



North Carolina
Chamber

A force for business.

Forced Combinations (HB619)

Issue: Current North Carolina law requires that corporations file a separate tax return for each legal entity doing business within the state. The Secretary of Revenue has authority to require separate legal entities with a common owner to file a combined corporate income tax return, regardless if these entities were located or doing business in North Carolina. However, formal guidelines for the requirement of combined returns or the issuance of penalties are not outlined for taxpayers or DOR auditors. Inconsistency on the filing rules for combined returns creates confusion and a lack of predictability for our state's businesses, which has a negative effect on future investments and job creation.

Reform: H619: Forced Combinations takes several steps to promote an even more competitive tax climate within our state:

- Ensures multi-state corporations are taxed fairly and provides increased certainty and predictability in state tax laws.
- Clarifies the NC Secretary of Revenue's authority to adjust the net income of a corporation or to require a corporation to file a combined return. Under H619, the state DOR would be able to require consolidated returns if they can prove a company is shifting income with the sole intent of lowering their tax burden.
- Requires corporate intercompany transactions to meet established standards similar to those in the Internal Revenue Code to prevent artificial reduction of NC taxable income.

Position: The North Carolina Chamber supports the reforms HB619 makes to create a more predictable and fair tax system. Businesses need certainty, in both the tax policy and in how the policy is administered and enforced. NC's competitive position on tax policy is paramount to our state's ability to attract, retain and grow good jobs for working families.

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