

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015**

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**SENATE BILL 861**

Short Title: Mortgage Forgiveness Tax Benefit. (Public)

Sponsors: Senators Smith, Blue (Primary Sponsors); Bryant, Foushee, Waddell, and Woodard.

Referred to: Finance

May 11, 2016

A BILL TO BE ENTITLED

AN ACT TO EXCLUDE DEBTS DISCHARGED ON PERMANENT RESIDENCES FROM INCOME TAX.

The General Assembly of North Carolina enacts:

**SECTION 1.** If either House Bill 973 or Senate Bill 726 of the 2016 Regular Session of the 2015 General Assembly passes, then G.S. 105-153.5(c2), as rewritten by Section 4 of that act, reads as rewritten:

"(c2) Decoupling Adjustments. – In calculating North Carolina taxable income, a taxpayer must add to the taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's adjusted gross income:

- (1) For taxable ~~years~~ year 2014, 2015, ~~and 2016~~, the amount excluded from the taxpayer's gross income for the discharge of qualified principal residence indebtedness under section 108 of the Code. The purpose of this subdivision is to decouple from the income exclusion available under federal tax law.

...."

**SECTION 2.** If either House Bill 973 or Senate Bill 726 of the 2016 Regular Session of the 2015 General Assembly does not pass, then G.S. 105-153.5(b) is amended by adding a new subdivision to read:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

- (10) The amount excluded from the taxpayer's gross income for the discharge of qualified principal residence indebtedness under section 108 of the Code."

**SECTION 3.** This act is effective for taxable years beginning on or after January 1, 2016.

