

Internal Revenue Code (IRC) Update

Notable Provisions Applicable to NC Tax Calculation Not Listed in Fiscal Table

The following provisions, with one exception, are expected to have minimal fiscal impact on General Fund availability. However, they may be important to certain taxpayers. Upon enactment of the IRC Update and unless the General Assembly decouples, these provisions would become effective for North Carolina tax purposes.

Provisions Expected to Increase State Revenue (Slight Revenue Increase Unless Indicated)

- Require amortization of Research and Experimental Expenses: Not effective until 2022 tax year; significant revenue increase anticipated in FY 2022-23.
- Allow enhanced deduction for contributions of cash to public charities; eliminates charitable contribution deduction in return for athletic seating rights.
- Revise the treatment of contributions of capital.
- Unrelated business income of tax exempt entities separately computed for each trade or business activity.
- Repeal provision allowing rollover of gain on sale of public securities into specialized small business investment company
- Modification of Limitation on Excessive Employee Compensation

Provisions Expected to Slightly Decrease State Revenue

- Allow withdrawals from college savings accounts ("529 plans") to be used to pay for elementary and secondary education.
- Change the depreciable life of certain assets.
- Enhance tax benefits for ABLE accounts (tax advantaged savings accounts for families with disabilities).
- Increase the luxury automobile depreciation limit.
- Provide an income exclusion for student loans discharged on account of death or disability.
- Modify treatment of conversions of S corporations into C corporations
- Allow income deferral for employer stock transferred to an employee