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SENATE DRS35039-SVx-6D (01/23)

Short Title: IRC Update.

(Public)

Sponsors: Senators Rucho, Rabin, and Rabon (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE AND
3 TO DECOUPLE FROM CERTAIN PROVISIONS OF THE FEDERAL AMERICAN
4 TAXPAYER RELIEF ACT OF 2012.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 105-228.90(b)(1b) reads as rewritten:

7 "(1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2012,~~
8 January 2, 2013, including any provisions enacted as of that date that
9 become effective either before or after that date."

10 **SECTION 2.(a)** G.S. 105-130.5(a)(15b) reads as rewritten:

11 "(15b) For taxable years 2010 through ~~2012,2013,~~ eighty-five percent (85%) of the
12 amount allowed as a special accelerated depreciation deduction under
13 section 168(k) or 168(n) of the Code for property placed in service during
14 the taxable year. In addition, for taxable year 2010, a taxpayer who placed
15 property in service during the 2009 taxable year and whose North Carolina
16 taxable income for the 2009 taxable year reflected a special accelerated
17 depreciation deduction allowed for the property under section 168(k) of the
18 Code must add eighty-five percent (85%) of the amount of the special
19 accelerated depreciation deduction. These adjustments do not result in a
20 difference in basis of the affected assets for State and federal income tax
21 purposes."

22 **SECTION 2.(b)** G.S. 105-130.5(b)(21b) reads as rewritten:

23 "(21b) An amount equal to twenty percent (20%) of the amount added to federal
24 taxable income as accelerated depreciation under subdivision (a)(15b) of this
25 section. For the amount added to taxable income in the 2010 taxable year,
26 the deduction allowed by this subdivision applies to the first five taxable
27 years beginning on or after January 1, 2011. For the amount added to taxable
28 income in the 2011 taxable year, the deduction allowed by this subdivision
29 applies to the first five taxable years beginning on or after January 1, 2012.
30 For the amount added to taxable income in the 2012 taxable year, the
31 deduction allowed by this subdivision applies to the first five taxable years
32 beginning on or after January 1, 2013. For the amount added to taxable
33 income in the 2013 taxable year, the deduction allowed by this subdivision
34 applies to the first five taxable years beginning on or after January 1, 2014."

35 **SECTION 2.(c)** G.S. 105-134.6(c)(8b) reads as rewritten:



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1 "(8b) For taxable years 2010 through ~~2012,2013~~, eighty-five percent (85%) of the
2 amount allowed as a special accelerated depreciation deduction under
3 section 168(k) or 168(n) of the Code for property placed in service during
4 the taxable year. In addition, for taxable year 2010, a taxpayer who placed
5 property in service during the 2009 taxable year and whose North Carolina
6 taxable income for the 2009 taxable year reflected a special accelerated
7 depreciation deduction allowed for the property under section 168(k) of the
8 Code must add eighty-five percent (85%) of the amount of the special
9 accelerated depreciation deduction. These adjustments do not result in a
10 difference in basis of the affected assets for State and federal income tax
11 purposes."

12 **SECTION 2.(d)** G.S. 105-134.6(b)(17b) reads as rewritten:

13 "(17b) An amount equal to twenty percent (20%) of the amount added to federal
14 taxable income as accelerated depreciation under subdivision (c)(8b) of this
15 section. For the amount added to taxable income in the 2010 taxable year,
16 the deduction allowed by this subdivision applies to the first five taxable
17 years beginning on or after January 1, 2011. For the amount added to taxable
18 income in the 2011 taxable year, the deduction allowed by this subdivision
19 applies to the first five taxable years beginning on or after January 1, 2012.
20 For the amount added to ~~taxable~~ adjusted gross income in the 2012 taxable
21 year, the deduction allowed by this subdivision applies to the first five
22 taxable years beginning on or after January 1, 2013. For the amount added to
23 adjusted gross income in the 2013 taxable year, the deduction allowed by
24 this subdivision applies to the first five taxable years beginning on or after
25 January 1, 2014."

