

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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HOUSE BILL 940

Short Title: IRC Update. (Public)

Sponsors: Representatives Setzer, Szoka, Bradford, and Winslow (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Finance, if favorable, Rules, Calendar, and Operations of the House

May 12, 2021

1 A BILL TO BE ENTITLED
2 AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.** G.S. 105-228.90(b)(7) reads as rewritten:

5 "(7) Code. – The Internal Revenue Code as enacted as of ~~May 1, 2020, April 1,~~
6 ~~2021,~~ including any provisions enacted as of that date that become effective
7 either before or after that date."

8 **SECTION 2.** Effective for tax years beginning on or after January 1, 2020,
9 G.S. 105-153.5(c2)(20) and G.S. 105-130.5(a)(32) are repealed.

10 **SECTION 3.** G.S. 105-153.5(a)(2)b. reads as rewritten:

11 "b. Mortgage Expense and Property Tax. – The amount allowed as a
12 deduction for interest paid or accrued during the taxable year under
13 section 163(h) of the Code with respect to any qualified residence plus
14 the amount allowed as a deduction for property taxes paid or accrued
15 on real estate under section 164 of the Code for that taxable year. For
16 taxable years 2014 through ~~2020, 2021,~~ the amount allowed as a
17 deduction for interest paid or accrued during the taxable year under
18 section 163(h) of the Code with respect to any qualified residence shall
19 not include the amount for mortgage insurance premiums treated as
20 qualified residence interest. The amount allowed under this
21 sub-subdivision may not exceed twenty thousand dollars (\$20,000).
22 For spouses filing as married filing separately or married filing jointly,
23 the total mortgage interest and real estate taxes claimed by both
24 spouses combined may not exceed twenty thousand dollars (\$20,000).
25 For spouses filing as married filing separately with a joint obligation
26 for mortgage interest and real estate taxes, the deduction for these
27 items is allowable to the spouse who actually paid them. If the amount
28 of the mortgage interest and real estate taxes paid by both spouses
29 exceeds twenty thousand dollars (\$20,000), these deductions must be
30 prorated based on the percentage paid by each spouse. For joint
31 obligations paid from joint accounts, the proration is based on the
32 income reported by each spouse for that taxable year."

33 **SECTION 4.** G.S. 105-153.5(c2) reads as rewritten:

34 "(c2) Decoupling Adjustments. – In calculating North Carolina taxable income, a taxpayer
35 must make the following adjustments to the taxpayer's adjusted gross income:



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1 (1) For taxable years 2014 through ~~2020, 2025~~, the taxpayer must add the amount
2 excluded from the taxpayer's gross income for the discharge of qualified
3 principal residence indebtedness under section 108 of the Code. The purpose
4 of this subdivision is to decouple from the income exclusion available under
5 federal tax law. If the taxpayer is insolvent, as defined in section 108(d)(3) of
6 the Code, then the addition required under this subdivision is limited to the
7 amount of discharge of qualified principal residence indebtedness excluded
8 from adjusted gross income under section 108(a)(1)(E) of the Code that
9 exceeds the amount of discharge of indebtedness that would have been
10 excluded under section 108(a)(1)(B) of the Code.

11 ...

12 (18) For taxable ~~year 2020, years 2020 through 2025~~, a taxpayer must add the
13 amount excluded from the taxpayer's gross income for payment by an
14 employer, whether paid to the taxpayer or to a lender, of principal or interest
15 on any qualified education loan, as defined in section 221(d)(1) of the Code,
16 incurred by the taxpayer for education of the taxpayer. The purpose of this
17 subdivision is to decouple from the exclusion for certain employer payments
18 of student loans under section 2206 of the CARES ~~Act~~ Act or under the
19 Consolidated Appropriations Act, 2021.

20 ...

21 (21) For taxable years 2021 and 2022, a taxpayer must add an amount equal to the
22 amount by which the taxpayer's deduction under section 274(n) of the Code
23 exceeds the deduction that would have been allowed under the Internal
24 Revenue Code as enacted as of May 1, 2020. The purpose of this subdivision
25 is to decouple from the increased deduction under the Consolidated
26 Appropriations Act, 2021, for business-related expenses for food and
27 beverages provided by a restaurant.

28 (22) For taxable years 2021 through 2025, a taxpayer must add the amount
29 excluded from the taxpayer's gross income for the discharge of a student loan
30 under section 108(f)(5) of the Code. The purpose of this subdivision is to
31 decouple from the exclusion from income for the discharge of a student loan
32 under section 9675 of the American Rescue Plan Act of 2021."

33 **SECTION 5.** Except as otherwise provided, this act is effective when it becomes

34 law.