

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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SENATE BILL 578
Finance Committee Substitute Adopted 10/22/19

Short Title: Reduce Franchise Tax/Expand Film Grants.

(Public)

Sponsors:

Referred to:

April 4, 2019

1 A BILL TO BE ENTITLED
2 AN ACT TO REDUCE THE FRANCHISE TAX AND TO MODIFY FILM GRANT LIMITS.
3 The General Assembly of North Carolina enacts:

4
5 **FRANCHISE TAX CHANGES**

6 **SECTION 1.(a)** G.S. 105-120.2(b) reads as rewritten:

7 "(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the
8 Secretary of Revenue, at the time the return is due, the greater of the following:

9 (1) A franchise or privilege tax at the rate of ~~one dollar and fifty cents (\$1.50)~~ set
10 in G.S. 105-122(d2) per one thousand dollars (\$1,000) of the amount
11 determined under subsection (a) of this ~~section, but in section.~~ In no case shall
12 the tax be more than one hundred fifty thousand dollars (\$150,000) nor less
13 than two hundred dollars (\$200.00).

14 (2) If the tax calculated under this subdivision exceeds the tax calculated under
15 subdivision (1) of this subsection, then the tax is levied at the rate of ~~one dollar~~
16 ~~and fifty cents (\$1.50)~~ set in G.S. 105-122(d2) per one thousand dollars
17 (\$1,000) ~~on the greater of the following:~~ the total actual investment in tangible
18 property in this State of such corporation as computed under G.S. 105-122(d).

19 a. ~~Fifty five percent (55%) of the appraised value as determined for ad~~
20 ~~valorem taxation of all the real and tangible personal property in this~~
21 ~~State of each such corporation plus the total appraised value of~~
22 ~~intangible property returned for taxation of intangible personal~~
23 ~~property as computed under G.S. 105-122(d).~~

24 b. ~~The total actual investment in tangible property in this State of such~~
25 ~~corporation as computed under G.S. 105-122(d)."~~

26 **SECTION 1.(b)** G.S. 105-122(d)(2) is repealed.

27 **SECTION 1.(c)** G.S. 105-122(d2) reads as rewritten:

28 "(d2) Tax Rate. – ~~For a C Corporation,~~ For an electric power company or a company that
29 is a member of a qualified group, the tax rate is one dollar and fifty cents (\$1.50) per one thousand
30 dollars (\$1,000) of the company's tax base as determined under subsection (d) of this section. For
31 purposes of this subsection, the term "electric power company" has the same meaning as defined
32 in G.S. 105-130.4(s3) and the term "qualified group" means an affiliated group that has one or
33 more members that is an electric power company.

34 For all other C Corporations, as defined in G.S. 105-130.2, [the] the tax rate is one dollar and
35 fifty cents (\$1.50) one dollar and twenty-nine cents (\$1.29) per one thousand dollars (\$1,000) of
36 the corporation's tax base as determined under subsection (d) of this section. For an S



1 Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the
2 first one million dollars (\$1,000,000) of the corporation's tax base as determined under subsection
3 (d) of this section and ~~one dollar and fifty cents (\$1.50)~~ one dollar and twenty-nine cents (\$1.29)
4 per one thousand dollars (\$1,000) of its tax base that exceeds one million dollars (\$1,000,000).

5 ~~In~~

6 In no event may the tax imposed by this section be less than two hundred dollars (\$200.00)."

7 **SECTION 1.(d)** G.S. 105-122(d2), as amended by subsection (c) of this section,
8 reads as rewritten:

9 "(d2) Tax Rate. – For an electric power company or a company that is a member of a
10 qualified group, the tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000)
11 of the company's tax base as determined under subsection (d) of this section. For purposes of this
12 subsection, the term "electric power company" has the same meaning as defined in
13 G.S. 105-130.4(s3) and the term "qualified group" means an affiliated group that has one or more
14 members that is an electric power company.

