GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2009

H HOUSE DRH70140-MC-133 (3/5)

Short Title:	Franchise Tax-Overbilling Out of Capital Base.	(Public)
Sponsors:	Representative Gibson.	
Referred to:		

A BILL TO BE ENTITLED 1 2 AN ACT TO REMOVE BILLING IN EXCESS OF COST FOR TAXPAYERS UTILIZING 3 THE PERCENTAGE OF COMPLETION METHOD IN DETERMINING CAPITAL 4 BASE FOR FRANCHISE TAX PURPOSES. 5 The General Assembly of North Carolina enacts: **SECTION 1.** G.S. 105-122(b) is amended by adding a new subdivision to read: 6 Determination of Capital Base. - A corporation taxed under this section shall 7 determine the total amount of its issued and outstanding capital stock, surplus, and undivided 8 9 profits. No reservation or allocation from surplus or undivided profits is allowed except as 10 provided below: 11 12 **(9)** In the case of companies that are required to use the percentage of completion method of accounting for construction contracts, billing in 13 excess of costs will be considered a definite and accrued legal liability and 14 shall be treated as deductible under this section as a reduction of the capital 15 16 base." 17 **SECTION 2.** This act is effective for taxable years beginning on or after January 1, 18 2009.

