

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

H

1

HOUSE BILL 129*

Short Title: Taxpayer Bill of Rights.

(Public)

Sponsors: Representatives Gamble; Hensley and Beall.

Referred to: Finance.

February 8, 1995

1 A BILL TO BE ENTITLED
2 AN ACT TO PROTECT THE TAXPAYERS OF NORTH CAROLINA BY
3 ESTABLISHING THE TAXPAYER BILL OF RIGHTS.

4 The General Assembly of North Carolina enacts:

5 Section 1. Chapter 105 of the General Statutes is amended by adding a new
6 section immediately before Article 1 to read:

7 "**§ 105-1.1. Declaration of taxpayer rights.**

8 By means of the United States Constitution and the North Carolina Constitution, the
9 people have bestowed upon the General Assembly the power to obtain a regular and
10 adequate supply of revenue to serve the public good. The General Assembly exercises
11 this power, which is an indispensable ingredient of government, by imposing taxes on the
12 people of the State. In exercising this power, the General Assembly pledges to be ever
13 mindful that the Assembly is the embodiment of the people and guarantees to the people,
14 who are the necessary subjects of taxation, the following rights:

15 (1) To be protected from tax increases caused by 'bracket-creep' and other
16 effects of inflation on tax liabilities, in accordance with G.S. 105-134.2
17 and G.S. 105-277.1.

18 (2) To have a constitutional limit on the State income tax rate, in
19 accordance with Article V, Sec. 2 of the North Carolina Constitution.

- 1 (3) To have a balanced State budget, in accordance with Article III, Sec. 5
2 of the North Carolina Constitution.
- 3 (4) To be protected from uncontrolled growth in State government by
4 limiting increases in State spending and in the number of State
5 employees, in accordance with G.S. 143-10.2A and G.S. 143-10.2.
- 6 (5) To have the fiscal affairs of the State managed in the same prudent,
7 responsible way in which the people of the State manage their fiscal
8 affairs, in accordance with G.S. 120-36.7, 143-3.5, 143-15.1, 143-15.2,
9 143-15.3, and 143-15.4.
- 10 (6) To be told the truth in taxation, in accordance with G.S. 120-36.7, 159-
11 50, 160A-20, and 105-286.
- 12 (7) To be treated fairly and promptly in any questions regarding tax
13 liability, in accordance with G.S. 105-241.1, 105-241.2, and 105-258.1.
- 14 (8) To know the costs of proposed legislation and proposed administrative
15 rules, in accordance with G.S. 120-36.7, 143-3.5, 150B-21.4, 62-31, 96-
16 4, 97-80, 105-262, and 143-138.
- 17 (9) To have the people's investment in State buildings and other State
18 facilities protected through adequate funding for maintenance and
19 repairs, in accordance with G.S. 143-15.3A.
- 20 (10) To be informed on how revenue is used, pursuant to G.S. 20-66(j), 105-
21 248, 105-321.1, 143-15.1, 143-10.3, 143-10.4, and 143-10.5."

22 Sec. 2. G.S. 105-134.2 reads as rewritten:

23 "**§ 105-134.2. Individual income tax imposed.**

24 (a) Tax Brackets and Rates. – A tax is imposed upon the North Carolina taxable
25 income of every individual. The tax shall be levied, collected, and paid annually and shall
26 be computed at the following percentages of the taxpayer's North Carolina taxable
27 income.

- 28 (1) For married individuals who file a joint return under G.S. 105-152 and
29 for surviving spouses, as defined in section 2(a) of the Code:

30 On the North Carolina taxable income up to twenty-one thousand
31 two hundred fifty dollars (\$21,250), six percent (6%).

32 On the amount over twenty-one thousand two hundred fifty dollars
33 (\$21,250) and up to one hundred thousand dollars (\$100,000), seven
34 percent (7%).

35 On the amount over one hundred thousand dollars (\$100,000), seven
36 and seventy-five one-hundredths percent (7.75%).