26 **SECTION 3.(a)** G.S. 105-130.5(a) is amended by adding a new subdivision to

27 read:

28 "(23a) For taxable years 2012 and 2013, eighty-five percent (85%) of the amount
29 by which the taxpayer's expense deduction under section 179 of the Code for
30 property placed in service in taxable year 2012 or 2013 exceeds the amount
31 that would have been allowed for the respective taxable year under section
32 179 of the Code as of May 1, 2010. These adjustments do not result in a
33 difference in basis of the affected assets for State and federal income tax
34 purposes."

35 **SECTION 3.(b)** G.S. 105-130.5(b) is amended by adding a new subdivision to

36 read:

37 "(26a) An amount equal to twenty percent (20%) of the amount added to federal
38 taxable income under subdivision (a)(23a) of this section. For the amount
39 added to taxable income in the 2012 taxable year, the deduction allowed by
40 this subdivision applies to the first five taxable years beginning on or after
41 January 1, 2013. For the amount added to taxable income in the 2013 taxable
42 year, the deduction allowed by this subdivision applies to the first five
43 taxable years beginning on or after January 1, 2014."

44 **SECTION 3.(c)** G.S. 105-134.6(c) is amended by adding a new subdivision to

45 read:

46 "(15a) For taxable years 2012 and 2013, eighty-five percent (85%) of the amount
47 by which the taxpayer's expense deduction under section 179 of the Code for
48 property placed in service in taxable year 2012 or 2013 exceeds the amount
49 that would have been allowed for the respective taxable year under section
50 179 of the Code as of May 1, 2010. These adjustments do not result in a

1 difference in basis of the affected assets for State and federal income tax
2 purposes."

3 **SECTION 3.(d)** G.S. 105-134.6(b) is amended by adding a new subdivision to
4 read:

5 "(21a) An amount equal to twenty percent (20%) of the amount added to federal
6 taxable income under subdivision (c)(15a) of this section. For the amount
7 added to adjusted gross income in the 2012 taxable year, the deduction
8 allowed by this subdivision applies to the first five taxable years beginning
9 on or after January 1, 2013. For the amount added to adjusted gross income
10 in the 2013 taxable year, the deduction allowed by this subdivision applies to
11 the first five taxable years beginning on or after January 1, 2014."

12 **SECTION 4.** G.S. 105-129.16G reads as rewritten:

13 **"§ 105-129.16G. (Expiring for taxable years beginning on or after January 1, 2014) Work**
14 **Opportunity Tax Credit.**

15 (a) Credit. – A taxpayer who is allowed a federal tax credit under Part IV, Subpart F of
16 the Code for the taxable year is allowed a credit against the tax imposed by this Part. The credit
17 is equal to ~~six percent (6%)~~ a percentage of the amount of credit allowed under the Code for
18 wages paid during the taxable year for positions located in this State. A position is located in
19 this State if more than fifty percent (50%) of the employee's duties are performed in the State.
20 The percentage is as follows:

21 (1) For taxable year 2013, three percent (3%).

22 (2) For all other taxable years, six percent (6%).

23"

24 **SECTION 5.(a)** G.S. 105-134.6(c) is amended by adding a new subdivision to
25 read:

26 "(16) For taxable year 2013, the amount of the taxpayer's deduction for qualified
27 tuition and related expenses under section 222 of the Code. The purpose of
28 this subdivision is to decouple from the extension of the federal deduction
29 under section 207 of the American Taxpayer Relief Act of 2012."

30 **SECTION 5.(b)** G.S. 105-134.6(d)(2) reads as rewritten:

31 "(2) The taxpayer may deduct the amount by which the taxpayer's deductions
32 allowed under the Code were reduced, and the amount of the taxpayer's
33 deductions that were not allowed, because the taxpayer elected a federal tax
34 credit in lieu of a deduction. This deduction is not allowed in the following
35 circumstances:

36 a. ~~only to the extent that~~ If a similar credit is ~~not~~ allowed by this
37 Chapter for the amount.

