

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE BILL 827

Short Title: Conform Bank Expense Deduction. (Public)

Sponsors: Representatives Weiss, Luebke, Insko, Glazier (Primary Sponsors);
Howard, McAllister, Michaux, and Womble.

Referred to: Finance.

April 1, 2003

A BILL TO BE ENTITLED

1 AN ACT TO CONFORM STATE INCOME TAX ON BANKS TO FEDERAL
2 INCOME TAX ON BANKS.
3

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-130.5(a) is amended by adding a new subdivision to
6 read:

7 "(a) The following additions to federal taxable income shall be made in
8 determining State net income:

9 . . .

10 (2a) That portion of a financial institution's interest expense that is
11 allocable to interest income exempt from taxation under this Part. The
12 allocable portion of the interest expense is the portion for which
13 deduction would be disallowed pursuant to section 265(b) of the Code
14 if the interest were earned on a tax-exempt obligation as defined in
15 section 265(b) of the Code."

16 **SECTION 2.** This act is effective for taxable years beginning on or after
17 January 1, 2003. Notwithstanding G.S. 105-163.41, no addition to tax may be made
18 under that statute for a taxable year beginning on or after January 1, 2003, and before
19 January 1, 2004, with respect to an underpayment of corporation tax to the extent the
20 underpayment was created or increased by this act.