GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2007

SENATE BILL 1939*

Short Title: IRC Undate

(Public)

	Short Title: IRC Update. (Public)			
	Sponsors: Senators Kerr, Brunstetter, Clodfelter, Dalton, Hartsell, and Hoyle.			
	Referred to: Finance.			
	May 22, 2008			
1	A BILL TO BE ENTITLED			
2	AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE			
3	USED IN DEFINING AND DETERMINING CERTAIN STATE TAX			
4	PROVISIONS.			
5	The General Assembly of North Carolina enacts:			
6	SECTION 1. G.S. 105-228.90(b)(1b) reads as rewritten:			
7	"(1b) Code. – The Internal Revenue Code as enacted as of January 1, 2007,			
8	May 1, 2008, including any provisions enacted as of that date which			
9	become effective either before or after that date."			
10	SECTION 2. Notwithstanding Section 1 of this act, any amendments to the			
11	Internal Revenue Code enacted after January 1, 2007, that increase North Carolina			
12	taxable income for the 2007 taxable year become effective for taxable years beginning			
13	on or after January 1, 2008.			
14	SECTION 3. G.S. 105-130.5(a) reads as rewritten:			
15	"(a) The following additions to federal taxable income shall be made in			
16	determining State net income:			
17				
18	(15) The For taxable years 2002-2005, the applicable percentage of the			
19	amount allowed as a special accelerated depreciation deduction under			
20	section 168(k) or section 1400L of the Code, as set out in the table			
21	below. In addition, a taxpayer who was allowed a special accelerated			
22	depreciation deduction under section 168(k) or section 1400L of the			
23 24	Code in a taxable year beginning before January 1, 2002, and whose			
24 25	North Carolina taxable income in that earlier year reflected that			
23 26	accelerated depreciation deduction must add to federal taxable income in the taxpayor's first taxable year beginning on or after Japuery 1			
20 27	in the taxpayer's first taxable year beginning on or after January 1, 2002, an amount equal to the amount of the deduction allowed in the			
27	earlier taxable year. These adjustments do not result in a difference in			
20	carner taxable year. These aujustitients do not result in a difference in			

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basis of the affected assets for State and federal income tax purposes. The applicable percentage is as follows:						
	Taxable Year H	Percentage				
	2002	100%				
	2003	70%				
	2004	70%				
	2005-and thereafter	0%				
"						
	FION 4. G.S. 105-130.5(a) is amended by add	ling a new subdivision to				
read:		1 11 1 1 1				
	following additions to federal taxable inco	ome shall be made in				
determining Sta	te net income:					
(15_{0})	The applicable percentage of the appoint	allowed as a special				
<u>(15a)</u>	The applicable percentage of the amount accelerated depreciation deduction under sec	-				
	for property placed in service after Decemb					
	January 1, 2009. In addition, a taxpayer wh					
	accelerated depreciation deduction in taxable	-				
	placed in service during that period, and whose	• • • • •				
	income for that year reflected that accelerate					
	must add to federal taxable income in the tax					
	an amount equal to the applicable percentage					
	allowed in the 2007 taxable year. These adjust					
	difference in basis of the affected assets for					
	tax purposes. The applicable percentage u					
	eighty-five percent (85%).					
"						
SECT	FION 5. G.S. 105-134.6(c) reads as rewritten:					
"(c) Addit	ions The following additions to taxable in	ncome shall be made in				
U	th Carolina taxable income, to the extent each	n item is not included in				
taxable income:						
(8)	The For taxable years 2002-2005, the appl					
	amount allowed as a special accelerated depr					
	section 168(k) or section 1400L of the Code					
	below. In addition, a taxpayer who was allow					
	depreciation deduction under section 168(k)					
	Code in a taxable year beginning before Jan	•				
	North Carolina taxable income in that ea	•				
	accelerated depreciation deduction must add t in the taxpayer's first taxable year beginnin					
	2002, an amount equal to the amount of the					
	earlier taxable year. These adjustments do no					
	currer unable year. These aujustitients do no					

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		basis of the affected assets for Sta	ate and federal income tax purposes.
		The applicable percentage is as fol	· ·
		Taxable Year	Percentage
		2002	100%
		2002	70%
		2003	70%
		2004 2005 -and thereafter	
	"	2005-and thereafter	0%
	••••		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
	SEC	TION 6. G.S. 105-134.6(c) is amen	nded by adding a new subdivision to
read:			
"(c)		e	o taxable income shall be made in
	•		extent each item is not included in
taxable i	income	:	
	•••		
	<u>(8a)</u>	The applicable percentage of	the amount allowed as a special
		accelerated depreciation deductio	n under section 168(k) of the Code
			ter December 31, 2007, but before
			axpayer who was allowed a special
		•	n in taxable year 2007 for property
		*	, and whose North Carolina taxable
			at accelerated depreciation deduction
		•	e in the taxpayer's 2008 taxable year
			percentage of the deduction amount
			These adjustments do not result in a
		-	assets for State and federal income
			ercentage under this subdivision is
	"	eighty-five percent (85%).	
	SEC	TION 7 C S 105 120 $5(h)$ is some	adad hay adding a new subdivision to
1	SEC	110N 7. G.S. 105-150.5(b) is ame	nded by adding a new subdivision to
read:	T 1		
"(b)		e	taxable income shall be made in
determin	ning Sta	te net income:	
	•••		
	<u>(21a)</u>		e taxable years beginning on or after
			al to twenty percent (20%) of the
		amount added to taxable income	in taxable year 2008 as accelerated
		depreciation under subdivision (a)	(15a) of this section.
	"		
	SEC"	TION 8. G.S. 105-134.6(b) is amen	nded by adding a new subdivision to
read:			
"(b)	Dedu	ctions. – The following deductions	from taxable income shall be made
			the extent each item is included in
taxable i	-		
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	•••		

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1	(17a) In each of the taxpayer's first five taxable years beginn	ing on or after
2	January 1, 2009, an amount equal to twenty percent	(20%) of the
3	amount added to taxable income in taxable year 2008	as accelerated
4	depreciation under subdivision (c)(8a) of this section.	
5		
6	SECTION 9. This act is effective for taxable years beginn	ing on or after
7	January 1, 2008.	