

March 23, 2005

**S 905. FOUNDER'S STOCK TAX INCENTIVES.** *TO EXCLUDE FROM INCOME TAX CERTAIN GAINS FROM INVESTMENTS IN TECHNOLOGY BUSINESSES AND OTHER QUALIFIED SMALL BUSINESSES.* As title indicates, enacts new GS 105-163.020 through GS 105-163.022 in Part 5 of Article 4 of GS Chapter 105, "Incentives for Qualified Business Investments." Amends GS 105-163.010 to add information technology businesses as a type of business that qualifies for existing tax credits as well as for the proposed new exclusion, and to define information technology as providing goods or services relating to electronic data processing, telecommunications, microprocessors, the Internet, software, information processing, or automated office systems.

Excludes from taxable income under state corporate and individual income tax any recognized gain from sale or exchange of qualified securities, which, except as otherwise provided in act, include any equity security or subordinated debt instrument issued on or after January 1, 2005, by a qualified business, acquired by the taxpayer at its original issue in exchange for cash, services, or other property, and held for at least one year. Extensive provisions address qualification; registration; effect of redemptions and other distributions; conversion of other securities; transfers of securities; contributions and exchanges of property; and short positions and other potential methods, such as split-ups, shell corporations, partnerships, and others to be identified by the Secretary of Revenue, by which taxpayers may engaged in an activity to avoid the purpose of the act.

**Intro. by Cowell.**

Ref. to Finance

GS 105