

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 1157 (Senate Finance Committee Sub. 7/10/97)

SHORT TITLE: Various Corporate Tax Law Changes

FISCAL IMPACT

Yes ()

No (X)

No Estimate Available ()

PRINCIPAL DEPARTMENT AFFECTED: The tax changes are administered by the Department of Revenue. The changes are not expected to change the Department's costs.

BILL SUMMARY: (1) Extends the personal income tax exclusion allowed individuals for interest on state or local obligations and obligations of nonprofit educational institutions organized or chartered in the State to corporations. In most cases such interest is not included in federal taxable income. This change is effective for tax years beginning on or after January 1, 1997. (2) Conforms statutory law to the current practice of the Department of Revenue with regard to the taxability of dividend income on regulated investment companies and real estate investment trusts. The current statutes limit the income deduction of corporations from these investment vehicles to \$15,000. The Department of Revenue does not currently treat the cap as applicable to these types of pass-through income from federal, state, and local obligations since the federal treatment of these vehicles exempts pass-through income to investors that would have been exempt if the income flowed directly to the investor. The change is effective for tax years beginning on or after January 1, 1997.

ASSUMPTIONS AND METHODOLOGY: The Department of Revenue is unable to identify an example whereby the enactment of the bill would cause a General Fund revenue loss.

FISCAL RESEARCH DIVISION (733-4910)

PREPARED BY: Dave Crotts

APPROVED BY: Tom Covington

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