

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 473

Short Title: Foreign Sales Corporation Changes.

(Public)

Sponsors: Representative Abernethy.

Referred to: Commerce.

March 7, 1989

A BILL TO BE ENTITLED

1 AN ACT TO EXTEND THE SUNSET ON THE PARTIAL TAX EXEMPTION FOR
2 FOREIGN SALES CORPORATIONS AND TO MODIFY DEPARTMENT OF
3 REVENUE REPORTING DATES IN ORDER TO PROVIDE SUFFICIENT
4 INFORMATION FOR THE GENERAL ASSEMBLY TO DECIDE WHETHER
5 TO RETAIN THE TAX EXEMPTION.
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7 The General Assembly of North Carolina enacts:

8 Section 1. Chapter 637 of the 1987 Session Laws reads as rewritten:

9 **"CHAPTER 637**

10 "AN ACT TO PROVIDE THAT FOREIGN SALES CORPORATIONS SHALL BE
11 EXEMPT FROM STATE INCOME TAX TO THE SAME EXTENT AS THEY ARE
12 EXEMPT FROM FEDERAL INCOME TAX.

13 "Section 1. G.S. 105-130.5 is amended by adding a new subsection at the end to
14 read:

15 '(f) The exempt foreign trade income, as defined in Section 923 of the Code, of a
16 foreign sales corporation shall not be included in the net income of the foreign sales
17 corporation under this Division. Any expenses and commissions paid by a shareholder
18 to a foreign sales corporation that are deductible under the Code shall be deductible
19 from the shareholder's income under this Article. As used in this section, the term
20 "foreign sales corporation" means a corporation that qualifies as a foreign sales
21 corporation under the provisions of Subchapter N of Chapter 1 of the Code and has in
22 effect for the entire taxable year a valid election under the Code to be treated as a
23 foreign sales corporation.'

1 "Sec. 2. The Department of Revenue shall report to the General Assembly on or
2 before May ~~1 of each year 1, 1991, May 1, 1992, and February 1, 1993,~~ the estimated
3 revenue loss for ~~that each~~ year attributable to the exemption of part of the foreign trade
4 income of foreign sales corporations, as provided in G.S. 105-130.5(f).

5 "Sec. 3. This act shall become effective January 1, 1988, and applies to taxable
6 years beginning on or after that date. This act shall expire ~~December 30, 1991.~~
7 December 31, 1993."

8 Sec. 2. This act is effective upon ratification.