

The Senate offers the following substitute to HB 488:

A BILL TO BE ENTITLED

AN ACT

1 To amend Title 48 of the Official Code of Georgia Annotated, relating to revenue and
2 taxation, so as to enact the "State and Local Tax Revision Act of 2005"; to provide for a short
3 title; to define the terms "Internal Revenue Code" and "Internal Revenue Code of 1986" and
4 thereby incorporate certain provisions of federal law into Georgia law; to provide for
5 applicability; to provide for the authority to establish fees for offer in compromises; to clarify
6 that electronic funds transfer applies to use tax; to provide for electronic funds transfer
7 requirements for third-party payroll providers; to clarify that no interest shall be paid when
8 a taxpayer fails to claim credits listed in Article 2 of Chapter 7; to provide for performance
9 review of county boards of tax assessors; to provide for selection of members of performance
10 review boards; to provide for powers, duties, and authority of the state revenue
11 commissioner; to amend the definition of the term "taxable nonresident"; to clarify the
12 requirements with respect to the subtraction from taxable income of interest or dividends on
13 obligations of the United States; to amend the requirements with respect to the sale or
14 exchange of real or tangible personal property when the gain or loss is not recognized due
15 to the purchase of similar property; to clarify the requirements with respect to the filing of
16 consolidated returns for Georgia income tax purposes; to provide for the treatment of
17 Georgia net operating losses for corporations; to clarify the treatment of the distributive share
18 received by a nonresident member of a resident limited partnership or other similar
19 nontaxable entity which derives income exclusively from buying, selling, dealing in, and
20 holding securities on its own behalf; to clarify the requirements with respect to the
21 subtraction from taxable income of interest or dividends on obligations of the United States;
22 to amend the requirements with respect to the sale or exchange of real or tangible personal
23 property when the gain or loss is not recognized due to the purchase of similar property; to
24 clarify when the tax imposed by Chapter 7 shall apply to a corporation; to clarify the
25 limitations with respect to base year port traffic increases; to clarify the requirements with
26 respect to the assignment of corporate income tax credits; to clarify the commissioner's
27 authority with respect to adjustments which may be made when the taxpayer's activities
28 distort true net income or the taxpayer engages in improper activities; to clarify the definition
29 of the term "nonresident" as defined in Article 5 of Chapter 7; to amend the definition of the
30 term "wages"; to clarify the requirements with respect to credit or refund of estimated tax

1 overpayment; to clarify the sales and use tax registration for vendors on certain state
 2 contracts and their affiliates; to provide for entitlement of vendors compensation only when
 3 a return and payment of sales and use tax is timely; to extend the sunset provision for
 4 distribution of unidentifiable sales and use tax proceeds to December 31, 2007; to provide
 5 for entitlement of vendors compensation only when a return and payment of motor fuel tax
 6 is timely; to amend the provisions regarding estate taxes; to provide for effective dates and
 7 applicability; to repeal conflicting laws; and for other purposes.

8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

9 **SECTION 1.**

10 This Act shall be known and may be cited as the "State and Local Tax Revision Act of
 11 2005."

12 **SECTION 2.**

13 Title 48 of the Official Code of Georgia Annotated, relating to revenue and taxation, is
 14 amended by striking paragraph (14) of Code Section 48-1-2, relating to definitions of terms,
 15 and inserting in its place a new paragraph (14) to read as follows:

16 "(14) 'Internal Revenue Code' or 'Internal Revenue Code of 1986' means for taxable years
 17 beginning on or after January 1, ~~2004~~ 2005, the provisions of the United States Internal
 18 Revenue Code of 1986 provided for in federal law enacted on or before January 1, ~~2004~~
 19 2005, except Section 168(k), Section 199, and Section 1400L of the Internal Revenue
 20 Code of 1986 shall be treated as if they were not in effect ~~and Section 179(b) of the~~
 21 ~~Internal Revenue Code of 1986 shall be treated as it was in effect before the enactment~~
 22 ~~of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (Public Law 108-27).~~ In
 23 the event a reference is made in this title to the Internal Revenue Code or the Internal
 24 Revenue Code of 1954 as it existed on a specific date prior to January 1, ~~2004~~ 2005, the
 25 term means the provisions of the Internal Revenue Code or the Internal Revenue Code
 26 of 1954 as it existed on the prior date. Unless otherwise provided in this title, any term
 27 used in this title shall have the same meaning as when used in a comparable provision or
 28 context in the Internal Revenue Code of 1986. For taxable years beginning on or after
 29 January 1, ~~2004~~ 2005, provisions of the Internal Revenue Code of 1986 which were as
 30 of January 1, ~~2004~~ 2005, enacted into law but not yet effective shall become effective for
 31 purposes of Georgia taxation on the same dates upon which they become effective for
 32 federal tax purposes."

