



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 388

AMENDMENT NO. A2
(to be filled in by
Principal Clerk)

H388-AMCf-31 [v.6]

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Amends Title [YES]
Third Edition

Date _____, 2025

Senator Garrett

1 moves to amend the bill on page 1, line 6, by deleting "AND"

2
3 and on page 1, line 6, by deleting the period and substituting the phrase "; AND TO PROVIDE
4 TAX RELIEF TO OFFSET INCREASED COSTS RESULTING FROM ADDITIONAL
5 TARIFFS.";

6
7 and on page 11, lines 9-10, by inserting the following language to read:

8
9 **"PART VIII-A. TARIFF-OFFSETTING TAX CREDITS.**

10 **SECTION 8A.1.(a)** Subchapter I of Chapter 105 of the General Statutes is amended
11 by adding a new Article to read:

12 "Article 3M.

13 "Tariff-Offsetting Tax Credits.

14 **"§ 105-129.120. Credit for increased costs resulting from certain tariffs.**

15 (a) Credit. – A taxpayer that is a small business that incurs cost increases of at least ten
16 percent (10%) as a result of qualifying tariffs is allowed a tax credit equal to the lesser of (i) the
17 cost increase or (ii) twenty-five thousand dollars (\$25,000). The credit provided in this section
18 is allowed against the income taxes levied in Article 4 of this Chapter.

19 (b) Limitations. – For taxpayers that have business operations in this State and other
20 states in a taxable year, the credit allowed in this section must be reduced by any apportionment
21 percentage used in calculating North Carolina income. A nonresident or part-year resident who
22 claims the credit allowed by this section shall reduce the amount of the credit by multiplying it
23 by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

24 (c) Cap; carryforward. – The credit may not exceed fifty percent (50%) of the tax against
25 which it is claimed for the taxable year, reduced by the sum of all other credits allowed against
26 that tax, except tax payments made by or on behalf of the taxpayer. This limitation applies to the
27 cumulative amount of credit, including carryforwards, claimed by the taxpayer under this Article.
28 Any unused portion of a credit may be carried forward for the succeeding five years.

29 (d) Definitions. – The following definitions apply in this Article:

30 (1) Qualifying tariff. – The tariff imposed on a good on or after February 4, 2025,
31 minus the tariff on the same good imposed prior to that date.



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(2) Small business. – A for-profit business headquartered in this State with (i) net annual receipts not exceeding one million dollars (\$1,000,000) and (ii) 100 or fewer employees.

"§ 105-129.121. Substantiation.

To claim a credit allowed by this Article, the taxpayer must provide any information required by the Secretary. Each taxpayer claiming a credit under this Article must maintain and make available for inspection by the Secretary any records the Secretary considers necessary to determine and verify the amount of the credit to which the taxpayer is entitled. The burden of proving eligibility for a credit and the amount of the credit rests upon the taxpayer, and no credit may be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection.

"§ 105-129.122. Sunset.

This Article is repealed effective for taxable years beginning on or after January 1, 2026."

SECTION 8A.1.(b) This section is effective for taxable years beginning on or after January 1, 2025.";

and on page 11, line 28, by deleting "The" and substituting "Except as otherwise provided, the".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____