

Income/Franchise:

North Carolina: New Law Updates State Conformity to Internal Revenue Code and Revises PTE Tax

S.B. 147, signed by gov. 4/3/23. Effective immediately, new law generally updates corporate and individual income tax conformity with the Internal Revenue Code as in effect as of January 1, 2023 (previously, April 1, 2021), including “any provisions enacted as of that date that become effective either before or after that date.” The new law also amends various provisions pertaining to North Carolina’s elective pass-through entity tax (PTET) [see S.B. 105 (2021) and previously issued Multistate Tax Alert for more details on the PTET as originally enacted], including adding partnerships and S corporations to the list of permissible owners of a partnership electing to be taxed at the entity level effective retroactively for taxable years beginning on or after January 1, 2022. Also effective retroactively for taxable years beginning on or after January 1, 2022, North Carolina resident partners are allowed a credit for taxes paid by the pass-through entity to other states when no North Carolina PTET election is made. For taxable years beginning on or after January 1, 2023, the new law provides that resident partners and S corporation shareholders of an entity electing to pay the PTET are no longer taxed on their entire distributive share of income and are only taxed on the North Carolina-sourced income of the electing entity.

URL: <https://www.ncleg.gov/BillLookup/2023/s174>

URL: <https://www.ncleg.gov/BillLookup/2021/sb105>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-multistate-tax-alert-north-carolina-enacts-pass-through-entity-tax-election.pdf>

See forthcoming Multistate Tax Alert for more details on the new law changes to North Carolina’s PTET, and please contact us with any questions in the meantime.

— 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

Robert Waldow (Minneapolis)
Principal
Deloitte Tax LLP
rwaldow@deloitte.com

Shirley Wei (Los Angeles)
Senior Manager
Deloitte Tax LLP
shiwei@deloitte.com

Olivia Schulte (Washington, DC)
Manager
Deloitte Tax LLP
oschulte@deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.