



CHAPTER 105
ARTICLE 3 - FRANCHISE TAX

N.C.G.S. § 105-122.

Franchise or privilege tax on domestic and foreign corporations.

SOURCE	LAST AMENDMENT IN THIS TEXT	RETRIEVED	SOURCE FINGERPRINT
General Statutes of North Carolina, as published by the General Assembly	S.L. 2024-1, s. 11.2(a) — sixty-sixth act in the lineage	21 September 2026, 04:21 UTC	95d54251ad752c5572b7e19f - 4770b1a3fd5e1e177839e631 - 6f9746692f2a74de

§ 105-122(a) Tax Imposed. - An annual franchise or privilege tax is imposed on a corporation doing business in this State for the privilege of doing business in this State and for the continuance of articles of incorporation or domestication of each corporation in this State. A corporation subject to the tax must file a return under affirmation with the Secretary at the place and in the manner prescribed by the Secretary. The return must be signed by the president, vice-president, treasurer, or chief financial officer of the corporation. The return is due on or before the fifteenth day of the fourth month following the end of the corporation's income year.

§ 105-122(b) Determination of Net Worth. - A corporation taxed under this section shall determine the total amount of its net worth on the basis of the books and records of the corporation as of the close of its income year. The net worth of a corporation is its total assets without regard to the deduction for accumulated depreciation, depletion, or amortization less its total liabilities, computed in accordance with generally accepted accounting principles as of the end of the corporation's taxable year. If the corporation does not maintain its books and records in accordance with generally accepted accounting principles, then its net worth is computed in accordance with the accounting method used by the entity for federal tax purposes. A corporation's net worth is subject to the following adjustments:

- (1) A deduction for accumulated depreciation, depletion, and amortization as determined in accordance with the method used for federal tax purposes.

- (1a) Repealed by Session Laws 2015-241, s. 32.15(d), effective for taxable years beginning on or after January 1, 2017, and applicable to the calculation of franchise tax reported on the 2016 and later corporate income tax return.
- (1b) Assets for which a deduction is allowed under subdivision (1) of this subsection are valued in accordance with the method used in computing depreciation, depletion, and amortization for federal income tax purposes.
- (2) An addition for the amount of indebtedness the corporation owes to a parent, a subsidiary, an affiliate, or a noncorporate entity in which the corporation or group of corporations owns directly or indirectly more than fifty percent (50%) of the capital interest of the noncorporate entity, unless the indebtedness creates qualified interest expense, as defined in G.S. 105-130.7B(b)(4)a. through G.S. 105-130.7B(b)(4)d.
- (2a) If the creditor corporation is taxable under this Article, the creditor corporation may deduct the amount of indebtedness owed to it by a parent, subsidiary, or affiliated corporation to the extent that such indebtedness has been added by the debtor corporation.
- (2b) (Effective for taxable years beginning on or after January 1, 2023 - see note) The net worth of a foreign entity filing a federal income tax return is based on the value of assets deemed to be in the United States.
- (3) Repealed by Session Laws 2018-5, s. 38.2(b), effective beginning on or after January 1, 2019, and applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax return.
- (4) through (8) Repealed by Session Laws 2015-241, s. 32.15(c), effective for taxable years beginning on or after January 1, 2017, and applicable to the calculation of franchise tax reported on the 2016 and later corporate income tax return.

§ 105-122(b1)

Definitions. - The following definitions apply in subsection (b) of this section:

- (1) Affiliate. - A corporation is an affiliate of another corporation when both are directly or indirectly controlled by the same parent corporation or by the same or associated financial interests by stock ownership, interlocking directors, or by any other means whatsoever, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.
- (2) Affiliated group. - The same meaning as defined in G.S. 105-114.1.