- 37 (2) For heads of households, as defined in section 2(b) of the Code:

38 On the North Carolina taxable income up to seventeen thousand
39 dollars (\$17,000), six percent (6%).

40 On the amount over seventeen thousand dollars (\$17,000) and up to
41 eighty thousand dollars (\$80,000), seven percent (7%).

42 On the amount over eighty thousand dollars (\$80,000), seven and
43 seventy-five one-hundredths percent (7.75%).

1 (3) For unmarried individuals other than surviving spouses and heads of
2 households:

3 On the North Carolina taxable income up to twelve thousand seven
4 hundred fifty dollars (\$12,750), six percent (6%).

5 On the amount over twelve thousand seven hundred fifty dollars
6 (\$12,750) and up to sixty thousand dollars (\$60,000), seven percent
7 (7%).

8 On the amount over sixty thousand dollars (\$60,000), seven and
9 seventy-five one-hundredths percent (7.75%).

10 (4) For married individuals who do not file a joint return under G.S. 105-
11 152:

12 On the North Carolina taxable income up to ten thousand six
13 hundred twenty-five dollars (\$10,625), six percent (6%).

14 On the amount over ten thousand six hundred twenty-five dollars
15 (\$10,625) and up to fifty thousand dollars (\$50,000), seven percent
16 (7%).

17 On the amount over fifty thousand dollars (\$50,000), seven and
18 seventy-five one-hundredths percent (7.75%).

19 (b) Tax Tables. – In lieu of the tax imposed by subsection (a) of this section, there
20 is imposed for each taxable year upon the North Carolina taxable income of every
21 individual a tax determined under tables, applicable to the taxable year, which may be
22 prescribed by the Secretary. The amounts of the tax determined under the tables shall be
23 computed on the basis of the rates prescribed by subsection (a) of this section. This
24 subsection does not apply to an individual making a return under section 443(a)(1) of the
25 Code for a period of less than 12 months on account of a change in the individual's
26 annual accounting period, or to an estate or trust. The tax imposed by this subsection
27 shall be treated as the tax imposed by subsection (a) of this section.

28 (c) Inflation Adjustment to Tax Brackets. – The minimum and maximum dollar
29 amounts for each rate bracket set in subsection (a) of this section apply to the 1994
30 taxable year. For taxable years beginning on or after January 1, 1995, the minimum and
31 maximum dollar amount for each rate bracket is the amount for the previous taxable year
32 multiplied by the inflation factor and rounded to the next lowest multiple of fifty dollars
33 (\$50.00). The inflation factor is the cost-of-living adjustment determined under section
34 1(f)(3) of the Code for application to the federal taxable year that begins on the same
35 January 1.

36 The Secretary must calculate the rate brackets for a taxable year by December 15 of
37 the preceding calendar year. The Secretary must also adjust the tax tables prescribed
38 under subsection (b) of this section to the extent necessary to reflect the inflation
39 adjustments to the rate brackets."

40 Sec. 3. G.S. 105-134.6(c) reads as rewritten:

41 "(c) Additions. – The following additions to taxable income shall be made in
42 calculating North Carolina taxable income, to the extent each item is not included in
43 taxable income:

- 1 (1) Interest upon the obligations of states, other than this State, and their
- 2 political subdivisions.
- 3 (2) Any amount allowed as a deduction from gross income under the Code
- 4 that is taxed under the Code by a separate tax other than the tax imposed
- 5 in section 1 of the Code.
- 6 (3) Any amount deducted from gross income under section 164 of the Code
- 7 as state, local, or foreign income tax to the extent that the taxpayer's
- 8 total itemized deductions deducted under the Code for the taxable year
- 9 exceed the standard deduction allowable to the taxpayer under the Code
- 10 reduced by the following amount, which is the amount by which the
- 11 taxpayer's allowable standard deduction ~~has been~~ was increased under
- 12 section 63(c)(4) of the ~~Code~~ Code for taxable years beginning before
- 13 January 1, 1995:

Filing Status:	Amount Added:
<u>Married, filing jointly</u>	<u>\$1,350</u>
<u>Head of Household</u>	<u>1,200</u>
<u>Single</u>	<u>800</u>
<u>Married, filing separate</u>	<u>675.</u>