1 of subsection (b) of Code Section 48-7-103 must pay the taxes by electronic funds
2 transfer as follows:

3 (A) For paydays occurring on Wednesday, Thursday, or Friday, the taxes must be
4 remitted on or before the following Wednesday or, in the case of a holiday, the next
5 banking day thereafter;

6 (B) For paydays occurring on Saturday, Sunday, Monday, or Tuesday, the taxes must
7 be remitted on or before the following Friday or, in the case of a holiday, the next
8 banking day thereafter; and

9 (C) Notwithstanding any other provision of this paragraph to the contrary, for
10 employers whose tax withheld or required to be withheld exceeds \$100,000.00 for the
11 payday, the taxes must be remitted by the next banking day.

12 (4) In addition to the requirements contained in paragraphs (2) and (3) of this subsection,
13 every third-party payroll provider who prepares or remits, or both, Georgia withholding
14 tax for more than 250 employers must pay the taxes by electronic funds transfer.

15 ~~(4)~~(5) The commissioner is specifically authorized to establish due dates and times for
16 the initiation of electronic payments, establish an implementation schedule, promulgate
17 regulations, and prescribe rules and procedures to implement this subsection.

18 ~~(5)~~(6) A penalty of 10 percent of the amount due shall be added to any payment which
19 is made in other than immediately available funds which are specified by regulation of
20 the commissioner unless the commissioner has authorized an alternate means of payment
21 in an emergency.

22 ~~(6)~~(7) In addition to authority granted in Code Section 48-2-41, the commissioner is
23 authorized to waive the collection of interest on electronic funds transfer payments, not
24 to exceed the first two scheduled payments, whenever and to the extent that the
25 commissioner reasonably determines that the default giving rise to the interest charge was
26 due to reasonable cause and not due to gross or willful neglect or disregard of this
27 subsection or regulations or instructions issued pursuant to this subsection.

28 ~~(7)~~(8) Notwithstanding any provision of law to the contrary, the commissioner is
29 authorized to promulgate rules and regulations setting forth the requirements for
30 electronically transmitting all required returns, reports, or other documents required to
31 be filed with taxes paid by electronic funds transfer.

32 ~~(8)~~(9) Notwithstanding any provision of law to the contrary, the commissioner is
33 authorized to promulgate rules and regulations setting forth the procedure for satisfying
34 the signature requirement for returns whether by electronic signature, voice signature, or
35 other means, so long as appropriate security measures are implemented which assure
36 security and verification of the signature procedure.

1 ~~(9)~~(10) Notwithstanding any provision of law to the contrary, the commissioner is
 2 authorized to pay all tax refunds by electronic funds transfer when requested by a
 3 taxpayer who has filed his or her return electronically with the department."

4 SECTION 5.

5 Said title is further amended by striking Code Section 48-2-35, relating to refunds, and
 6 inserting in its place a new Code Section 48-2-35 to read as follows:

7 "48-2-35.

8 (a) A taxpayer shall be refunded any and all taxes or fees which are determined to have
 9 been erroneously or illegally assessed and collected from such taxpayer under the laws of
 10 this state, whether paid voluntarily or involuntarily, and shall be refunded interest, except
 11 as provided in subsection (b) of this Code section, on the amount of the taxes or fees at the
 12 rate of 1 percent per month from the date of payment of the tax or fee to the commissioner.
 13 For the purposes of this Code section, any period of less than one month shall be
 14 considered to be one month. Refunds shall be drawn from the treasury on warrants of the
 15 Governor issued upon itemized requisitions showing in each instance the person to whom
 16 the refund is to be made, the amount of the refund, and the reason for the refund.

17 (b) No interest shall be paid if the taxes or fees were erroneously or illegally assessed and
 18 collected due to the taxpayer failing to claim any credits listed in Article 2 of Chapter 7 of
 19 this title on or before the due date for filing the applicable income tax return, including any
 20 extensions which have been granted.

21 ~~(b)~~(c)(1)(A) A claim for refund of a tax or fee erroneously or illegally assessed and
 22 collected may be made by the taxpayer at any time within three years after:

23 (i) The date of the payment of the tax or fee to the commissioner; or

24 (ii) In the case of income taxes, the later of the date of the payment of the tax or fee
 25 to the commissioner or the due date for filing the applicable income tax return,
 26 including any extensions which have been granted.

27 (B) Each claim shall be filed in writing in the form and containing such information
 28 as the commissioner may reasonably require and shall include a summary statement of
 29 the grounds upon which the taxpayer relies. Should any person be prevented from
 30 filing such an application because of service of such person or such person's counsel
 31 in the armed forces during such period, the period of limitation shall date from the
 32 discharge of such person or such person's counsel from such service. A claim for
 33 refund may not be submitted by the taxpayer on behalf of a class consisting of other
 34 taxpayers who are alleged to be similarly situated.