15 For all other C Corporations, as defined in G.S. 105-130.2, the tax rate is ~~one dollar and~~
16 ~~twenty-nine cents (\$1.29)~~ ninety-six cents (\$0.96) per one thousand dollars (\$1,000) of the
17 corporation's tax base as determined under subsection (d) of this section. For an S Corporation,
18 as defined in G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the first one million
19 dollars (\$1,000,000) of the corporation's tax base as determined under subsection (d) of this
20 section and ~~one dollar and twenty-nine cents (\$1.29)~~ ninety-six cents (\$0.96) per one thousand
21 dollars (\$1,000) of its tax base that exceeds one million dollars (\$1,000,000). ~~In~~

22 In no event may the tax imposed by this section be less than two hundred dollars (\$200.00)."

23 **SECTION 1.(e)** G.S. 105-122(d2), as amended by subsections (c) and (d) of this
24 section, reads as rewritten:

25 "(d2) Tax Rate. – ~~For an electric power company or a company that is a member of a~~
26 ~~qualified group, the tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000)~~
27 ~~of the company's tax base as determined under subsection (d) of this section. For purposes of this~~
28 ~~subsection, the term "electric power company" has the same meaning as defined in G.S. 105-~~
29 ~~130.4(s3) and the term "qualified group" means an affiliated group that has one or more members~~
30 ~~that is an electric power company.~~

31 ~~For all other C Corporations,~~ For a C Corporation, as defined in G.S. 105-130.2, the tax rate
32 is ninety-six cents (\$0.96) per one thousand dollars (\$1,000) of the corporation's tax base as
33 determined under subsection (d) of this section. For an S Corporation, as defined in
34 G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the first one million dollars
35 (\$1,000,000) of the corporation's tax base as determined under subsection (d) of this section and
36 ninety-six cents (\$0.96) per one thousand dollars (\$1,000) of its tax base that exceeds one million
37 dollars (\$1,000,000). ~~In~~

38 In no event may the tax imposed by this section be less than two hundred dollars (\$200.00)."

39 **SECTION 1.(f)** Subsections (a) through (c) of this section are effective for taxable
40 years beginning on or after January 1, 2021, and applicable to the calculation of franchise tax
41 reported on the 2020 and later corporate income tax returns. Subsection (d) of this section is
42 effective for taxable years beginning on or after January 1, 2022, and applicable to the calculation
43 of franchise tax reported on the 2021 and later corporate income tax returns. Subsection (e) of
44 this section is effective for taxable years beginning on or after January 1, 2027, and applicable to
45 the calculation of franchise tax reported on the 2026 and later corporate income tax returns.
46 Except as otherwise provided, this section is effective when it becomes law.

47 **MODIFY FILM GRANT**

48 **SECTION 2.(a)** G.S. 143B-437.02A reads as rewritten:

49 **"§ 143B-437.02A. The Film and Entertainment Grant Fund.**
50

1 (a) Creation and Purpose of Fund. – There is created in the Department of Commerce a
 2 special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide
 3 funds to encourage the production of motion pictures, television shows, movies for television,
 4 productions intended for on-line distribution, and commercials and to develop the filmmaking
 5 industry within the State. The Department of Commerce shall adopt guidelines providing for the
 6 administration of the program. Those guidelines may provide for the Secretary to award the grant
 7 proceeds over a period of time, not to exceed three years. Those guidelines shall include the
 8 following provisions, which shall apply to each grant from the account:

9 (1) The funds are reserved for a production on which the production company has
 10 qualifying expenses of at least the following:

11 a. For a feature-length film:

12 1. ~~Three million dollars (\$3,000,000),~~ One million five hundred
 13 thousand dollars (\$1,500,000), if for theatrical viewing.

14 2. ~~One million dollars (\$1,000,000),~~ Five hundred thousand
 15 dollars (\$500,000), if a movie for television.

16 b. For a television series, ~~one million dollars (\$1,000,000)~~ five hundred
 17 thousand dollars (\$500,000) per episode.

18 c. For a commercial for theatrical or television viewing or on-line
 19 distribution, two hundred fifty thousand dollars (\$250,000).

20 (2) The funds are not used to provide a grant in excess of any of the following:

21 ...

22 b. An amount more than seven million dollars (\$7,000,000) for a
 23 feature-length film, more than ~~twelve~~ fifteen million dollars
 24 ~~(\$12,000,000)~~ (\$15,000,000) for a single season of a television series,
 25 or two hundred fifty thousand dollars (\$250,000) for a commercial for
 26 theatrical or television viewing or on-line distribution.

27 ...

28 (d1) Agreement Binding. – An agreement awarding a grant pursuant to this section for
 29 which the production company is entitled to payment for performance under the agreement is a
 30 binding obligation of the State and is not subject to State funds being appropriated by the General
 31 Assembly.

32"

33 **SECTION 2.(b)** This section is effective when it becomes law and applies to grants
 34 made on or after that date.

35
 36 **EFFECTIVE DATE**

37 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes
 38 law.