

Oppose SB244/HB462 Modernize Corporate Income Tax Filing

The following organizations and companies are opposed to the adoption of mandatory unitary combined reporting as reflected in SB244/HB462. Passage of this legislation would put the State out of step with a majority of states, particularly states in the southeast, and therefore would have a chilling effect on the State's economic development climate. It would particularly impact research and development, as well as distribution companies--a growing part of our economy.

Mandatory combined reporting is not necessary in North Carolina. The Secretary of Revenue currently has the tools necessary to combat abusive intercompany transactions designed only to evade tax. Pursuant to existing statutory authority, he has imposed tax on out-of-state companies to which income was transferred - which was upheld by the State Court of Appeals. In other cases, he has required out-of-state companies to file using a combined methodology with the in-state company. Another statute disallows deductions for royalty payments made to a related company not filing returns in the State.

Enacting mandatory unitary combined reporting would unfairly cast a net over taxpayers that accurately reflect income in the State without adding to the Secretary's ability to pursue those engaged in tax evasion. Moreover, not only do states with mandatory unitary combined filing spend enormous resources in auditing and litigating the application of unitary law, requiring corporate taxpayers to file their income tax return using the new mandatory combined reporting will create an uncertain environment for both the taxpayer and North Carolina as to the final tax liability.

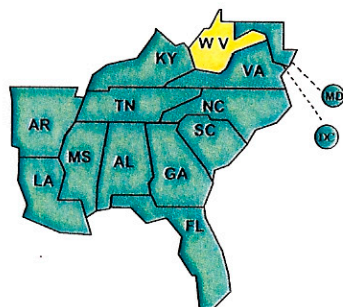
In short, this drastic change in policy creates:

- An anti-competitive business environment. Only 18 states require unitary combined reporting. None of North Carolina's neighboring states and no states in the Southeast require it. Florida adopted the practice over 20 years ago but quickly repealed it because of the negative impact on jobs.
- Tax and revenue uncertainty for both the corporate taxpayer and the State. It is difficult to determine the fiscal impact of a change to unitary combination as there are so many variables.
- A complex method of taxation which will lead to litigation and increased administrative and compliance costs for both the taxpayer and the State.

In summary, the adoption of "mandatory" combined reporting would place North Carolina "behind the curve" on state tax policy. It would create uncertainty for taxpayers and the state and would increase administrative and compliance costs. Most importantly, however, it causes a major setback in the state's efforts to attract and retain new jobs and investments in North Carolina.

AT&T	LabCorp
Abbott Laboratories	Lorillard Tobacco
Alcoa	MCIC
Amgen Inc.	Miller Brewing
Bank of America	National Gypsum
Baxter HealthCare	NC Bankers Association
Belk Stores	NC Biosciences Organization
Charlotte Chamber of Commerce	NC Retail Merchants Assoc.
CSX Transportation Inc.	Norfolk Southern Corp.
First Charter Bank	North Carolina Chamber
Food Lion	PepsiCo
General Electric	Pfizer
GlaxoSmithKline	Piedmont Natural Gas
Goodrich Corporation	Raleigh Chamber of Commerce
Johnson & Johnson	Reynolds American
Kimberly Clark	Smithfield Foods
Raleigh Chamber of Commerce	The Coca-Cola Company

Southeast States Mandatory Unitary Combined Reporting





North Carolina
Chamber

A force for business.

Site Selection Top 25 (2008)

Combined Reporting

North Carolina	No
Tennessee	No
Alabama	No
Texas	Yes (but taxes are in the form of gross receipts or other hybrid taxes)
Indiana	No
Florida	No
Ohio	Yes (but taxes are in the form of gross receipts or other hybrid taxes)
Virginia	No
Illinois	Yes
Georgia	No
New York	Yes (but reporting based on substantial intercorporate transactions)
Kentucky	No
Missouri	No
South Carolina	No
Pennsylvania	No
Michigan	Yes (but taxes are in the form of gross receipts or other hybrid taxes)
Mississippi	No
Iowa	No
Maryland	No
Kansas	Yes
Louisiana	No
Arizona	Yes
Oklahoma	No
California	Yes