35 (2) In the event the taxpayer desires a conference or hearing before the commissioner in
 36 connection with any claim for refund, he or she shall specify such desire in writing in the

1 claim and, if the claim conforms with the requirements of this Code section, the
2 commissioner shall grant a conference at a time he or she shall reasonably specify.

3 (3) The commissioner or his or her delegate shall consider information contained in the
4 taxpayer's claim for refund, together with such other information as may be available,
5 and shall approve or disapprove the taxpayer's claim and notify the taxpayer of his or her
6 action.

7 (4) Any taxpayer whose claim for refund is denied by the commissioner or his or her
8 delegate or whose claim is not decided by the commissioner or his or her delegate within
9 one year from the date of filing the claim shall have the right to bring an action for a
10 refund in the superior court of the county of the residence of the taxpayer, except that:

11 (A) If the taxpayer is a public utility or a nonresident, the taxpayer shall have the right
12 to bring an action for a refund in the superior court of the county in which is located the
13 taxpayer's principal place of doing business in this state or in which the taxpayer's
14 chief or highest corporate officer or employee resident in this state maintains his or her
15 office; or

16 (B) If the taxpayer is a nonresident individual or foreign corporation having no place
17 of doing business and no officer or employee resident and maintaining his or her office
18 in this state, the taxpayer shall have the right to bring an action for a refund in the
19 Superior Court of Fulton County or in the superior court of the county in which the
20 commissioner in office at the time the action is filed resides.

21 (5) An action for a refund pursuant to paragraph (4) of this subsection may not be
22 brought by the taxpayer on behalf of a class consisting of other taxpayers who are alleged
23 to be similarly situated.

24 (6) No action or proceeding for the recovery of a refund under this Code section shall be
25 commenced before the expiration of one year from the date of filing the claim for refund
26 unless the commissioner or his or her delegate renders a decision on the claim within that
27 time, nor shall any action or proceeding be commenced after the expiration of two years
28 from the date the claim is denied. The two-year period prescribed in this paragraph for
29 filing an action for refund shall be extended for such period as may be agreed upon in
30 writing between the taxpayer and the commissioner during the two-year period or any
31 extension thereof.

32 ~~(c)~~(d) In the event any taxpayer's claim for refund is approved by the commissioner or his
33 or her delegate and the taxpayer has not paid other state taxes which have become due, the
34 commissioner or department may set off the unpaid taxes against the refund. When the
35 setoff authorized by this subsection is exercised, the refund shall be deemed granted and
36 the amount of the setoff shall be considered for all purposes as a payment toward the

1 particular tax debt which is being set off. Any excess refund remaining after the setoff has
 2 been applied shall be refunded to the taxpayer.
 3 ~~(d)~~(e) This Code section shall not apply to taxes paid or stamps purchased for alcoholic
 4 beverages pursuant to Title 3."

5 **SECTION 6.**

6 Said title is further amended by striking subsection (a) of Code Section 48-5-295.1, relating
 7 to the appointment of an independent performance review board, and inserting in its place
 8 a new subsection (a) to read as follows:

9 "(a) The county governing authority may, upon adoption of a resolution, request that a
 10 performance review of the county board of tax assessors be conducted. Such resolution
 11 shall be transmitted to the commissioner who shall appoint an independent performance
 12 review board within 30 days after receiving such resolution. The commissioner shall
 13 appoint three competent persons to serve as members of the performance review board, one
 14 of whom shall be an employee of the department and two of whom shall be assessors or
 15 chief appraisers who are not members of the board or a chief appraiser for the county under
 16 review."

17 **SECTION 7.**

18 Said title is further amended by striking subparagraph (A) of paragraph (11) of Code Section
 19 48-7-1, relating to definitions, and inserting in its place a new subparagraph (A) to read as
 20 follows:

21 "(A) Every individual who is not otherwise a resident of this state for income tax
 22 purposes and who regularly and not casually or intermittently engages within this state,
 23 by himself or herself or by means of employees, agents, or partners, in employment,
 24 trade, business, professional, or other activity for financial gain or profit including, but
 25 not limited to, the rental of real or personal property located within this state or for use
 26 within this state. 'Taxable nonresident' does not include a legal resident of another state
 27 whose only activity for financial gain or profit in this state consists of performing
 28 services in this state for an employer as an employee when the remuneration for the
 29 services does not exceed the lesser of 5 percent of the income received by the person
 30 for performing services in all places during any taxable year or \$5,000.00;"

31 **SECTION 8.**

32 Said title is further amended by striking subparagraph (b)(1)(B) of Code Section 48-7-21,
 33 relating to taxation of corporations, and inserting in its place a new subparagraph (b)(1)(B)
 34 to read as follows:

1 the time period within which the permission must be requested. A request for
2 permission beyond such time period will not be considered and will result in the filing
3 of separate income tax returns for the applicable year."