- (3) Capital interest. - The right under an entity's governing law to receive a percentage of the entity's assets upon dissolution after payments to creditors.
- (4) Governing law. - The law under which the noncorporate entity is organized.
- (5) Indebtedness. - All loans, credits, goods, supplies, or other capital of whatsoever nature furnished by a parent, a subsidiary, an affiliate, or a noncorporate entity in which the corporation or an affiliated group of corporations owns directly or indirectly more than fifty percent (50%) of the capital interests of the noncorporate entity, other than indebtedness endorsed, guaranteed, or otherwise supported by one of these corporations.
- (6) Noncorporate entity. - A person that is neither a human being nor a corporation.
- (7) Parent. - A corporation is a parent of another corporation when, directly or indirectly, it controls the other corporation by stock ownership, interlocking directors, or by any other means whatsoever exercised by the same or associated financial interests, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.
- (8) Subsidiary. - A corporation is a subsidiary of another corporation when, directly or indirectly, it is subject to control by the other corporation by stock ownership, interlocking directors, or by any other means whatsoever exercised by the same or associated financial interest, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.

§ 105-122(c) Repealed by Session Laws 2007-491, s. 2, effective January 1, 2008.

§ 105-122(c1) Apportionment. - A corporation that is doing business in this State and in one or more other states must apportion its net worth to this State. A corporation must use the apportionment method set out in subdivision (1) of this subsection unless the Department has authorized it to use a different method under subdivision (2) of this subsection. A taxpayer that has made an election under G.S. 105-130.4(t3) must use the apportionment method set out in subdivision (1) of this subsection as if the election had not been made, unless the Department has authorized a different method under subdivision (2) of this subsection. The portion of a corporation's net worth determined by applying the appropriate apportionment method is considered the amount of net worth the corporation uses in its business in this State:

- (1) Statutory. - A corporation that is subject to income tax under Article 4 of this Chapter must apportion its net worth by using the fraction it applies in apportioning its income under that Article. A corporation that is not subject to income tax under Article 4 of this Chapter must apportion its net worth by using the fraction it would be required to apply in apportioning its income if it were subject to that Article. The apportionment method set out in this subdivision is considered the statutory method of apportionment and is presumed to be the best method of determining the amount of a corporation's net worth attributable to the corporation's business in this State.
- (2) Alternative. - A corporation that believes the statutory apportionment method set out in subdivision (1) of this subsection subjects a greater portion of its net worth to tax under this section than is attributable to its business in this State may make a written request to the Secretary for permission to use an alternative method. The request must set out the reasons for the corporation's belief and propose an alternative method. The corporation has the burden of establishing by clear, cogent, and convincing proof that the statutory apportionment method subjects a greater portion of the corporation's net worth to tax under this section than is attributable to its business in this State and that the proposed alternative method is a better method of determining the amount of the corporation's net worth attributable to the corporation's business in this State.

The Secretary must issue a written decision on a corporation's request for an alternative apportionment method. If the decision grants the request, it must describe the alternative method the corporation is authorized to use and state the tax years to which the alternative method applies. A decision may apply to no more than three tax years. A corporation may renew a request to use an alternative apportionment method by following the procedure in this subdivision. A decision of the Secretary on a request for an alternative apportionment method is final and is not subject to administrative or judicial review. A corporation authorized to use an alternative method may apportion its net worth in accordance with the alternative method or the statutory method.

- (3) Repealed by Session Laws 2011-330, s. 5, effective June 27, 2011.

§ 105-122(d)

(Effective for taxable years beginning before January 1, 2023) Tax Base. - A corporation's tax base is the greatest of the following:

- (1) The proportion of its net worth as set out in subsection (c1) of this section.

- (2) Fifty-five percent (55%) of the corporation's appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State. For purposes of this subdivision, the appraised value of tangible property, including real estate, is the ad valorem valuation for the calendar year next preceding the due date of the franchise tax return.
- (3) The corporation's total actual investment in tangible property in this State. For purposes of this subdivision, the total actual investment in tangible property in this State is the total original purchase price or consideration to the reporting taxpayer of its tangible properties, including real estate, in this State plus additions and improvements thereto less (i) reserve for depreciation as permitted for income tax purposes and (ii) any indebtedness specifically incurred and existing solely for and as the result of the purchase of any real estate and any permanent improvements made on the real estate.

