

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

S

1

SENATE BILL 367

Short Title: Franchise Tax-Overbilling Out of Capital Base. (Public)

Sponsors: Senators Jenkins; and Snow.

Referred to: Finance.

March 4, 2009

A BILL TO BE ENTITLED

AN ACT TO REMOVE BILLING IN EXCESS OF COST FOR TAXPAYERS UTILIZING
THE PERCENTAGE OF COMPLETION METHOD IN DETERMINING CAPITAL
BASE FOR FRANCHISE TAX PURPOSES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-122(b) is amended by adding a new subdivision to read:

"(b) Determination of Capital Base. – A corporation taxed under this section shall determine the total amount of its issued and outstanding capital stock, surplus, and undivided profits. No reservation or allocation from surplus or undivided profits is allowed except as provided below:

...

(9) In the case of companies that are required to use the percentage of completion method of accounting for construction contracts, billing in excess of costs will be considered a definite and accrued legal liability and shall be treated as deductible under this section as a reduction of the capital base."

SECTION 2. This act is effective for taxable years beginning on or after January 1, 2009.