4 **SECTION 11.**

5 Said title is further amended by striking the "Reserved" designation of paragraph (10) of
6 subsection (b) of Code Section 48-7-21, relating to taxation of corporations, and inserting in
7 its place a new paragraph (10) to read as follows:

8 "(10) Net operating losses for corporations shall be treated as follows:

9 (A) For any taxable year in which the taxpayer takes a federal net operating loss
10 deduction on its federal income tax return, the amount of such deduction shall be added
11 back to federal taxable income, and Georgia taxable net income for such taxable year
12 shall be computed from the taxpayer's federal taxable income as so adjusted. There
13 shall be allowed as a separate deduction from Georgia taxable net income so computed
14 an amount equal to the aggregate of the Georgia net operating loss carryovers to such
15 year, plus the Georgia net operating loss carrybacks to such year;

16 (B) The Georgia net operating loss for such taxable year shall be computed by making
17 the adjustments to federal taxable income required by this article and in the case of
18 corporations doing business both within and outside Georgia, by apportioning and
19 allocating to Georgia, as provided in Code Section 48-7-31, only the amount of the loss
20 attributable to operations within Georgia. The term 'Georgia net operating loss' shall
21 mean the loss computed as provided in this paragraph. In the event the net Georgia
22 adjustments completely offset a federal net operating loss, there shall be no Georgia net
23 operating loss for the taxable year, and any excess of net Georgia adjustments over the
24 federal net operating loss shall constitute Georgia taxable net income after any such
25 excess has been allocated and apportioned to Georgia as provided in Code Section
26 48-7-31. The procedural sequence of taxable years to which a Georgia net operating
27 loss may be carried back or carried over, and the number of years for which a net
28 operating loss may be carried back or carried over, shall be the same as provided in the
29 Internal Revenue Code. The terms 'Georgia net operating loss carryback' and 'Georgia
30 net operating loss carryover' shall mean the Georgia net operating loss for the
31 applicable year carried back or carried over in the manner and for the number of years
32 as provided in this paragraph;

33 (C) In the event the taxpayer elects to forgo the carryback period for the federal net
34 operating loss as allowed under the Internal Revenue Code, the taxpayer shall also
35 forgo the carryback period for Georgia purposes. If the taxpayer does not elect to forgo
36 the carryback period for the federal net operating loss, the election to forgo the net

1 operating loss period shall not be allowed for Georgia purposes. If the taxpayer does
 2 not have a federal net operating loss, the taxpayer may make an irrevocable election to
 3 forgo the carryback period for the Georgia net operating loss, provided that an
 4 affirmative statement is attached to the Georgia return for the year of the loss. Such
 5 election must be made on or before the due date for filing the income tax return for the
 6 taxable year wherein the loss was incurred, including any extensions which have been
 7 granted;

8 (D) The provisions of Sections 108, 381, 382, and 384 of the Internal Revenue Code
 9 of 1986, as amended, as they relate to net operating losses also apply for Georgia
 10 purposes. The commissioner shall by regulation provide the method of determining
 11 how such sections apply;

12 (E) In the event a taxpayer is entitled to a refund of income taxes by reason of a net
 13 operating loss carryback, a claim for such refund must be filed within three years after
 14 the due date for filing the income tax return for the taxable year wherein the loss was
 15 incurred, including any extensions which have been granted. Such tax refund shall be
 16 deemed to have been erroneously assessed and collected, and shall be paid under the
 17 provisions of Code Section 48-2-35; provided, however, that no interest shall accrue or
 18 be paid for any period prior to the close of the taxable year in which such net operating
 19 loss arises and no interest shall be paid if the claim for refund is processed within 90
 20 days from the last day of the month in which the claim for such refund is filed; and

21 (F) The commissioner shall have the authority to promulgate regulations regarding net
 22 operating losses with respect to this paragraph and with respect to consolidated return
 23 net operating losses."

