17 NCAC 06B .4103 ORDINARY DIVIDENDS

(a) Interest received in the form of dividends from regulated investment companies shall be deductible from an individual's adjusted gross income to the extent the distributions represent interest on direct obligations of the United States Government. Interest earned on obligations that are merely backed or guaranteed by the United States Government shall not qualify for the deduction. Further, this deduction shall not apply to distributions that represent gain from the sale or other disposition of the securities nor to interest paid in connection with repurchase agreements issued by banks and savings and loan associations.

(b) The taxpayer may not deduct mutual fund dividends on the basis of a percentage of investments held by the fund (i.e., a fund has 75 percent of its investments in United States Treasury Notes). The regulated investment company shall furnish the shareholder a statement verifying the amount of interest paid to the shareholder that accrued from direct obligations of the United States Government. The statement to support the deduction shall specify the amount dividended to the shareholder that represents interest on direct obligations of the United States Government.

History Note: *Authority G.S. 105-153.5(b)(1); 105-262;*
Eff. June 1, 1990;
Amended Eff. June 1, 1993; December 1, 1990;
Readopted Eff. May 1, 2016.