

## Income/Franchise:

### North Carolina: New Law Addresses Foreign Entity Net Worth Calculation, NOLs, and Intercompany Loans

H.B. 83, signed by gov. 6/29/22. Effective for taxable years beginning on or after January 1, 2023, and applicable to the calculation of North Carolina franchise tax reported on the 2022 and later North Carolina corporate income tax returns, new law provides that the net worth of a foreign entity filing a federal income tax return is based on the value of assets deemed to be in the United States. Other changes in the bill that are effective immediately provide “technical corrections” pertaining to:

**URL:** <https://www.ncleg.gov/BillLookup/2021/H83>

1. North Carolina net loss calculations that are based on federal consolidated income tax filings;
2. Impact of certain intercompany loans on the North Carolina franchise tax base; and
3. Calculation of “qualified interest expense” in the context of certain intercompany loans to compute North Carolina taxable income.

The legislation also modifies calculation of North Carolina’s late payment penalty rate, and the North Carolina Department of Revenue subsequently issued a notice (see *Important Notice: North Carolina Temporarily Reduces the Late Payment Penalty*, N.C. Dept. of Rev. (6/30/22)) explaining these penalty rate changes. Please contact us with any questions.

**URL:** <https://www.ncdor.gov/media/13513/open>

— Art Tilley (Charlotte)  
Managing Director  
Deloitte Tax LLP  
atilley@deloitte.com

Joe Garrett (Birmingham)  
Managing Director  
Deloitte Tax LLP  
jogarrett@deloitte.com

John Paek (Atlanta)  
Principal  
Deloitte Tax LLP  
jpaek@deloitte.com

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