GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2007

H HOUSE BILL 2416*

Short Title:	IRC Update. (Pub	olic)
Sponsors:	Representatives Luebke, Wainwright, Weiss, Gibson (Primary Sponso Brubaker, Hill, McComas, and McGee.	ors);
Referred to:	Finance.	

May 26, 2008

A BILL TO BE ENTITLED

AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE USED IN DEFINING AND DETERMINING CERTAIN STATE TAX PROVISIONS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-228.90(b)(1b) reads as rewritten:

"(1b) Code. – The Internal Revenue Code as enacted as of January 1, 2007, May 1, 2008, including any provisions enacted as of that date which become effective either before or after that date."

SECTION 2. Notwithstanding Section 1 of this act, any amendments to the Internal Revenue Code enacted after January 1, 2007, that increase North Carolina taxable income for the 2007 taxable year become effective for taxable years beginning on or after January 1, 2008.

SECTION 3. G.S. 105-130.5(a) reads as rewritten:

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

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(15) The For taxable years 2002-2005, the applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code, as set out in the table below. In addition, a taxpayer who was allowed a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code in a taxable year beginning before January 1, 2002, and whose North Carolina taxable income in that earlier year reflected that accelerated depreciation deduction must add to federal taxable income 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 earlier taxable year. These adjustments do not result in a difference in

2003

2004

2005 and thereafter

70%

70%

0%

1	basis of the affected assets for	State and federal income tax purposes.	
2	The applicable percentage is as follows:		
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4	Taxable Year	Percentage	
5	2002	100%	

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SECTION 4. G.S. 105-130.5(a) is amended by adding a new subdivision to read:

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

(15a) The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) of the Code for property placed in service after December 31, 2007, but before January 1, 2009. In addition, a taxpayer who was allowed a special accelerated depreciation deduction in taxable year 2007 for property placed in service during that period, and whose North Carolina taxable income for that year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's 2008 taxable year an amount equal to the applicable percentage of the deduction amount allowed in the 2007 taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage under this subdivision is eighty-five percent (85%).

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SECTION 5. G.S. 105-134.6(c) reads as rewritten:

Additions. - The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

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The For taxable years 2002-2005, the applicable percentage of the (8) amount allowed as a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code, as set out in the table below. In addition, a taxpayer who was allowed a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code in a taxable year beginning before January 1, 2002, and whose North Carolina taxable income in that earlier year reflected that accelerated depreciation deduction must add to federal taxable income 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 earlier taxable year. These adjustments do not result in a difference in

1				State and federal income tax purposes.	
2			The applicable percentage is as f		
3			Taxable Year	Percentage	
4			2002	100%	
5			2003	70%	
6			2004	70%	
7			2005-and thereafter	0%	
8		"			
9		SECT	TION 6. G.S. 105-134.6(c) is am	nended by adding a new subdivision to	
10	read:				
11	"(c)			s to taxable income shall be made in	
12 13	calculatin taxable in	-	h Carolina taxable income, to the	he extent each item is not included in	
	taxable III	icome:			
14 15		 (8a)	The applicable percentage of	f the amount allowed as a special	
16		<u>(04)</u>		tion under section 168(k) of the Code	
17			<u>-</u>	after December 31, 2007, but before	
18				taxpayer who was allowed a special	
19			· · · · · · · · · · · · · · · · · · ·	tion in taxable year 2007 for property	
20			<u>-</u>	od, and whose North Carolina taxable	
21			-	that accelerated depreciation deduction	
22			•	ome in the taxpayer's 2008 taxable year	
23				ble percentage of the deduction amount	
24				_	
			•	ar. These adjustments do not result in a	
25				red assets for State and federal income	
26				percentage under this subdivision is	
27		"	eighty-five percent (85%).		
28			TION # . C.C. 105 120 5(1):	1 11 12 12 1 2 2	
29 30	read:	SECI	110N 7. G.S. 105-130.5(b) is am	nended by adding a new subdivision to	
31	"(b)	The f	following doductions from fodos	ral taxable income shall be made in	
32	` '		_	fai taxable income shan be made in	
33	determini	ing Stai	te net income:		
34		(21a)	In each of the taxpaver's first fi	ive taxable years beginning on or after	
35		<u>(21u)</u>	- ▼	equal to twenty percent (20%) of the	
36			•	ne in taxable year 2008 as accelerated	
37			depreciation under subdivision (-	
38		"			
39		SECT	TION 8. G.S. 105-134.6(b) is an	nended by adding a new subdivision to	
40	read:		` '	, ,	
41	"(b)	Deduc	ctions. – The following deduction	ns from taxable income shall be made	
42	in calculating North Carolina taxable income, to the extent each item is included in				
43	taxable in	_			
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General Assem	oly of North Carolina Session 2007
<u>(17a)</u>	In each of the taxpayer's first five taxable years beginning on or after January 1, 2009, an amount equal to twenty percent (20%) of the
	amount added to taxable income in taxable year 2008 as accelerated depreciation under subdivision (c)(8a) of this section.
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6 **SECTION 9.** This act is effective for taxable years beginning on or after January 1, 2008.

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