

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 391

Short Title: Expand Farm Machinery Tax Credit.

(Public)

Sponsors: Representative Edwards.

Referred to: Finance.

March 4, 1993

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE THAT A PARTNERSHIP MAY QUALIFY FOR THE
2 INCOME TAX CREDIT FOR PROPERTY TAXES PAID ON FARM
3 MACHINERY AND TO CLARIFY THAT A PARTNERSHIP MAY PASS AN
4 INCOME TAX CREDIT THROUGH TO ITS PARTNERS.
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6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 105-151.21 reads as rewritten:

8 "**§ 105-151.21. Credit for property taxes paid on farm machinery.**

9 (a) Credit. ~~An individual~~ A person engaged in the business of farming is allowed
10 a credit against the tax imposed by this Division equal to the amount of property taxes
11 the ~~individual person~~ paid at par during the taxable year on farm machinery and on
12 attachments and repair parts for farm machinery. In addition, an individual shareholder
13 of an S Corporation engaged in the business of farming is allowed a credit against the
14 tax imposed by this Division equal to the shareholder's pro rata share of the amount of
15 property taxes the S Corporation paid at par during the taxable year on farm machinery
16 and on attachments and repair parts for farm machinery. The total credit allowed under
17 this section may not exceed one thousand dollars (\$1,000) for the taxable year and may
18 not exceed the amount of tax imposed by this Division for the taxable year reduced by
19 the sum of all credits allowed under this Division, except payments of tax made by or
20 on behalf of the taxpayer. To claim the credit, the taxpayer shall attach to the return a
21 copy of the tax receipt for the property taxes for which credit is claimed. The receipt
22 must indicate that the taxes have been paid and the amount and date of the payment.

23 (b) Definitions. The following definitions apply in this section:

- 1 (1) Farm machinery. —Machinery subject to State sales tax at the rate of
2 one percent (1%) under G.S. 105-164.4(a)(1d)a.
- 3 (2) Property taxes. —The principal amount of taxes levied and assessed by
4 a taxing unit under Subchapter II of this Chapter. The term does not
5 include costs, penalties, interest, or other charges that may be added to
6 the principal amount.
- 7 (3) Taxing unit. —Defined in G.S. 105-273.
- 8 (c) Adjustment. —If a taxing unit gives a taxpayer a credit or refund for any of
9 the property taxes for which the taxpayer claimed a credit under this section, the
10 taxpayer shall notify the Secretary within 90 days. The Secretary shall then recompute
11 the credit allowed under this section and make any resulting adjustment of income tax
12 for the taxable year for which the credit was claimed."

13 Sec. 2. Article 9 of Chapter 105 of the General Statutes is amended by
14 adding at the end a new section to read:

15 **"§ 105-269.15. Income tax credits of partnerships.**

16 (a) Pass-through of Credit. — A partnership may pass through to each of its
17 partners the partner's distributive share of an income tax credit for which the partnership
18 qualifies. All limitations on an income tax credit apply to the partnership, except the
19 following:

- 20 (1) The limitation that the credit may not exceed the amount of income tax
21 imposed on the taxpayer.
- 22 (2) A cap, expressed as a specific maximum dollar amount, on the
23 otherwise allowable amount of the credit.

24 (b) Allowance of Credit to Partner. — A partner's distributive share of an income
25 tax credit passed through by a partnership is allowed to the partner only to the extent the
26 partner would have qualified for the credit if the partner stood in the position of the
27 partnership. All limitations on an income tax credit apply to each partner to the extent
28 of the partner's distributive share of the credit, except that a corporate partner's
29 distributive share of an individual income tax credit is allowed as a corporation income
30 tax credit to the extent the corporate partner could have qualified for a corporation
31 income tax credit if it stood in the position of the partnership. All limitations on an
32 income tax credit apply to the sum of the credit passed through to the partner plus the
33 credit for which the partner qualifies directly.

34 (c) Determination of Distributive Share. — A partner's distributive share of an
35 income tax credit shall be determined in accordance with sections 702 and 704 of the
36 Code."

37 Sec. 3. This act is effective for taxable years beginning on or after January 1,
38 1992.