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NEWS

STATE TAX TODAY REPORTS ON BILL NELSON'S TAX ALERTS COVERING NORTH CAROLINA'S TAX BILL AND TCJA

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By Amy Hamilton

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In the article "[North Carolina Lawmakers Introduce Measure Responding to TCJA](#)," *State Tax Today's* Amy Hamilton reports on a tax bill North Carolina lawmakers introduced in response to the Tax Cuts and Jobs Act (TCJA) and references Smith Anderson partner [Bill Nelson's](#) recent [tax alerts](#) explaining the North Carolina bill.

The bill, S. 715, was developed by the General Assembly's Revenue Laws Study Committee, introduced on May 16 and approved by the Finance Committee the following day. S. 715 would update the state's reference to the Internal Revenue Code (IRC) to February 9, 2018, "meaning that to the extent North Carolina follows federal tax provisions in calculating state tax liability, changes made by the TCJA and by the Bipartisan Budget Act of 2018 would apply."

As a result, the article notes that "North Carolina would conform to the IRC section 163(j) interest expense limitation, among several other provisions. The State Taxes After Reform Partnership, a coalition formed to advocate for business interests as states address the TCJA, is recommending that North Carolina decouple from the limitation."

The bill would decouple from several provisions of the TCJA, including the TCJA provisions regarding "global intangible low-taxed income" and "foreign derived intangible income." The bill also purports to decouple from the TCJA's repatriation tax provisions. Commenting on the measure, Bill Nelson said, "The intent is to decouple from both the income inclusion and the deduction provided by [IRC section] 965(c)."

Bill also noted that "North Carolina exempts income inclusions under subpart F from the calculation of state net income, so no statutory change is needed to decouple from the deemed repatriation of earnings. However, the TCJA includes a section 965(c) deduction to lower the effective tax rate on the repatriated earnings, and S. 715 does not yet appear to decouple from this deduction."

Read the full *State Tax Today* article [here](#). This article also was published in *State Tax Notes* on June 11, 2018.

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[William W. Nelson](#)

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