

Income/Franchise:

North Carolina: Budget Bill Includes Provisions Modifying Calculation of Corporate Franchise Tax

H.B. 259, passed House and Senate as of 9/22/23; *Press Release*, N.C. Office of the Governor (9/22/23). Budget legislation that recently passed North Carolina's House and Senate, and which North Carolina Governor Roy Cooper publicly stated that he will allow to become law without his signature, includes provisions that:

URL: <https://www.ncleg.gov/BillLookUp/2023/H259>

URL: <https://governor.nc.gov/news/press-releases/2023/09/22/gov-cooper-statement-passage-state-budget-and-medicaid-expansion>

1. Modify North Carolina's franchise tax rules for C corporations for taxable years beginning in 2025 (which would apply to calculating the state franchise tax reported on state corporate income tax returns from 2024 and thereafter), and
2. Extend the deadline for making North Carolina's pass-through entity tax (PTE tax) election for the 2022 tax year by allowing a qualifying entity to make the election by filing an amended return by October 15, 2023.

Regarding the state franchise tax law changes, rather than calculate the tax at a rate of \$1.50 for every \$1,000 of their tax bases, corporations generally must pay \$500 on the first \$1 million of their tax bases, plus another \$1.50 for every additional \$1,000 of their tax bases. Please contact us with any questions.

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