

March 20, 2007

**S 1112. REPEAL INCENTIVES - LOWER CORPORATE TAX RATE.** Filed 3/20/07. *TO LOWER THE CORPORATE INCOME TAX RATE BY ELIMINATING SPECIAL TAX BREAKS.*

Effective beginning with the 2008 tax year, reduces the corporate income tax rate from 6.9% to 2%; makes a conforming change to GS 115C-546.1 to hold harmless the Public School Building Capital Fund. Effective beginning with the 2007 tax year, amends GS 105-130.5 to require a financial institution to add back to taxable income the portion of its interest expense that is allocable to exempt interest income. There is no penalty for underpayment of estimated taxes for the 2007 tax year to the extent the underpayment was created by this amendment to GS 105-130.5. Effective beginning with the 2007 tax year, modifies the corporate apportionment formula in GS 105-130.4 by (1) eliminating double-weighting of the sales tax factor and (2) treating as sales in NC those sales that are shipped from NC to a purchaser that is located in a state where the seller is not taxable or a purchaser that is the United States government.

Repeals Part 5 of Article 4 of GS Chapter 105 (qualified business investment tax credits), effective when the act becomes law. Effective for activities occurring on or after January 1, 2008, repeals the income and franchise tax credits in Articles 3A through 3J of GS Chapter 105 and repeals the corporate income tax credits in GS 105-130.22 through GS 105-130.48.

**Intro. by Pittenger.**

GS 105