

C. Holding Companies (G.S. 105-120.2)

1. Definition

A holding company is any corporation that receives more than eighty percent (80%) of its gross income during its taxable year from corporations in which it owns, directly or indirectly, more than fifty percent (50%) of the outstanding voting stock.

If a holding company has an ownership interest in an LLC doing business in the State and the LLC is treated as a corporation for federal income tax purposes, the holding company's share of the income of the LLC is included in the denominator, but not in the numerator when computing the holding company test.

2. Basis for Taxation

The basis of the tax is the same as for general business corporations. However, franchise tax payable by a qualified holding company on its capital stock and surplus tax base shall be limited to an amount not exceeding \$75,000. Any corporation that qualifies as a holding company for franchise tax should fill in the circle next to Line 1 on Page 1 of the appropriate form, CD-405 or CD-401S. There is no limitation on the amount of franchise tax payable where the alternative tax bases of investment in tangible property or appraised value of property apply.