24 SECTION 12.

25 Said title is further amended by striking subsection (c) of Code Section 48-7-24, relating to
 26 nonresident members of resident partnerships and resident members of nonresident
 27 partnerships, and inserting in its place a new subsection (c) to read as follows:

28 "(c) Notwithstanding any other provision of this chapter to the contrary, the distributive
 29 share of a nonresident member of a resident limited partnership or other similar nontaxable
 30 entity which derives income exclusively from buying, selling, dealing in, and holding
 31 securities on its own behalf and not as a broker shall not constitute taxable income under
 32 this chapter. For purposes of this subsection, a resident limited partnership or similar
 33 nontaxable entity shall not include a family limited partnership or similar nontaxable entity
 34 the majority interest of which is owned by one or more natural or naturalized citizens
 35 related to each other within the fourth degree of reckoning according to the laws of descent
 36 and distribution. This subsection shall not apply to a person that participates in the

1 management of the resident limited partnership or other similar nontaxable entity or that
 2 is engaged in a unitary business with another person that participates in the management
 3 of the resident limited partnership or other similar nontaxable entity."

4 SECTION 13.

5 Said title is further amended by striking paragraph (2) of subsection (b) of Code Section
 6 48-7-27, relating to computation of taxable net income, and inserting in its place a new
 7 paragraph (2) to read as follows:

8 "(2) There shall be subtracted from taxable income interest or dividends on obligations
 9 of the United States and its territories and possessions or of any authority, commission,
 10 or instrumentality of the United States to the extent includable in gross income for federal
 11 income tax purposes but exempt from state income taxes under the laws of the United
 12 States. Any amount subtracted under this paragraph shall be reduced by any interest
 13 expenses directly or indirectly attributable to the production of the interest or dividend
 14 income. For all taxpayers except individuals, the direct and indirect interest expense shall
 15 be determined by multiplying the total interest expense by a fraction, the numerator of
 16 which is the taxpayer's average adjusted bases of such United States obligations, and the
 17 denominator of which is the average adjusted bases for all assets of the taxpayer."

18 SECTION 14.

19 Said title is further amended by striking paragraph (6) of subsection (b) of Code Section
 20 48-7-27, relating to computation of taxable net income, and inserting in its place a new
 21 paragraph (6) to read as follows:

22 ~~"(6) When, on the sale or exchange of real or tangible personal property located in this~~
 23 ~~state, gain or loss is not recognized because the taxpayer receives or purchases similar~~
 24 ~~property, the nonrecognition shall be allowed only when the property is replaced with~~
 25 ~~property located in this state except for the sale or exchange of a personal residence in~~
 26 ~~which case the nonrecognition shall apply if the taxpayer purchases another personal~~
 27 ~~residence anywhere in the United States within the time allowed under the applicable~~
 28 ~~provisions of the Internal Revenue Code of 1986. Reserved."~~

29 SECTION 15.

30 Said title is further amended by striking subsection (a) of Code Section 48-7-31, relating to
 31 taxation of corporations, the allocation and apportionment formula, and the formula for
 32 apportionment, and inserting in its place a new subsection (a) to read as follows:

33 "(a) The tax imposed by this chapter shall apply to the entire net income, as defined in this
 34 article, received by every foreign or domestic corporation owning property or within this

1 state, doing business within this state, or deriving income from sources within this state to
 2 the extent permitted by the United States Constitution. A corporation shall be deemed to
 3 be doing business within this state if it engages within this state in any activities or
 4 transactions for the purpose of financial profit or gain whether or not:

- 5 (1) The corporation qualifies to do business in this state;
 6 (2) The corporation maintains an office or place of doing business within this state; or
 7 (3) Any such activity or transaction is connected with interstate or foreign commerce."

8 **SECTION 16.**

9 Said title is further amended by striking paragraph (3) of subsection (e) of Code Section
 10 48-7-40.15, relating to alternative tax credits for base year port traffic increases, and inserting
 11 in its place a new paragraph (3) to read as follows:

12 "(3)(A) Any tax credit claimed under subsection (c) of this Code section in lieu of Code
 13 Section 48-7-40.7, 48-7-40.8, or 48-7-40.9 shall be allowed for the ensuing ten taxable
 14 years following the taxable year the qualified investment property was first placed in
 15 service, provided that the increase in port traffic remains above the minimum level
 16 established in this Code section and the qualified investment property remains in
 17 service.

18 (B) The tax credit established by this Code section in lieu of Code Section ~~48-7-40~~,
 19 ~~48-7-40.2~~, ~~48-7-40.3~~, or ~~48-7-40.4~~ and taken in any one taxable year shall be limited
 20 to an amount not greater than 50 percent of the taxpayer's state income tax liability
 21 which is attributable to income derived from operations in this state for that taxable
 22 year.

23 (C) The tax credit established by this Code section in addition to that pursuant to Code
 24 Section 48-7-40 and taken in any one taxable year shall be limited to an amount not
 25 greater than 50 percent of the taxpayer's state income tax liability which is attributable
 26 to income derived from operations in this state for that taxable year.

