

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 717

Short Title: Simplify Intangibles Tax.

(Public)

Sponsors: Senator Winner.

Referred to: Finance.

April 3, 1989

A BILL TO BE ENTITLED

AN ACT TO SIMPLIFY CALCULATION OF THE INTANGIBLES TAX ON SHARES OF STOCK BY EXEMPTING FROM TAXATION STOCK ISSUED BY A CORPORATION THAT ALLOCATES MORE THAN ONE-HALF OF ITS INCOME TO THIS STATE FOR INCOME TAX PURPOSES AND TAXING THE ENTIRE VALUE OF STOCK ISSUED BY A CORPORATION THAT ALLOCATES LESS THAN ONE-HALF OF ITS INCOME TO THIS STATE FOR INCOME TAX PURPOSES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-203 reads as rewritten:

"§ 105-203. Shares of stock.

All shares of stock (including shares and units of ownership of mutual funds, investment trusts and investment funds) owned by residents of this State or having a business, commercial or taxable situs in this State on December 31 of each year, with the exception herein provided, shall be subject to an annual tax, which is hereby levied, of twenty-five cents (25¢) on every one hundred dollars (\$100.00) of the total fair market value of such stock on December 31 of each year. ~~year less such proportion of such value as is equal to the proportion of the dividends upon such stock deductible by such taxpayer in computing his income tax liability under the provisions of G.S. 105-130.7 and 105-147(7) without regard to the fifteen thousand dollar (\$15,000) limitation under subdivision (7) of G.S. 105-147 and 105-130.7.~~

The tax herein levied shall not apply to shares of stock issued by a qualified corporation. A corporation is a qualified corporation if the proportion of its entire net

1 income or loss allocable to this State for the taxable year under G.S. 105-130.4 exceeds
2 fifty percent (50%).

3 The tax herein levied shall not apply to shares of stock in building and loan
4 associations or savings and loan associations which pay a tax as levied under Article 8D
5 of Chapter 105 of the General Statutes, nor to shares of stock owned by any corporation
6 which has its commercial domicile in North Carolina, where such corporation owns
7 more than fifty percent (50%) of the outstanding voting stock.

8 The tax herein levied shall not apply to units of ownership in an investment trust, the
9 corpus of which is composed (i) entirely of obligations of this State or (ii) entirely of
10 obligations of the United States and of this State, at least eighty percent (80%) of the
11 fair market value of which represents obligations of this State. For the purpose of this
12 paragraph, 'State' includes the State of North Carolina, political subdivisions of this
13 State, and agencies of such governmental units; 'United States' includes the United
14 States and its possessions, and the District of Columbia; 'obligations' includes bonds,
15 notes and other evidences of debt. In order for the exemption provided for in this
16 paragraph to apply, it shall be the duty of the trustees of an investment trust to provide
17 to the Secretary of Revenue, in form satisfactory to him and not later than December 31
18 of the year with respect to which the exemption applies, information sufficient to
19 establish the applicability of this exemption.

20 Indebtedness incurred directly for the purchase of shares of stock may be deducted
21 from the total value of such shares; provided, the specific shares of stock so purchased
22 are pledged as collateral to secure said indebtedness; provided further, that only so
23 much of said indebtedness may be deducted as is in the same proportion as the taxable
24 value of said shares of stock is to the total value of said shares of stock."

25 Sec. 2. This act is effective for taxable years beginning on or after January 1,
26 1989.