

House Bill 441 (COMMITTEE SUBSTITUTE)

By: Representatives Floyd of the 147th, Mills of the 25th, Parrish of the 156th, Royal of the 171st, and Knight of the 126th

A BILL TO BE ENTITLED
AN ACT

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

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

7 **SECTION 1.**

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

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

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.