- 14
- 15
- 16
- 17
- 18
- 19 (4) ~~The~~ The following amount, which is the amount by which the taxpayer's
- 20 standard deduction ~~has been~~ was increased for inflation under section
- 21 63(c)(4)(A) of the Code ~~and~~ for taxable years beginning before January
- 22 1, 1995:

Filing Status:	Amount Added:
<u>Married, filing jointly</u>	<u>\$1,350</u>
<u>Head of Household</u>	<u>1,200</u>
<u>Single</u>	<u>800</u>
<u>Married, filing separate</u>	<u>675.</u>

- 23
- 24
- 25
- 26
- 27
- 28 (4a) Five hundred dollars (\$500.00), which is the amount by which the
- 29 taxpayer's personal exemptions ~~have been~~ were increased for inflation
- 30 under section 151(d)(4)(A) of the ~~Code~~ Code for taxable years
- 31 beginning before January 1, 1995. For the purpose of this subdivision,
- 32 if the taxpayer's personal exemptions for the taxable year have been
- 33 reduced by the applicable percentage under section 151(d)(3) of the
- 34 Code, the amount by which the personal exemptions have been
- 35 increased for inflation is also reduced by the applicable percentage.

- 36 (5) The fair market value, up to a maximum of one hundred thousand
- 37 dollars (\$100,000), of the donated property interest for which the
- 38 taxpayer claims a credit for the taxable year under G.S. 105-151.12 and
- 39 the market price of the gleaned crop for which the taxpayer claims a
- 40 credit for the taxable year under G.S. 105-151.14.

- 41 (6) The amount by which the basis of property under the Code exceeds the
- 42 basis of the property under this Article, in the year the taxpayer disposes
- 43 of the property."

1 Sec. 4. G.S. 105-277.1 reads as rewritten:

2 **"§ 105-277.1. Property classified for taxation at reduced valuation.**

3 (a) Exclusion. – The following class of property is designated a special class of
4 property under Article V, Sec. 2(2) of the North Carolina Constitution and shall be
5 assessed for taxation in accordance with this section. ~~The first fifteen thousand dollars~~
6 ~~(\$15,000) in~~ A portion of the appraised value of a permanent residence owned and
7 occupied by a qualifying owner is excluded from taxation. The portion excluded is the
8 homestead amount for the county in which the residence is located. A qualifying owner
9 is an owner who meets all of the following requirements as of January 1 preceding the
10 taxable year for which the benefit is claimed:

11 (1) Is at least 65 years of age or totally and permanently disabled.

12 (2) Has an income for the preceding calendar year ~~of not more than eleven~~
13 ~~thousand dollars (\$11,000).~~ that does not exceed the income eligibility
14 limit set in subsection (a2) of this section.

15 (3) Is a North Carolina resident.

16 An otherwise qualifying owner does not lose the benefit of this exclusion because of a
17 temporary absence from his or her permanent residence for reasons of health, or because
18 of an extended absence while confined to a rest home or nursing home, so long as the
19 residence is unoccupied or occupied by the owner's spouse or other dependent.

20 (a1) Amount Excluded. – The homestead amount is fifteen thousand dollars
21 (\$15,000) for each county until the county's first horizontal adjustment of real property or
22 reappraisal that is effective on or after January 1, 1996. Upon the effective date of a
23 county's first horizontal adjustment of real property or reappraisal effective on or after
24 January 1, 1996, the homestead amount for that county is the previous year's amount plus
25 or minus a percentage of this amount that equals the average percentage increase or
26 decrease in the appraised value of real property in the county resulting from the
27 horizontal adjustment or reappraisal, rounded to the nearest one hundred dollars
28 (\$100.00). The homestead amount effective upon a county's horizontal adjustment or
29 reappraisal remains the county's homestead amount until the county's next horizontal
30 adjustment of real property or reappraisal.

31 The Secretary must calculate a new homestead amount to be in effect in a county
32 when a horizontal adjustment or reappraisal becomes effective in the county. The
33 Secretary must notify the assessor of the county by April 1 of the new amount to be in
34 effect for the taxable year beginning the following July 1. The Secretary must use the
35 sales assessment ratio studies made under G.S. 105-289(h) to determine the
36 percentage increase or decrease in real property values resulting from a horizontal
37 adjustment or reappraisal.

