

May 25, 2010

**H 2001. SMALL BUSINESS START-UP TAX RELIEF.** Filed 5/25/10. *TO ENCOURAGE INNOVATIVE SMALL START-UP BUSINESSES TO GROW AND EXPAND IN NORTH CAROLINA; TO REQUIRE ANNUAL TRANSACTION REPORTS; AND TO ENCOURAGE REFORM IN PROCUREMENT STANDARDS.*

Amends GS 105-130.5(b) and GS 105-134.6(b) to add exclusions of gain for qualified businesses allowed under Part 5 of Article 4 of GS Chapter 105 to the list of items that may be deducted from taxable income when determining corporate and individual tax liability, respectively, providing, however, that a taxpayer is not required to claim those exclusions. Enacts new GS 105-163.020 to allow a taxpayer to exclude from his or her taxable income any gain or other taxable income recognized for federal income tax purposes from the sale or exchange of certain qualified securities, defined in new GS 105-163.22 to include any equity security or subordinated debt instrument issued by a qualified business (as that term is defined under existing law to include certain businesses, registered under GS 105-163.013, with gross revenues of \$5 million or less) that satisfies all the conditions set out in the new section, including, among other requirements, that they be originally issued on or after January 1, 2011. Provides that owners of pass-through entities may apply the exclusion in proportion to their allocated share of the total amount invested by the pass-through entity. Sets out rules and limitations applicable to transfers of qualified securities by gift, death, or from a pass-through entity to one of its owners, including provisions related to transfers to a corporation in exchange for stock or to a partnership in exchange for an interest in the partnership under sections 351 and 721 of the Internal Revenue Code, respectively, and limitations related to transactions to reduce the risk of loss, such as short sales. Effective for taxable years beginning on or after January 1, 2010.

Enacts new GS 105-164.16A to require certain taxpayers (namely, insurers licensed to issue motor vehicle liability policies who pay consideration to an insured under a liability policy and franchisors who make wholesale or retail sales to a franchisee) to submit an annual transaction report by May 1 of each year. For insurers, the report must include a list, itemized by recipient, of the total consideration paid during the period covered by the report. For franchisors, the report must include information about the gross sales of each franchise located in the state, as well as additional information about sales between the franchisor and the franchisees and income reported by franchisees. Effective January 1, 2011.

Enacts new GS 143-48.5, setting out findings on the benefits of Multiple Award Schedule contracts (those that allow multiple vendors to be awarded a state contract for goods or services by providing their total catalogue for lines of equipment and attachments to eligible purchasers), and directing the Department of Administration to consider the use of Multiple Award Schedule contracts when issuing requests for proposal for state term contracts. Effective when the act becomes law.

**Intro. by Gibson.**

GS 105, 143