27 ~~(C)~~(D) The sale, merger, acquisition, or bankruptcy of any taxpayer shall not create
 28 new eligibility for any succeeding taxpayer, but any unused credit may be transferred
 29 and continued by any transferee of the taxpayer."

30 **SECTION 17.**

31 Said title is further amended by striking subsection (b) of Code Section 48-7-42, relating to
 32 affiliated entities and assignment of corporate income tax credits, and inserting in its place
 33 a new subsection (b) to read as follows:

34 "(b) In lieu of claiming any Georgia income tax credit for which a taxpayer otherwise is
 35 eligible for the taxable year (such eligibility being determined for this purpose without

1 regard to any limitation imposed by reason of the taxpayer's precredit income tax liability),
 2 the taxpayer may elect to assign such credit in whole or in part to one or more affiliated
 3 entities for such taxable year by attaching a statement to the taxpayer's return for the
 4 taxable year; provided, however, that no carryover attributable to the unused portion of any
 5 previously claimed or assigned credit may be assigned or reassigned, except as provided
 6 in subsection (d) of this Code section. Such election must be made on or before the due
 7 date for filing the applicable income tax return, including any extensions which have been
 8 granted. In the case of any credit that must be claimed in installments in more than one
 9 taxable year, the election under this subsection may be made on an annual basis with
 10 respect to each such installment, provided that the taxpayer shall notify the commissioner
 11 with respect to the assignment of each such installment by filing a separate copy of the
 12 election statement for such installment no later than the ~~time of filing of the taxpayer's state~~
 13 ~~income tax return for such taxable year~~ due date for filing the applicable income tax return,
 14 including any extensions which have been granted. Once made, an election under this
 15 subsection shall be irrevocable."

16 SECTION 18.

17 Said title is further amended by striking Code Section 48-7-58, relating to taxpayer activities
 18 distorting true net income, and inserting in its place a new Code Section 48-7-58 to read as
 19 follows:

20 "48-7-58.

21 (a) When the commissioner has reason to believe that any taxpayer conducts his or her
 22 trade or business so as to evade taxes, distort directly or indirectly his or her true net
 23 income, or distort directly or indirectly the net income properly attributable to this state,
 24 whether by the arbitrary shifting of income, through price fixing, charges for service, or
 25 otherwise, as a result of which the net income is arbitrarily assigned to ~~one or another unit~~
 26 ~~in a group of taxpayers conducting business under a substantially common control,~~ a
 27 person related to the taxpayer, the commissioner may require the facts as he or she deems
 28 necessary for the proper computation of the entire net income and the net income properly
 29 attributable to this state. In determining the computation, the commissioner shall consider
 30 the fair profit which would normally arise from the conduct of the trade or business. The
 31 commissioner shall by regulation provide when to apply this subsection.

32 (b)(1) ~~The~~ Additionally, the commissioner may determine the amount of taxable income
 33 of any one or more corporations for a calendar or fiscal year when a corporation:

34 (A) Subject to taxation under this chapter conducts its business in such manner as to
 35 benefit either directly or indirectly the members or stockholders of the corporation or
 36 any person interested in the business of the corporation by selling its products or the

1 goods or commodities in which it deals at less than the fair price which might be
2 obtained for the goods or commodities;

3 (B) A substantial portion of whose capital stock is directly or indirectly owned by
4 another corporation acquires and disposes of the products of the corporation so owning
5 a substantial portion of its stock in such a manner as to create a loss or improper net
6 income for either of the corporations; or

7 (C) Directly or indirectly owning a substantial portion of the stock of another
8 corporation acquires and disposes of the products of the corporation of which it so owns
9 a substantial portion of the stock in such a manner as to create a loss or improper net
10 income for either of the corporations.

11 (2) In his or her determination, the commissioner shall consider the reasonable profits
12 which, but for the arrangement or understanding, might or could have been obtained by
13 the corporation or corporations subject to taxation under this chapter from dealing in such
14 products, goods, or commodities."

15 SECTION 19.

16 Said title is further amended by striking paragraph (6.2) of Code Section 48-7-100, relating
17 to definitions, and inserting in its place a new paragraph (6.2) to read as follows:

18 "(6.2) 'Nonresident' shall mean an individual or fiduciary member who resides outside
19 this state and ~~a foreign or domestic corporate member~~ all other members whose
20 headquarters or principal place of business is located outside this state."

21 SECTION 20.

22 Said title is further amended by striking subparagraph (K) of paragraph (10) of Code Section
23 48-7-100, relating to definitions, and inserting in its place a new subparagraph (K) to read
24 as follows:

25 "(K) For services performed by a nonresident if the nonresident has been employed
26 within this state for no more than 23 calendar days during the calendar quarter and the
27 nonresident is not a taxable nonresident as defined in Code Section 48-7-1; or"

28 SECTION 21.

29 Said title is further amended by striking Code Section 48-7-121, relating to credit of
30 estimated tax payment, and inserting in its place a new Code Section 48-7-121 to read as
31 follows:

32 "48-7-121.