38 (a2) Income Limit. – The income eligibility limit is the same for every county.
39 Until January 1, 1996, the limit is eleven thousand dollars (\$11,000). For taxable years
40 beginning on or after January 1, 1996, the limit is the amount for the preceding year
41 increased by the same percentage of this amount as the percentage by which the federal
42 government increased the benefits under Titles II and XVI of the Social Security Act
43 during the calendar year preceding the year in which the determination of a new income

1 eligibility limit is made, rounded to the nearest one hundred dollars (\$100.00). On or
2 before July 1 of each year, the Secretary must determine the income eligibility amount to
3 be in effect for the taxable year beginning the following January 1 and must notify the
4 assessor of each county of the amount to be in effect for that taxable year.

5 (b) Definitions. – When used in this section, the following definitions shall apply:

6 (1) Code. – The Internal Revenue Code, as defined in G.S. 105-228.90.

7 (1a) Income. – Adjusted gross income, as defined in section 62 of the Code,
8 plus all other moneys received from every source other than gifts or
9 inheritances received from a spouse, lineal ancestor, or lineal
10 descendant. For married applicants residing with their spouses, the
11 income of both spouses must be included, whether or not the property is
12 in both names.

13 (1b) Owner. – A person who holds legal or equitable title, whether
14 individually, as a tenant by the entirety, a joint tenant, or a tenant in
15 common, or as the holder of a life estate or an estate for the life of
16 another. A manufactured home jointly owned by husband and wife is
17 considered property held by the entirety.

18 (2) Repealed by Session Laws 1993, c. 360, s. 1, effective for taxes
19 collected for taxable years beginning on or after July 1, 1994.

20 (2a) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 982, s. 20.

21 (3) Permanent residence. – A person's legal residence. It includes the
22 dwelling, the dwelling site, not to exceed one acre, and related
23 improvements. The dwelling may be a single family residence, a unit in
24 a multi-family residential complex, or a manufactured home.

25 (4) Totally and permanently disabled. – A person is totally and permanently
26 disabled if the person has a physical or mental impairment that
27 substantially precludes him or her from obtaining gainful employment
28 and appears reasonably certain to continue without substantial
29 improvement throughout his or her life.

30 (c) Application. – An application for the exclusion provided by this section should
31 be filed during the regular listing period, but may be filed and must be accepted at any
32 time up to and through April 15 preceding the tax year for which the exclusion is
33 claimed. When property is owned by two or more persons other than husband and wife
34 and one or more of them qualifies for this exclusion, each owner shall apply separately
35 for his or her proportionate share of the exclusion.

36 (1) Elderly Applicants. – Persons 65 years of age or older may apply for
37 this exclusion by entering the appropriate information on a form made
38 available by the assessor under G.S. 105-282.1.

39 (2) Disabled Applicants. – Persons who are totally and permanently
40 disabled may apply for this exclusion by (i) entering the appropriate
41 information on a form made available by the assessor under G.S. 105-
42 282.1 and (ii) furnishing acceptable proof of their disability. The proof
43 shall be in the form of a certificate from a physician licensed to practice

1 medicine in North Carolina or from a governmental agency authorized
2 to determine qualification for disability benefits. After a disabled
3 applicant has qualified for this classification, he or she shall not be
4 required to furnish an additional certificate unless the applicant's
5 disability is reduced to the extent that the applicant could no longer be
6 certified for the taxation at reduced valuation.

7 (d) Multiple Ownership. – A permanent residence owned and occupied by
8 husband and wife as tenants by the entirety is entitled to the full benefit of this exclusion
9 notwithstanding that only one of them meets the age or disability requirements of this
10 section. When a permanent residence is owned and occupied by two or more persons
11 other than husband and wife and one or more of the owners qualifies for this exclusion,
12 each qualifying owner is entitled to the full amount of the exclusion not to exceed his or
13 her proportionate share of the valuation of the property. No part of an exclusion available
14 to one co-owner may be claimed by any other co-owner and in no event may the total
15 exclusion allowed for a permanent residence exceed ~~fifteen thousand dollars (\$15,000)~~. the
16 homestead amount for the county where the residence is located."

