

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 841  
Finance Committee Substitute Adopted 8/4/97

Short Title: Modify Corporate Dividend Taxation.

(Public)

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Sponsors:

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Referred to:

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April 15, 1997

1 A BILL TO BE ENTITLED  
2 AN ACT TO ALLOW FOREIGN CORPORATIONS TO DEDUCT EXPENSES  
3 RELATED TO DEDUCTIBLE SUBSIDIARY DIVIDENDS TO THE SAME  
4 EXTENT AS NORTH CAROLINA CORPORATIONS AND TO CLARIFY THE  
5 TREATMENT OF DIVIDENDS AS BUSINESS OR NONBUSINESS INCOME.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 105-130.7(4) reads as rewritten:

8 "(4) A corporation ~~that, at the close of its taxable year, has its commercial~~  
9 ~~domicile within North Carolina shall be allowed to~~ may deduct all dividends  
10 received from corporations in which it owns more than fifty percent  
11 (50%) of the outstanding voting stock."

12 Section 2. G.S. 105-130.4(a)(1) reads as rewritten:

13 "(1) 'Business income' means income arising from transactions and activity  
14 in the regular course of the corporation's trade or business and includes  
15 income from tangible and intangible property if the acquisition,  
16 management, ~~and/or~~ or disposition of the property ~~constitute integral parts~~  
17 constitutes an integral part of the corporation's regular trade or business  
18 operations. Dividend income, like other income from intangible

1                    property, is business income if it meets the requirements of this  
2                    definition."

3                    Section 3. This act is effective for taxable years beginning on or after January  
4                    1, 1997.