

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 1980 (First Edition)

SHORT TITLE: Taxation of Nonqualified Patronage by Coop.

SPONSOR(S): Representatives Howard and Brubaker

FISCAL IMPACT (\$Million)					
	Yes ()	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:					
State General Fund	-\$1.2				
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The income tax is administered by the Department of Revenue. The enactment of the bill should have no impact on the Department's budget requirements.					
EFFECTIVE DATE: Tax years beginning on or after January 1, 2002.					

BILL SUMMARY: Under federal tax law a cooperative has two options for "deducting" a non-patronage dividend. The first is to take a tax deduction in the year the dividend is paid. The alternative is a tax credit in an amount that equals the tax savings if the deduction had been taken in the year in which the dividend is declared (usually the year prior to the distribution year).

Current state law does not allow the credit. The bill would conform state tax code to the federal law, thus allowing the credit option.

ASSUMPTIONS AND METHODOLOGY: The Department of Revenue was unable to provide fiscal data due to confidentiality restrictions (small number of taxpayers affected). However, an official with the cooperative affected by the bill indicates that the enactment of bill will lead to a one-time refund of \$1.2 million and that there are no other cooperatives affected by the bill. For the purpose of this analysis it is assumed that the affected taxpayer will receive the refund during the 2007-08 fiscal year.

SOURCES OF DATA:

TECHNICAL CONSIDERATIONS: None

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