17 Sec. 5. G.S. 105-309(f) reads as rewritten:

18 "(f) The following information shall appear on each abstract or on an information
19 sheet distributed with the abstract. The abstract or sheet must include the address and
20 telephone number of the assessor below the notice required by this subsection. The
21 notice shall read as follows:

22
23 **'PROPERTY TAX RELIEF FOR ELDERLY AND**
24 **PERMANENTLY DISABLED PERSONS.**
25

26 North Carolina excludes from property taxes ~~the first fifteen thousand dollars (\$15,000)~~
27 ~~in~~ (assessor insert amount, if amount known, or words "a portion", if amount not known)
28 of the appraised value of a permanent residence owned and occupied by North Carolina
29 residents aged 65 or older or totally and permanently disabled whose income does not
30 exceed ~~eleven thousand dollars (\$11,000)~~. (assessor insert amount). Income means the
31 owner's adjusted gross income as determined for federal income tax purposes, plus all
32 moneys received other than gifts or inheritances received from a spouse, lineal ancestor
33 or lineal descendant.

34 If you received this exclusion in (assessor insert previous year), you do not need to
35 apply again unless you have changed your permanent residence. If you received the
36 exclusion in (assessor insert previous year) and your income in (assessor insert previous
37 year) was above ~~eleven thousand dollars (\$11,000)~~. (assessor insert amount), you must
38 notify the assessor. If you received the exclusion in (assessor insert previous year)
39 because you were totally and permanently disabled and you are no longer totally and
40 permanently disabled, you must notify the assessor. If the person receiving the exclusion
41 in (assessor insert previous year) has died, the person required by law to list the property
42 must notify the assessor. Failure to make any of the notices required by this paragraph
43 before April 15 will result in penalties and interest.

1 If you did not receive the exclusion in (assessor insert previous year) but are now
2 eligible, you may obtain a copy of an application from the assessor. It must be filed by
3 April 15'."

4 Sec. 6. G.S. 143-10.2 reads as rewritten:

5 **"§ 143-10.2. Limit on number of State employees.**

6 The total number of permanent State-funded employees, including permanent
7 employees in the Department of Transportation but excluding employees in the State's
8 public school system funded by way of State aid to local public school units, shall not be
9 increased by the end of any State fiscal year by a greater percentage than the percentage
10 rate of the residential population growth for the State of North Carolina. The percentage
11 rates shall be computed by the Office of State Budget and Management. The population
12 growth shall be computed by averaging the rate of residential population growth in each
13 of the preceding 10 fiscal years as stated in the annual estimates of residential population
14 in North Carolina made by the United States Census Bureau. The growth rate of the
15 number of employees shall be computed by averaging the rate of growth of State
16 employees in each of the preceding 10 fiscal years as of July 1 of each fiscal year as
17 stated in the State Budget."

18 Sec. 7. Article 143 of the General Statutes is amended by adding a new section
19 to read:

20 **"§ 143-10.2A. Limit on the size of the General Fund operating budget.**

21 (a) Size Limitation. – Except as otherwise provided in this section, the General
22 Fund operating budget each fiscal year may not be greater than seven percent (7%) of the
23 projected total State personal income for that fiscal year. For the purpose of this section,
24 the General Fund operating budget includes any appropriations for local tax-sharing, but
25 does not include appropriations for (i) capital expenditures or (ii) one-time expenditures
26 due to natural disasters, federal mandates, or other emergencies.

27 (b) Increase in Size Limitation. – To the extent that any percentage increase in
28 appropriations for a fiscal year for (i) Medicaid, (ii) operation of prisons, or (iii) the costs
29 of providing health insurance for teachers and State employees, exceeds the percentage
30 increase in State personal income growth for the same period, the limitation on the size of
31 the General Fund operating budget provided in subsection (a) of this section for that
32 fiscal year shall be increased by the dollar amount represented by the excess percentage.
33 For all subsequent fiscal years, the percentage limitation contained in subsection (a) of
34 this section shall then be increased to reflect that dollar adjustment.

