

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 168 (First Edition)

SHORT TITLE: Corporate Asset Transfers

SPONSOR(S): Rep. Culpepper

FISCAL IMPACT

Yes (X)	No ()	No Estimate Available (X)		
<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>

REVENUES

General Fund

*** See Assumptions and Methodology ***

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: North Carolina Department of Revenue, Corporate Tax Division.

EFFECTIVE DATE: When it becomes law and applies to transfers occurring on or after that date.

BILL SUMMARY: Under current law a corporate board of directors must have shareholder approval to transfer assets to a wholly owned limited liability company or other unincorporated entity. (Transfers can be made to a wholly owned corporation without shareholder approval). This changes the law to allow a board of directors to transfer corporate assets to the above organizations without shareholder approval.

ASSUMPTIONS AND METHODOLOGY: Under certain circumstances, there could be tax advantages to transferring corporate assets to an unincorporated entity. However, many of these potential tax advantages were removed with the enactment of S.L. 2001-327. As a result, the North Carolina Department of Revenue does not believe passage of this legislation, in and of itself, will substantially impact state revenue. While there is a potential for a fiscal loss as an indirect consequence of the bill, that impact is expected to be minimal.

FISCAL RESEARCH DIVISION 733-4910

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