

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

H

1

HOUSE BILL 352

Short Title: Small Business Tax Exemption. (Public)

Sponsors: Representatives Holloway; Blackwood, Blust, Capps, Cleveland, Culp, Gillespie, Gulley, McMahan, Moore, and Rhodes.

Referred to: Finance.

February 23, 2005

1
2 A BILL TO BE ENTITLED
3 AN ACT TO PROVIDE A SMALL BUSINESS INCOME TAX EXEMPTION.
4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-130.3 reads as rewritten:

6 "**§ 105-130.3. Corporations.**

7 (a) Tax. – A tax is imposed on the State net income of every C Corporation doing
8 business in this State. An S Corporation is not subject to the tax levied in this section.
9 The tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999	6.9%.

15 (b) Exemption. – Before computing the tax in subsection (a) of this section, a C
16 Corporation may subtract from State net income the applicable exemption amount. If
17 the corporation is not required to apportion income to this State, the applicable
18 exemption amount is the amount provided in the table below based on the corporation's
19 State net income. If the corporation is required to apportion income to this State, the
20 applicable exemption amount is the product of the corporation's apportionment fraction
21 determined under G.S. 105-130.4(i) multiplied by the amount provided in the table
22 below based on the corporation's State net income.

<u>State Net Income</u>	<u>Exemption Amount</u>
<u>\$100,000 or less</u>	<u>\$20,000</u>
<u>Over \$100,000 through \$200,000</u>	<u>\$12,000</u>
<u>Over \$200,000</u>	<u>-0-</u>

27 **SECTION 2.** G.S. 115C-546.1(b) reads as rewritten:

"(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer for credit to the Public School Building Capital Fund an amount equal to the applicable fraction or percentage provided in the table below of the net collections received during the previous quarter by the Department of Revenue under G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All funds deposited in the Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.

Period	<u>Fraction or Percentage</u>
10/1/97 to 9/30/98	One-fifteenth (1/15)
10/1/98 to 9/30/99	Two twenty-ninths (2/29)
10/1/99 to 9/30/00	One-fourteenth (1/14)
<u>10/1/00 to 9/30/06</u> After 9/30/00	Five sixty-ninths (5/69)
<u>After 9/30/06</u>	<u>Seven and thirty-nine one-hundredths percent (7.39%)</u>

SECTION 3. Section 1 of this act becomes effective for taxable years beginning on or after January 1, 2006. The remainder of this act is effective when it becomes law.