§ 105-122(d) (Effective for taxable years beginning on or after January 1, 2023) Tax Base. - A corporation's tax base is the proportion of its net worth as set out in subsection (c1) of this section.

§ 105-122(d1) Repealed by Session Laws 2015-241, s. 32.15(c), effective for taxable years beginning on or after January 1, 2017, and applicable to the calculation of franchise tax reported on the 2016 and later corporate income tax return.

§ 105-122(d2) (Effective for taxable years beginning before January 1, 2025) Tax Rate. - For a C Corporation, as defined in G.S. 105-130.2, [the] tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of the corporation's tax base as determined under subsection (d) of this section. For an S Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the first one million dollars (\$1,000,000) of the corporation's tax base as determined under subsection (d) of this section and one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of its tax base that exceeds one million dollars (\$1,000,000). In no event may the tax imposed by this section be less than two hundred dollars (\$200.00).

§ 105-122(d2) (Effective for taxable years beginning on or after January 1, 2025) Tax Rate. - For a C Corporation, as defined in G.S. 105-130.2, the tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of its tax base with a maximum of five hundred dollars (\$500.00) for the first one million dollars (\$1,000,000) of the corporation's tax base as determined under subsection (d) of this section. For an S Corporation, as

defined in G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the first one million dollars (\$1,000,000) of the corporation's tax base as determined under subsection (d) of this section and one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of its tax base that exceeds one million dollars (\$1,000,000). In no event may the tax imposed by this section be less than two hundred dollars (\$200.00).

- § 105-122(e)

Short Period. - Any corporation which changes its income year, and files a "short period" income tax return pursuant to G.S. 105-130.15 shall file a franchise tax return in accordance with the provisions of this section in the manner and as of the date specified in subsection (a) of this section. Such corporation shall be entitled to deduct from the total franchise tax computed (on an annual basis) on such return the amount of franchise tax previously paid which is applicable to the period subsequent to the beginning of the new income year.
- § 105-122(f)

Return and Tax. - The return and tax required by this section are in addition to all other reports required or taxes levied and assessed in this State.
- § 105-122(g)

Local Prohibition. - Counties, cities and towns shall not levy a franchise tax on corporations taxed under this section.
- § 105-122(h)

Repealed by Session Laws 1981 (Regular Session, 1982), c. 1211, s. 5.

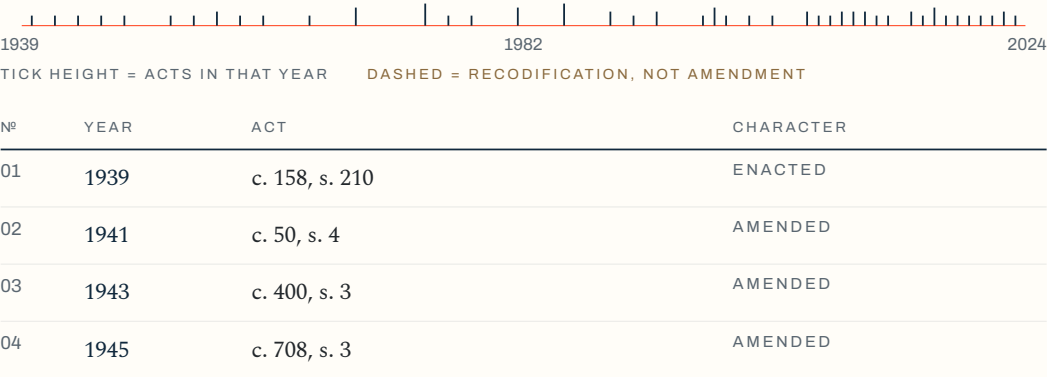
END OF SECTION TEXT

APPARATUS FOLLOWS — DERIVED, NOT ENACTED

APPARATUS I
66 ACTS

Amendment lineage

The State prints this history as a single parenthetical at the foot of the section. It is reproduced verbatim in the colophon and unpacked below in order of enactment.



