

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 841
Finance Committee Substitute Adopted 8/4/97
Third Edition Engrossed 8/18/97

Short Title: Modify Corporate Dividend Taxation.

(Public)

Sponsors:

Referred to:

April 15, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW FOREIGN CORPORATIONS TO DEDUCT EXPENSES
3 RELATED TO DEDUCTIBLE SUBSIDIARY DIVIDENDS TO THE SAME
4 EXTENT AS NORTH CAROLINA CORPORATIONS AND TO CLARIFY THE
5 TREATMENT OF DIVIDENDS AS BUSINESS OR NONBUSINESS INCOME.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 105-130.7(b), as amended by House Bill 1157, 1997 General
8 Assembly, reads as rewritten:

9 "(b) Subsidiary Dividends. – A corporation ~~that, at the close of its taxable year, has its~~
10 ~~commercial domicile within North Carolina~~ may deduct all dividends received from
11 corporations in which it owns more than fifty percent (50%) of the outstanding voting
12 stock."

13 Section 2. G.S. 105-130.4(a)(1) reads as rewritten:

14 "(1) 'Business income' means income arising from transactions and activity
15 in the regular course of the corporation's trade or business and includes
16 income from tangible and intangible property if the acquisition,
17 management, ~~and/or~~ disposition of the property ~~constitute integral parts~~
18 constitutes an integral part of the corporation's regular trade or business

1 operations. Dividend income, like other income from intangible
2 property, is business income if it meets the requirements of this
3 definition."

4 Section 3. This act is effective for taxable years beginning on or after January
5 1, 1997.