

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 1237

Short Title: Complete S Corporation Loss Relief.

(Public)

Sponsors: Senator Daniel.

Referred to: Finance.

June 8, 1992

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE THE REMAINDER OF THE PARTIAL RELIEF ALLOWED
2 IN 1990 TO SUBCHAPTER S CORPORATIONS FOR LOSS
3 CARRYFORWARDS.
4

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 105-131.4(e) reads as rewritten:

7 "(e) Each shareholder's pro rata share of the reduction of an S Corporation's
8 income because of the allowance of a carryforward loss to the S Corporation under this
9 subsection shall be taken into account by the shareholder as a transitional adjustment
10 under G.S. 105-134.7. Notwithstanding the provisions of subsection (a) of this section,
11 an S Corporation that sustained a net economic loss in a taxable year beginning before
12 January 1, 1989, may carry the loss forward to a taxable year beginning on or after
13 January 1, 1989, and before July 1, 1991, and may deduct the loss in each year to ~~one-~~
14 ~~half of the~~ extent it could have carried forward and deducted the loss pursuant to G.S.
15 105-130.5(b)(4) and G.S. 105-130.8 if the S Corporation Income Tax Act had not
16 become effective until taxable years beginning on or after July 1, 1991. Any loss
17 carryforward allowed as a deduction by this subsection may not exceed ~~one-half of the~~ S
18 Corporation's net income, as defined in the Code subject to the adjustments provided in
19 G.S. 105-130.5 other than the adjustment provided in G.S. 105-130.5(b)(4), and is
20 subject to the limitations provided in G.S. 105-131.4(b) and (d). ~~Notwithstanding the~~
21 ~~provisions of G.S. 105-130.8(4), a net economic loss carried forward to a 1990 or 1991 taxable~~
22 ~~year pursuant to this subsection is not applied to or offset by that part of the net income of a~~
23 ~~preceding tax year from which the loss was not deductible solely due to the 'one-half~~
24 ~~limitations provided in this subsection.~~ Notwithstanding the provisions of G.S. 105-131.3,

1 the basis of a shareholder in the stock of an S Corporation shall be adjusted for the
2 shareholder's pro rata share of the carryforward loss allowed as a deduction to the S
3 Corporation under this subsection. Notwithstanding the provisions of G.S. 105-
4 131.6(c)(2), the accumulated adjustments account maintained for each resident
5 shareholder shall be adjusted for the shareholder's pro rata share of the carryforward
6 loss allowed as a deduction to the S Corporation under this subsection."

7 Sec. 2. This act is effective retroactively for taxable years beginning on or
8 after January 1, 1989, and expires for taxable years beginning on or after July 1, 1991.