05	1947	c. 501, s. 3	AMENDED
06	1951	c. 643, s. 3	AMENDED
07	1953	c. 1302, s. 3	AMENDED
08	1955	c. 1100, s. 2½	AMENDED
09	1955	c. 1350, s. 17	AMENDED
10	1957	c. 1340, s. 3	AMENDED
11	1959	c. 1259, s. 3	AMENDED
12	1963	c. 1169, s. 1	AMENDED
13	1967	c. 286	AMENDED
14	1967	c. 892, ss. 10, 11	AMENDED
15	1967	c. 1110, s. 2	AMENDED
16	1973	c. 476, s. 193	AMENDED
17	1973	c. 695, s. 17	AMENDED
18	1973	c. 1262, s. 23	AMENDED
19	1973	c. 1287, s. 3	AMENDED
20	1975	c. 764, s. 2	AMENDED
21	1977	c. 771, s. 4	AMENDED
22	1981	c. 704, s. 18	AMENDED
23	1981	c. 855, s. 3	AMENDED
24	1981	1981 (Reg. Sess., 1982), c. 1211, s. 5	AMENDED
25	1985	c. 656, s. 40	AMENDED
26	1985	1985 (Reg. Sess., 1986), c. 826, s. 6	AMENDED
27	1985	c. 854, s. 1	AMENDED
28	1985	1987 (Reg. Sess., 1988), c. 882, s. 4.3	AMENDED
29	1989	c. 148, s. 1	AMENDED
30	1989	c. 727, ss. 218(39), 219(27)	AMENDED
31	1991	c. 30, s. 5	AMENDED
32	1993	c. 532, s. 11	AMENDED
33	1993	1995 (Reg. Sess., 1996), c. 560, s. 1	AMENDED
34	1997	S.L. 1997-443, s. 11A.119(a)	AMENDED

35	1998	S.L. 1998-22, ss. 8, 9	AMENDED
36	1998	S.L. 1998-98, ss. 72, 77	AMENDED
37	1998	S.L. 1998-217, s. 43	AMENDED
38	1999	S.L. 1999-337, s. 21	AMENDED
39	2001	S.L. 2001-427, s. 12(a)	AMENDED
40	2003	S.L. 2003-416, s. 5(j)	AMENDED
41	2006	S.L. 2006-95, s. 1.1	AMENDED
42	2006	S.L. 2006-162, s. 2	AMENDED
43	2007	S.L. 2007-491, ss. 2, 10, 11	AMENDED
44	2008	S.L. 2008-134, ss. 3(a), (b)	AMENDED
45	2009	S.L. 2009-422, s. 1	AMENDED
46	2009	S.L. 2009-445, s. 2	AMENDED
47	2010	S.L. 2010-31, s. 31.9(a)	AMENDED
48	2010	S.L. 2010-89, s. 2(c)	AMENDED
49	2011	S.L. 2011-145, s. 31A.2(a)	AMENDED
50	2011	S.L. 2011-330, s. 5	AMENDED
51	2012	S.L. 2012-79, s. 1.14(a)	AMENDED
52	2013	S.L. 2013-414, ss. 1(c), 2(a)	AMENDED
53	2015	S.L. 2015-241, ss. 14.30(c), (u), 32.15(c), (d)	AMENDED
54	2015	S.L. 2015-268, s. 10.1(a)	AMENDED
55	2016	S.L. 2016-5, s. 1.7(a), (b)	AMENDED
56	2017	S.L. 2017-39, s. 2	AMENDED
57	2017	S.L. 2017-57, s. 38.6(a)	AMENDED
58	2017	S.L. 2017-204, s. 1.3(a)-(c)	AMENDED
59	2018	S.L. 2018-5, s. 38.2(b)	AMENDED
60	2019	S.L. 2019-246, s. 3(d)	AMENDED
61	2020	S.L. 2020-58, ss. 5.1(a), 5.2(b)	AMENDED
62	2022	S.L. 2022-13, ss. 1.1(a), 1.2	AMENDED
63	2021	S.L. 2021-180, s. 42.3(a)	AMENDED
64	2023	S.L. 2023-12, s. 1.2	AMENDED

65	2023	S.L. 2023-134, s. 42.6A(a)	AMENDED
66	2024	S.L. 2024-1, s. 11.2(a)	AMENDED

APPARATUS II
5 AUTHORITIES

Authorities referenced

Every G.S. cross-reference appearing in the text of this section, in order of first appearance. Nothing is characterized; the operative language is quoted from the section itself.