33 (a) As used in this Code section, the term:

1 (1) 'Final return' means the original income tax return filed by the taxpayer for the tax
 2 year or an amended return filed on or before the due date of the return without extensions.
 3 Such term does not include any other amended income tax return for the period or an
 4 estimated tax return.

5 (2) 'Income tax liability for a taxable year' means the taxpayer's income tax liability as
 6 calculated under Code Section 48-7-20 or 48-7-21 for the taxable year reduced (but not
 7 below zero) by all nonrefundable credits to which the taxpayer is entitled. Nonrefundable
 8 credits include any credit that is limited by the taxpayer's income tax liability or some
 9 percentage thereof.

10 (3) 'Other credits allowed by law' means only those income tax credits that are
 11 refundable, such as the credit for income tax withholding and the credit allowed by Code
 12 Section 48-7-28.1. Refundable credits do not include any credit that is limited by the
 13 taxpayer's income tax liability or some percentage thereof.

14 ~~(a)~~(b) The amount of estimated tax paid under this article for any taxable year shall be
 15 allowed as a credit to the taxpayer against the taxpayer's income tax liability under Code
 16 Section 48-7-20 or 48-7-21 for the taxable year.

17 ~~(b)~~(c) To the extent that the estimated tax credit, together with other credits allowed by
 18 law, is in excess of the taxpayer's income tax liability for a taxable year as shown on an
 19 ~~income tax~~ a final return filed by the taxpayer for that year, the overpayment shall be
 20 considered as taxes erroneously paid and shall be credited or refunded as provided in this
 21 subsection. The overpayment shall be credited to the taxpayer's estimated income tax
 22 liability for the succeeding taxable year unless the taxpayer claims a refund for the
 23 overpayment. The commissioner may consider any final return showing an overpayment
 24 as a claim for refund per se. An overpayment shall bear no interest if credit is given for the
 25 overpayment. Amounts refunded as overpayments shall bear interest at the rate provided
 26 in Code Section 48-2-35 but only after 90 days from the filing date of the final return
 27 showing the overpayment or 90 days from the due date of the final return, whichever is
 28 later."

29 **SECTION 22.**

30 Said title is further amended by adding a new Code section immediately following Code
 31 Section 48-8-13 to be designated Code Section 48-8-14, to read as follows:

32 "48-8-14.

33 (a) As used in this Code section, the term 'state agency' means any authority, board,
 34 department, instrumentality, institution, agency, or other unit of state government. The term
 35 'state agency' shall not include any county, municipality, or local or regional governmental
 36 authority.

1 (b) On or after the effective date of this Code section, the Department of Administrative
 2 Services and any other state agency shall not enter into a state-wide contract or agency
 3 contract for goods or services, or both, in an amount exceeding \$100,000.00 with a
 4 nongovernmental vendor if the vendor or an affiliate of the vendor is a dealer as defined
 5 in paragraph (3) of Code Section 48-8-2, or meets one or more of the conditions
 6 thereunder, but fails or refuses to collect sales or use taxes levied under this chapter on its
 7 sales delivered to Georgia.

8 (c) The Department of Administrative Services and any other state agency may contract
 9 for goods or services, or both, with a source prohibited under subsection (b) of this Code
 10 section in the event of an emergency or where the nongovernmental vendor is the sole
 11 source of such goods or services or both.

12 (d) The determination of whether a vendor is a prohibited source shall be made by the
 13 Department of Revenue, which shall notify the Department of Administrative Services and
 14 any other state agency of its determination within three business days of a request for such
 15 determination.

16 (e) Prior to awarding a contract, the Department of Administrative Services and any other
 17 state agency to which this article applies shall provide the Department of Revenue the
 18 name of the nongovernmental vendor awarded the contract, the name of the vendor's
 19 affiliate, and the certificate of registration number as provided for under Code Section
 20 48-8-59 for the vendor and affiliate of the vendor.

21 (f) The commissioner is specifically authorized to promulgate regulations to implement
 22 this Code section."

