

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 1633

Short Title: More Closely Conform Bank Tax Deduction. (Public)

Sponsors: Representatives Luebke; Farmer-Butterfield, Insko, and Weiss.

Referred to: Financial Institutions, if favorable, Finance.

May 11, 2005

A BILL TO BE ENTITLED

AN ACT TO MORE CLOSELY CONFORM STATE INCOME TAX ON BANKS TO
FEDERAL INCOME TAX ON BANKS.

The General Assembly of North Carolina enacts:

SECTION 1. 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:

...

(2a) An amount equal to seventy-seven and one-half percent (77.5%) of
that portion of a financial institution's interest expense that is allocable
to interest income exempt from taxation under this Part. The allocable
portion of the interest expense is the portion for which deduction
would be disallowed pursuant to section 265(b) of the Code if the
interest were earned on a tax-exempt obligation as defined in section
265(b) of the Code."

SECTION 2. This act is effective for taxable years beginning on or after
January 1, 2005. Notwithstanding G.S. 105-163.41, no addition to tax may be made
under that statute for a taxable year beginning on or after January 1, 2005, and before
January 1, 2006, with respect to an underpayment of corporation tax to the extent the
underpayment was created or increased by this act.