

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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HOUSE DRH50628-RB-10 (06/27)

Short Title: Taxation of Nonqualified Patronage by Coop. (Public)

Sponsors: Representatives Howard and Brubaker (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CONFORM TO FEDERAL TAX TREATMENT OF NONQUALIFIED  
PATRONAGE DIVIDENDS PAID BY A COOPERATIVE.

The General Assembly of North Carolina enacts:

**SECTION 1.** Article 9 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-266.3. Taxation of nonqualified patronage dividends paid by cooperative.**

This section applies to a taxpayer that calculates federal tax liability under § 1383 of the Code for the current taxable year. For the purposes of Part 1 of Article 4 of this Chapter, the taxpayer is considered to have made a payment of tax for the current taxable year on the later of the date the return for the current taxable year was filed or the date the return for the current taxable year was due to be filed. To the extent this payment creates an overpayment, the overpayment is refundable in accordance with G.S. 105-266. The amount of this payment of tax is the difference of the following:

- (1) The amount the taxpayer's tax under Part 1 of Article 4 for the earlier taxable year was increased because the nonqualified written notices of allocation or the nonqualified per-unit retain certificates declared in that year were not deductible in arriving at State net income.
- (2) The amount the taxpayer's tax under Part 1 of Article 4 for the current taxable year was decreased because the nonqualified written notices of allocation or the nonqualified per-unit retain certificates redeemed in that year were deductible in arriving at State net income. This reduction may not decrease the taxpayer's tax below zero."

**SECTION 2.** This act is effective for taxable years beginning on or after January 1, 2002.