REFERENCE	APPEARS IN	OPERATIVE LANGUAGE IN THIS SECTION
G.S. 105-130.7B(b)(4)	(b)(2)	"qualified interest expense, as defined in"
G.S. 105-114.1	(b1)(2)	"The same meaning as defined in"
G.S. 105-130.4(t3)	(c1)	"that has made an election under"
G.S. 105-130.2	(d2)	"a C Corporation, as defined in"
G.S. 105-130.15	(e)	"period" income tax return pursuant to"

APPARATUS III

Citation

FULL SECTION

N.C. Gen. Stat. § 105-122 (2024).

PINPOINT

N.C. Gen. Stat. § 105-122(a) (2024).

Pinpoint keys are set in the left margin of the text rather than line numbers: subsection designators are stable across editions and paper sizes, line numbers are not.

COLOPHON

Provenance

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HISTORY PARENTHETICAL, AS PRINTED BY THE STATE

(1939, c. 158, s. 210; 1941, c. 50, s. 4; 1943, c. 400, s. 3; 1945, c. 708, s. 3; 1947, c. 501, s. 3; 1951, c. 643, s. 3; 1953, c. 1302, s. 3; 1955, c. 1100, s. 2½; c. 1350, s. 17; 1957, c. 1340, s. 3; 1959, c. 1259, s. 3; 1963, c. 1169, s. 1; 1967, c. 286; c. 892, ss. 10, 11; c. 1110, s. 2; 1973, c. 476, s. 193; c. 695, s. 17; c. 1262, s. 23; c. 1287, s. 3; 1975, c. 764, s. 2; 1977, c. 771, s. 4; 1981, c. 704, s. 18; c. 855, s. 3; 1981 (Reg. Sess., 1982), c. 1211, s. 5; 1985, c. 656, s. 40; 1985 (Reg. Sess., 1986), c. 826, s. 6; c. 854, s. 1; 1987 (Reg. Sess., 1988), c. 882, s. 4.3; 1989, c. 148, s. 1; c. 727, ss. 218(39), 219(27); 1991, c. 30, s. 5; 1993, c. 532, s. 11; 1995 (Reg. Sess., 1996), c. 560, s. 1; 1997-443, s. 11A.119(a); 1998-22, ss. 8, 9; 1998-98, ss. 72, 77; 1998-217, s. 43; 1999-337, s. 21; 2001-427, s. 12(a); 2003-416, s. 5(j); 2006-95, s. 1.1; 2006-162, s. 2; 2007-491, ss. 2, 10, 11; 2008-134, ss. 3(a), (b); 2009-422, s. 1; 2009-445, s. 2; 2010-31, s. 31.9(a); 2010-89, s. 2(c); 2011-145, s. 31A.2(a); 2011-330, s. 5; 2012-79, s. 1.14(a); 2013-414, ss. 1(c), 2(a); 2015-241, ss. 14.30(c), (u), 32.15(c), (d); 2015-268, s. 10.1(a); 2016-5, s. 1.7(a), (b); 2017-39, s. 2; 2017-57, s. 38.6(a); 2017-204, s. 1.3(a)-(c); 2018-5, s. 38.2(b); 2019-246, s. 3(d); 2020-58, ss. 5.1(a), 5.2(b); 2022-13, ss. 1.1(a), 1.2; 2021-180, s. 42.3(a); 2023-12, s. 1.2; 2023-134, s. 42.6A(a); 2024-1, s. 11.2(a).)

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NORTH CAROLINA LAW — STATUTE EXPORT, FORMAT V1

