

Income/Franchise:

North Carolina: New Law Clarifies Corporate Franchise Tax Changes and Extends PTET Election Date

S.B. 508, signed by gov. 5/15/24. New law clarifies state legislation enacted in 2023 [see H.B. 259 (2023), and *State Tax Matters*, Issue 2023-40, for more details on this earlier legislation] that modifies 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) – explaining that 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. The legislation also extends the deadline for making North Carolina's pass-through entity tax (PTET) election for the 2022 tax year by allowing a qualifying entity to make the election by filing an amended return by July 1, 2024, rather than by October 15, 2023 [see also Directive TA-23-1, N.C. Dept. of Rev. (rev. 5/16/24) for additional details regarding this extended election deadline]. Please contact us with any questions.

URL: <https://www.ncleg.gov/BillLookup/2023/s508>

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

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/231006_3.html

URL: <https://www.ncdor.gov/directive-ta-23-1pdf/open>

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