

The House Committee on Ways and Means offers the following substitute to HB 441:

A BILL TO BE ENTITLED
AN ACT

To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to imposition and computation of income taxes, so as to revise provisions relative to adjustment of taxable income with respect to income from federal obligations and certain other obligations; to provide for related matters; to provide for an effective date and applicability; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to imposition and computation of income taxes, is amended in Code Section 48-7-21, relating to taxation of corporations, by revising subparagraph (b)(1)(B) as follows:

"(B) There shall be subtracted from taxable income interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission, or instrumentality of the United States to the extent such interest or dividends are includable in gross income for federal income tax purposes but exempt from state income taxes under the laws of the United States. There shall also be subtracted from taxable income any income derived from the authorized activities of a domestic international banking facility operating pursuant to the provisions of Article 5A of Chapter 1 of Title 7, the 'Domestic International Banking Facility Act,' and any income arising from the conduct of a banking business with persons or entities located outside the United States, its territories, or possessions. Any amount subtracted pursuant to this subparagraph shall be reduced by any interest expenses directly or indirectly attributable to the production of the interest or dividend income. ~~The direct and indirect interest expense shall be determined by multiplying the total interest expense by a fraction, the numerator of which is the taxpayer's average adjusted bases of such United States obligations, and the denominator of which is the average adjusted bases for all assets of the taxpayer.~~"

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SECTION 2.

Said article is further amended in Code Section 48-7-27, relating to computation of individual taxable net income, by revising paragraph (2) of subsection (b) as follows:

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

SECTION 3.

This Act shall become effective upon its approval by the Governor or upon its becoming law without such approval and shall apply with respect to taxable years beginning on or after January 1, 2007.

SECTION 4.

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