

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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S.B 829
PRINCIPAL CLERK

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SENATE BILL DRS15334-MCx-231A (05/02)

Short Title: Small Business Tax Incentive. (Public)

Sponsors: Senator Ford (Primary Sponsor).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO EXCLUDE SMALL BUSINESSES FROM THE DOLLAR LIMITATIONS AND
ADD-BACK REQUIREMENTS APPLIED TO SECTION 179 EXPENSES.

The General Assembly of North Carolina enacts:

SECTION 1. If Senate Bill 726 or House Bill 973 is enacted, G.S. 105-130.5B, as rewritten by subsection (a) of Section 2 of that act, is amended by adding a new subsection to read:

"(c) Section 179 Expense. – For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code. A taxpayer who places section 179 property in service during a taxable year must add to the taxpayer's federal taxable income eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the dollar and investment limitation for the taxable year. For taxable years 2010, 2011, and 2012, the dollar limitation is two hundred and fifty thousand dollars (\$250,000) and the investment limitation is eight hundred thousand dollars (\$800,000). For taxable years beginning on or after 2013, the dollar limitation is twenty-five thousand dollars (\$25,000) and the investment limitation is two hundred thousand dollars (\$200,000).

A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

(c1) Small Business Exception. – The dollar limitations and the add-back requirements in subsection (c) of this section do not apply to a small business engaged in the production of goods or delivery of services or both with gross annual sales of not more than two million dollars (\$2,000,000)."

SECTION 2. If Senate Bill 726 or House Bill 973 is enacted, G.S. 105-153.6, as rewritten by subsection (b) of Section 2 of that act, is amended by adding a new subsection to read:

"(c) Section 179 Expense. – For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code. A taxpayer who places section 179 property in service during a taxable year must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the dollar and investment limitation for that taxable year. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income. For taxable years 2010, 2011, and 2012, the dollar limitation is two hundred and fifty thousand dollars (\$250,000) and the investment limitation is eight hundred thousand dollars (\$800,000). For taxable years beginning on or after



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4 taxable years following the year the taxpayer is required to include the add-back in income.

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6 subsection (c) of this section do not apply to a small business engaged in the production of goods
7 or delivery of services or both with gross annual sales of not more than two million dollars
8 (\$2,000,000)."

9 **SECTION 3.** This act is effective for taxable years beginning on or after January 1,
10 2016.