

June 13, 2002

**H 1643. CLOSE BANK TAX LOOPHOLE TO SAVE EDUCATION. TO CONFORM STATE INCOME TAX ON BANKS TO FEDERAL INCOME TAX ON BANKS.** For taxable years beginning on or after Jan. 1, 2003, rewrites GS 105-130.5(a) to add the following as an addition to federal taxable income when determining state net income: The portion of a financial institution's interest expense that is allocable to interest income exempt from state income tax. (Allocable portion of the interest expense is portion for which deduction would be disallowed under section 265(b) of the Code if the interest were earned on a tax-exempt obligation as defined in section 265(b) of the Code.) For taxable years beginning on or after Jan. 1, 2002, makes the same provision with regard to 35%, instead of the entire portion, of the financial institution's allocable interest expense.

**Intro. by Weiss, Insko, Luebke.**

Ref. to Finance	GS 105
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