

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

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SENATE BILL DRS45283-MCf-89

Short Title: Small Business Capital Improvement Account. (Public)

Sponsors: Senators Bradley, Smith, and Everitt (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED  
AN ACT TO ALLOW SMALL BUSINESSES TO ELIMINATE STATE INCOME TAXES ON  
A PORTION OF REVENUE IF USED FOR CAPITAL EXPENDITURES.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-153.5 reads as rewritten:

**"§ 105-153.5. Modifications to adjusted gross income.**

...

(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

(7a) The amount deposited during the taxable year by a taxpayer that is a small business to a capital improvement account. The deduction allowed by this subdivision is limited to deposit amounts of five percent (5%) of the taxpayer's adjusted gross income up to one million dollars (\$1,000,000), two percent (2%) of the taxpayer's adjusted gross income above one million dollars (\$1,000,000) up to two million dollars (\$2,000,000), and one percent (1%) of the taxpayer's adjusted gross income above two million dollars (\$2,000,000) up to three million dollars (\$3,000,000). For purposes of this subdivision, a "small business" is a business whose cumulative gross receipts from business activity for the taxable year do not exceed ten million dollars (\$10,000,000), and a "capital improvement account" is an account at a federally insured banking institution into which are deposited amounts to be used solely for an improvement that adds value to real property owned and used exclusively by the small business, prolongs the useful life of such property at least 10 years, or adapts such property to new uses for the small business.

...

(c) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's adjusted gross income:

...

(8) The amount deducted in a prior taxable year pursuant to subdivision (7a) of subsection (b) of this section to the extent this amount was withdrawn and not used to pay for improvements listed in that subdivision.

...."



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1           **SECTION 2.** This act is effective for taxable years beginning on or after January 1,  
2   2025.