



CHAPTER 105
ARTICLE 4 - INCOME TAX

N.C.G.S. § 105-131.6.

Distributions.

SOURCE General Statutes of North Carolina, as published by the General Assembly	LAST AMENDMENT IN THIS TEXT No amendment history on record	RETRIEVED 21 September 2026, 04:48 UTC	SOURCE FINGERPRINT 1adbb43126fad5f3685daa74 - bf7703d9447f9f114d70d35a - 2876ffaad7e2aaed
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§ 105-131.6(a) Subject to the provisions of subsection (c) of this section, a distribution made by an S Corporation with respect to its stock to a resident shareholder is taxable to the shareholder as provided in Parts 2 and 3 of this Article to the extent that the distribution is characterized as a dividend or as gain from the sale or exchange of property pursuant to section 1368 of the Code.

§ 105-131.6(b) Subject to the provisions of subsection (c) of this section, any distribution of money made by a corporation with respect to its stock to a resident shareholder during a post-termination transition period is not taxable to the shareholder as provided in Parts 2 and 3 of this Article to the extent the distribution is applied against and reduces the adjusted basis of the stock of the shareholder in accordance with section 1371(e) of the Code.

§ 105-131.6(c) In applying sections 1368 and 1371(e) of the Code to any distribution referred to in this section:

- (1) The term "adjusted basis of the stock" means the adjusted basis of the shareholder's stock as determined under G.S. 105-131.3.
- (2) The accumulated adjustments account maintained for each resident shareholder must be equal to, and adjusted in the same manner as, the corporation's accumulated adjustments account defined in section 1368(e)(1)(A) of the Code, except that:
 - a. The accumulated adjustments account shall be modified in the manner provided in G.S. 105-131.3(b)(1).

b.The amount of the corporation's federal accumulated adjustments account that existed on the day this State began to measure the S Corporation shareholders' income by reference to the income of the S Corporation is ignored and is treated for purposes of this Article as additional accumulated earnings and profits of the corporation. (1987 (Reg. Sess., 1988), c. 1089, s. 1; 1989, c. 728, ss. 1.33, 1.35; 1998-98, s. 6.)

END OF SECTION TEXT

APPARATUS FOLLOWS — DERIVED, NOT ENACTED

APPARATUS II
2 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. 105-131.3	(c)(1)	"the shareholder's stock as determined under"
G.S. 105-131.3(b)(1)	(c)	"modified in the manner provided in"

APPARATUS III

Citation

FULL SECTION

N.C. Gen. Stat. § 105-131.6 (2026).

PINPOINT

N.C. Gen. Stat. § 105-131.6(a) (2026).

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.

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