secretary of Revenue of this State or his duly authorized representative.  
22 Notwithstanding contrary provisions of this section, the Secretary may also furnish to  
23 the Employment Security Commission account and identification numbers, and names  
24 and addresses, of taxpayers when said Commission requires such information for the  
25 purpose of administering Chapter 96 of the General Statutes. Neither this section nor  
26 any other law prevents the exchange of information between the Department of  
27 Revenue and the Department of Transportation's Division of Motor Vehicles when the  
28 information is needed by either to administer the laws with which they are charged.  
29 Notwithstanding any other provision of law, State officers and employees who perform  
30 computerized data processing functions pursuant to G.S. 143-341(9) for the Department  
31 of Revenue are authorized to receive and process for the Department of Revenue  
32 information in reports and returns and are subject to the criminal provisions of this  
33 section.

34 Notwithstanding the provisions of this section, the Secretary of Revenue may  
35 contract with any person, firm or corporation to receive and address, sort, bag, or deliver  
36 to the United States Postal Service any bulk mailing originated by the Department of  
37 Revenue, and may deliver the mail to the contractor pursuant to the contract. To ensure  
38 performance of the contract, the contractor shall furnish a bond in a form and amount  
39 acceptable to the Secretary."

40 Sec. 49. G.S. 105-266 reads as rewritten:

41 **"§ 105-266. Overpayment of taxes to be refunded with interest.**

42 If the Secretary of Revenue discovers from the examination of any return, or  
43 otherwise, that any taxpayer has overpaid the correct amount of tax (including penalties,  
44 interest and costs if any), such overpayment if the amount of three dollars (\$3.00) or

1 more, shall be refunded to the taxpayer within 60 days after it is ascertained together  
2 with interest thereon at the rate established in G.S. 105-241.1(i) for assessments;  
3 provided, that interest on any such refund shall be computed from a date 90 days after  
4 the date the tax was originally paid by the taxpayer; except that there shall be no refund  
5 to the taxpayer of any sum set off under the provisions of Chapter 105A, the Set-off  
6 Debt Collection Act. If said overpayment is less than three dollars (\$3.00) said  
7 overpayment shall be refunded as aforesaid but only upon receipt by the Secretary of  
8 Revenue of a written demand for such refund from the taxpayer. Provided, however,  
9 that no overpayment shall be refunded irrespective of whether upon discovery or receipt  
10 of written demand if such discovery is not made or such demand is not received within  
11 three years from the date set by the statute for the filing of the return or within six  
12 months of the payment of the tax alleged to be an overpayment, whichever date is the  
13 later. The provisions of this paragraph shall not apply to interest required under G.S.  
14 105-267. When a husband and wife have elected ~~under G.S. 105-152(e) to file their~~  
15 ~~separate income tax returns on a single form~~ under G.S. 105-152.1 to file a joint return and  
16 a refund for overpayment of tax is made payable to both spouses as provided in that  
17 subsection, the provisions of this section shall apply to such refund."

18           Sec. 50. This act does not affect the rights or liabilities of the State, a  
19 taxpayer, or other person arising under a statute amended or repealed by this act before  
20 its amendment or repeal; nor does it affect the right to any refund or credit of a tax that  
21 would otherwise have been available under the amended or repealed statute before its  
22 amendment or repeal.

23           Sec. 51. This act is effective for taxable years beginning on or after January  
24 1, 1990.