

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

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**HOUSE BILL 20**

Short Title: Small Business Health Insurance Credit. (Public)

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Sponsors: Representatives Holliman, Bordsen, Goforth, Ross (Primary Sponsors); Alexander, L. Allen, Allred, Bell, Brown, Carney, Coates, Daughtridge, Dickson, England, Faison, Frye, Gibson, Glazier, Goodwin, Hackney, Haire, Harrell, Harrison, Insko, Johnson, Jones, LaRoque, Luebke, Martin, McGee, McLawhorn, Pate, Rapp, Saunders, Sherrill, Stiller, Underhill, Warren, Weiss, Wilkins, Williams, Womble, and Wray.

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Referred to: Finance.

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January 31, 2005

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE A TAX CREDIT FOR SMALL BUSINESSES THAT  
2 PROVIDE EMPLOYEE HEALTH INSURANCE.  
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4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Article 3B of Chapter 105 of the General Statutes is amended  
6 by adding a new section to read:

7 "**§ 105-129.16D. Credit for small business employee health benefits.**

8 (a) Credit. – A small business that provides health benefits for all of its eligible  
9 employees during the taxable year is allowed a credit to offset its costs in providing  
10 health benefits for its eligible employees. For the purposes of this subsection, a taxpayer  
11 provides health benefits if it pays at least fifty percent (50%) of the premiums for health  
12 care coverage that equals or exceeds the minimum provisions of the basic health care  
13 plan of coverage recommended by the Small Employer Carrier Committee pursuant to  
14 G.S. 58-50-125.

15 The credit is equal to a dollar amount per eligible employee, not to exceed the  
16 taxpayer's costs of providing health benefits for its eligible employees during the  
17 taxable year. For each eligible employee for whom the taxpayer provides health  
18 benefits, the amount is four hundred dollars (\$400.00).

19 (b) Allocation. – If the taxpayer is an individual who is a nonresident or a  
20 part-year resident, the taxpayer must reduce the amount of the credit by multiplying it  
21 by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. If the taxpayer  
22 is not an individual and is required to apportion its multistate business income to this  
23 State, the taxpayer must reduce the amount of the credit by multiplying it by the  
24 apportionment fraction used to apportion its business income to this State.

- 1       (c)    Definitions. – The following definitions apply in this section:  
2            (1)   Eligible employee. – Defined in G.S. 58-50-110.  
3            (2)   Small business. – A taxpayer that employs no more than 25 employees  
4                throughout the taxable year."  
5            **SECTION 2.** This act becomes effective for taxable years beginning on or  
6 after January 1, 2006.