



HOUSE BILL 243: Budget Technical Corrections, Sec. 20.7: Grant Program Tax Deductions

2021-2022 General Assembly

Committee:	Date:	March 30, 2022
Introduced by:	Prepared by:	Cindy Avrette Staff Attorney
Analysis of:	Sec. 20.7 of S.L. 2022-6	

OVERVIEW: Section 20.7 of S.L. 2022-6 provides a State individual and corporate income tax deduction for the amount received by a taxpayer from one or more of the following State created COVID-19 related grant programs: Business Recovery Grant Program, ReTOOLNC grant program, and the rent and utility assistance grant program. This section is effective for taxable years beginning on or after January 1, 2020.

CURRENT LAW: North Carolina begins its calculation of State net income for corporate income tax purposes from federal taxable income, and it begins its calculation of North Carolina taxable income for individual income tax purposes with federal adjusted gross income. For federal tax purposes, contributions of money or property to a taxpayer by a governmental entity are included in the taxpayer's gross income. Therefore, grant monies received by a taxpayer under any of the State created COVID-19 relief grant programs is taxable for federal tax purposes and is also taxable for State tax purposes unless otherwise exempted.

BILL ANALYSIS: Section 20.7 of S.L. 2022-6 provides a corporate and individual income tax deduction for amounts received by a taxpayer as a grant under one or more of the following grant programs:

- The Business Recovery Grant Program.
- The ReTOOLNC grant program for recovery from the economic impacts of the COVID-19 pandemic.
- Rent and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.

The General Assembly granted similar State tax relief for amounts granted to taxpayers under the Extra Credit grant program.

EFFECTIVE DATE: This section is effective for taxable years beginning on or after January 1, 2020 and applies to amounts received by a taxpayer on or after that date.

Jeffrey Hudson
Director



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Legislative Analysis
Division
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