

O. Partnerships and the Corporate Partner (17 NCAC 05C.1700)

1. Reporting Partnership Net Income

A corporation that is a member of a partnership or joint venture doing business in North Carolina is subject to North Carolina income tax and is required to include in the total net income subject to apportionment and allocation its share of the partnership's net income or net loss to the same extent required for Federal income tax purposes.

2. Apportionable Income or Nonapportionable Income

Whether a corporate partner's share of the partnership's net income is classified as apportionable income or nonapportionable income depends upon the facts in each case. In general, all income from transactions and activities that are dependent upon or contribute to the operations of a taxpayer is apportionable. Income from unrelated business activities that make up a discrete business enterprise is "nonbusiness income." When classified as apportionable income, the corporate partner's apportionment factors shall include its proportionate share of the partnership's property, payrolls and sales. If such income is classified as nonapportionable income, it shall be included in the corporate partner's net taxable income and allocated in accordance with the allocation provisions of G.S. 105-130.4.