23 **SECTION 23.**

24 Said title is further amended by striking subsection (b) of Code Section 48-8-50, relating to
 25 vendors compensation, and inserting in its place a new subsection (b) to read as follows:

26 "(b) Each dealer required to file a return under this article shall include such dealer's
 27 certificate of registration number or numbers for each sales location or affiliated entity of
 28 such dealer on such return. In reporting and paying the amount of tax due under this article,
 29 each dealer shall be allowed the following deduction, but only if the return was timely filed
 30 and the amount due was not delinquent at the time of payment; and that deduction shall be
 31 subject to the provisions of subsection (f) of this Code section pertaining to calculation of
 32 the deduction when more than one tax is reported on the same return:

33 (1) With respect to each certificate of registration number on such return, a deduction of
 34 3 percent of the first \$3,000.00 of the combined total amount of all sales and use taxes
 35 reported due on such return for each location other than the taxes specified in
 36 paragraph (3) of this subsection;

1 (2) With respect to each certificate of registration number on such return, a deduction of
 2 one-half of 1 percent of that portion exceeding \$3,000.00 of the combined total amount
 3 of all sales and use taxes reported due on such return for each location other than the
 4 taxes specified in paragraph (3) of this subsection;

5 (3) With respect to each certificate of registration number on such return, a deduction
 6 of 3 percent of the combined total amount due of all sales and use taxes on motor fuel as
 7 defined under paragraph (9) of Code Section 48-9-2, which are imposed under any
 8 provision of this title, including, but not limited to, sales and use taxes on motor fuel
 9 imposed under any of the provisions described in subsection (f) of this Code section but
 10 not including Code Section 48-9-14; and

11 (4) A deduction with respect to Code Section 48-9-14, as defined in paragraph (5.1) of
 12 Code Section 48-8-2, shall be at the rate of one-half of 1 percent of the total amount due
 13 of the prepaid state tax reported due on such return, so long as the return and payment is
 14 are timely, regardless of the classification of tax return upon which the remittance is
 15 made."

16 SECTION 24.

17 Said title is further amended by striking subsection (h) of Code Section 48-8-67, relating to
 18 distribution of unidentifiable proceeds, and inserting in its place a new subsection (h) to read
 19 as follows:

20 "(h) The authority of the commissioner to make distributions pursuant to this Code section
 21 shall cease on December 31, ~~2005~~ 2007, unless such authority is extended by a subsequent
 22 general Act of the General Assembly."

23 SECTION 25.

24 Said title is further amended by striking subsection (b) of Code Section 48-9-8, relating to
 25 tax reports of motor fuel distributors, and inserting in its place a new subsection (b) to read
 26 as follows:

27 "(b) At the time of submitting the report required by subsection (a) of this Code section,
 28 the distributor shall pay to the commissioner the tax imposed by paragraph (1) of
 29 subsection (a) of Code Section 48-9-3 on all gasoline, fuel oils, compressed petroleum gas,
 30 special fuel, and aviation gasoline sold or used in this state during the preceding calendar
 31 month, less an allowance of 1 percent of the tax as compensation to cover losses and
 32 expenses incurred in reporting the tax to the state. The allowance shall not be deductible
 33 unless the report and payment of tax is are made on or before the twentieth day of the
 34 month as required by this article."

SECTION 26.

Said title is further amended by adding a new Code section immediately following Code Section 48-12-1, to be designated Code Section 48-12-1.1, to read as follows:

"48-12-1.1.

This chapter shall not apply to any estate with a date of death which occurred in a year for which the Internal Revenue Code does not allow a credit for state death taxes."

SECTION 27.

(a) Section 2 of this Act shall become effective on its approval by the Governor or upon its becoming law without such approval and shall be applicable to all taxable years beginning on or after January 1, 2005. Provisions of the Internal Revenue Code of 1986 which were as of January 1, 2005, enacted into law but not yet effective shall become effective for purposes of Georgia taxation on the same dates upon which they become effective for federal tax purposes.

(b) Section 4 of this Act shall become effective on its approval by the Governor or upon its becoming law without such approval and shall be applicable to all payments made on or after July 1, 2005.

(c) Sections 7, 8, 11, and 13 of this Act shall become effective on their approval by the Governor or upon their becoming law without such approval and shall be applicable to all taxable years beginning on or after January 1, 2005.

(d) Section 20 of this Act shall become effective upon its approval by the Governor or upon its becoming law without such approval and shall be applicable to all calendar quarters beginning on or after July 1, 2005.

(e) Sections 3, 6, 23, and 25 of this Act shall become effective on July 1, 2005.

(f) This section and Sections 1, 5, 10, 12, 15, 16, 17, 18, 19, 21, 22, 24, and 28 of this Act shall become effective on their approval by the Governor or upon their becoming law without such approval.

(g) Section 26 of this Act shall become effective upon its approval by the Governor or upon its becoming law without such approval and shall be applicable to estates of decedents with a date of death after December 31, 2004.

(h) Sections 9 and 14 of this Act shall become effective upon their approval by the Governor or upon their becoming law without such approval and shall be applicable to all taxable years beginning on or after January 1, 2004.

SECTION 28.

All laws and parts of laws in conflict with this Act are repealed.