38 b. For taxable year 2013, if the taxpayer elected to claim the Hope
39 scholarship credit, the Lifetime Learning credit, or the American
40 Opportunity tax credit under section 25A of the Code in lieu of a
41 deduction for qualified tuition and expenses under section 222 of the
42 Code."

43 **SECTION 6.(a)** G.S. 105-134.6(c) is amended by adding a new subdivision to
44 read:

45 "(17) For taxable year 2013, the amount excluded from the taxpayer's gross
46 income for a qualified charitable distribution from an individual retirement
47 plan by a person who has attained age 70 1/2 under section 408(d)(8) of the
48 Code. The purpose of this subdivision is to decouple from the extension of
49 the income exclusion under section 208 of the American Taxpayer Relief
50 Act of 2012."

1 **SECTION 6.(b)** G.S. 105-134.6(b) is amended by adding a new subdivision to
2 read:
3 "(23) For taxable year 2013, the amount that would have been allowed as a
4 charitable deduction under section 170 of the Code had the taxpayer not
5 elected to take the income exclusion under 408(d)(8) of the Code."

6 **SECTION 7.** G.S. 105-134.6(c) is amended by adding a new subdivision to read:

7 "(18) For taxable year 2013, the amount excluded from the taxpayer's gross
8 income for the discharge of qualified principal residence indebtedness under
9 section 108 of the Code. The purpose of this subdivision is to decouple from
10 the extension of the income exclusion under section 202 of the American
11 Taxpayer Relief Act of 2012."

12 **SECTION 8.** G.S. 105-134.6(c) is amended by adding a new subdivision to read:

13 "(19) For taxable year 2013, the amount of the taxpayer's deduction for mortgage
14 insurance premiums as qualified residence interest under section 163 of the
15 Code. The purpose of this subdivision is to decouple from the extension of
16 the income exclusion under section 204 of the American Taxpayer Relief
17 Act of 2012."

18 **SECTION 9.** G.S. 105-151.31 reads as rewritten:

19 **"§ 105-151.31. (Repealed for taxable years beginning on or after January 1, 2014) Earned**
20 **income tax credit.**

21 (a) Credit. – An individual who claims for the taxable year an earned income tax credit
22 under section 32 of the Code is allowed a credit against the tax imposed by this Part equal to
23 ~~five percent (5%)~~ a percentage of the amount of credit the individual qualified for under section
24 32 of the Code. A nonresident or part-year resident who claims the credit allowed by this
25 section must reduce the amount of the credit by multiplying it by the fraction calculated under
26 G.S. 105-134.5(b) or (c), as appropriate. The percentage is as follows:

27 (1) For taxable year 2013, four and one-half percent (4.5%).

28 (2) For all other taxable years, five percent (5%).

29 "

30 **SECTION 10.** G.S. 105-151.32 reads as rewritten:

31 **"§ 105-151.32. Credit for adoption expenses.**

32 (a) Credit. – An individual who is allowed a federal adoption tax credit under section
33 ~~2336C~~ of the Code for the taxable year is allowed a credit against the tax imposed by this Part.
34 The credit is equal to ~~fifty percent (50%)~~ a percentage of the amount of credit allowed under
35 section ~~2336C~~ of the Code. The percentage is as follows:

36 (1) For taxable year 2013, thirty percent (30%).

37 (2) For all other taxable years, fifty percent (50%).

38 "

39 **SECTION 11.** Except as otherwise provided, this act is effective when it becomes
40 law and applies to the estates of decedents dying on or after January 1, 2012. Notwithstanding
41 Section 1 of this act, any amendments to the Internal Revenue Code enacted after January 1,
42 2012, that increase North Carolina taxable income for the 2012 taxable year become effective
43 for taxable years beginning on or after January 1, 2013.