

**17 NCAC 06B .0116 DEDUCTIONS FROM ADJUSTED GROSS INCOME**

(a) Deductible Interest. -- The deduction for interest on obligations of the United States or its possessions provided in G.S. 105-153.5(b)(1) applies to direct obligations of the United States to the extent the interest has been included in federal adjusted gross income. For the interest to be deductible, the obligation shall be in writing, bear interest, be a binding promise by the United States to pay specific amounts at specific dates, and be specifically authorized by Congress. United States Treasury bonds, notes, bills, certificates, and saving bonds are primary examples of direct obligations.

(b) Nondeductible Interest. -- Interest earned on obligations that are backed or guaranteed by, but not direct obligations of, the United States Government shall not qualify for deduction from an individual's federal adjusted gross income. Interest earned on obligations where the United States is an insurer or guarantor, but the obligation is not a direct obligation, shall not be deductible from federal adjusted gross income. Examples include Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal National Mortgage Association ("Fannie Mae"), and the Government National Mortgage Association ("Ginnie Mae"). Distributions representing gain from the sale or other disposition of United States obligations or interest paid in connection with repurchase agreements issued by banks and savings and loan associations shall not be deductible from federal adjusted gross income. The deduction from federal adjusted gross income shall not apply to any portion of a distribution from an Individual Retirement Account (IRA).

(c) Indian Tribe. -- The income earned or received by an enrolled member of the Eastern Band of Cherokee Indians or another federally recognized Indian tribe shall be deductible from federal adjusted gross income if it is included in federal gross income and it is derived from activities on the Cherokee reservation or another federally recognized Indian reservation while the member resided on the reservation.

*History Note:* Authority G.S. 105-153.5; 105-262;  
*Eastern Band of Cherokee Indians v. Lynch* 632 F.2d 373 (4th Cir. 1980);  
Eff. June 1, 1990;  
Amended Eff. April 1, 2001; November 1, 1994; June 1, 1993; October 1, 1992; October 1, 1991;  
Readopted Eff. May 1, 2016.