35 (c) Second Year of Biennial Budget. – The General Fund operating budget
36 appropriations for the second year in a Current Operations Appropriations Act that
37 contains a biennial budget shall not be more than the General Fund operating budget
38 appropriations for the first year of the biennial budget, adjusted to account for
39 annualization of positions and programs funded for a portion of the year only in the first
40 year of the biennium.

41 (d) Fiscal Reports. – The Director and the Fiscal Research Division of the
42 Legislative Services Commission shall each submit a tentative estimate of total State
43 personal income for the upcoming fiscal year to the General Assembly no later than

1 February 1 of each year. The Director and the Fiscal Research Division shall each submit
2 a final projection of total State personal income for the upcoming fiscal year to the
3 General Assembly no later than May 1 of each year. The General Assembly shall use the
4 lower of the two final projections to calculate the limitation on the size of the General
5 Fund operating budget provided in this section."

6 Sec. 8. G.S. 143-15.1 reads as rewritten:

7 **"§ 143-15.1. Current Operations Appropriations Act; General Fund Financial**
8 **Model.**

9 (a) Current Operations Appropriations Act. – The General Assembly shall enact
10 the Current Operations Appropriations Act by June 15 of odd-numbered years and by
11 June 30 of even-numbered years in which a Current Operations Appropriations Act is
12 enacted. The Current Operations Appropriations Act shall state the amount of General
13 Fund appropriations availability upon which the General Fund budget is based. The
14 statement of availability shall list separately the beginning General Fund credit balance,
15 General Fund revenues, and any other components of the availability amount.

16 ~~The General Fund operating budget appropriations, including appropriations for local~~
17 ~~tax reimbursements and local tax sharing, for the second year in a Current Operations~~
18 ~~Appropriations Act that contains a biennial budget shall not be more than two percent~~
19 ~~(2%) greater than the General Fund operating budget appropriations for the first year of~~
20 ~~the biennial budget.~~

21 (b) General Fund Financial Model. – The General Assembly shall review the
22 results of the General Fund Financial model, a computer-based financial model used to
23 project long-term expenditure and revenue trends under various simulations, in its budget
24 deliberations. The model shall be maintained and, from time to time, updated by the
25 Fiscal Research Division of the General Assembly."

26 Sec. 9. G.S. 143-15.4 is repealed.

27 Sec. 10. G.S. 143-15.2 reads as rewritten:

28 **"§ 143-15.2. Use of General Fund credit balance.**

29 The State Controller shall reserve up to one-fourth of any unreserved credit balance,
30 as determined on a cash basis, remaining in the General Fund at the end of each fiscal
31 year to the Savings Reserve Account as provided in G.S. 143-15.3, unless that would
32 result in the Savings Reserve Account having funds in excess of ~~five percent (5%)~~ eight
33 percent (8%) of the amount appropriated the preceding year for the General Fund
34 operating budget, including local government tax-sharing funds; in that case, only funds
35 sufficient to reach the ~~five percent (5%)~~ eight percent (8%) level shall be reserved. The
36 State Controller shall also reserve the lesser of (i) one-fourth of any unreserved credit
37 balance, as determined on a cash basis, remaining in the General Fund and (ii) one and
38 one-half percent (1.5%) of the replacement value of all State buildings supported from
39 the General Fund, at the end of each fiscal year to the Repairs and Renovations Reserve
40 Account as provided in G.S. 143-15.3A. The General Assembly may appropriate that part
41 of the anticipated General Fund credit balance not expected to be reserved to the Savings
42 Reserve Account or the Repairs and Renovations Reserve Account only for capital
43 improvements or other one-time expenditures. As used in this section, the term

1 'unreserved credit balance' means the credit balance amount, as determined on a cash
2 basis, before funds are reserved by the Controller to the Savings Reserve Account or the
3 Repairs and Renovations Reserve Account pursuant to G.S. 143-15.3 and G.S. 143-
4 15.3A."

5 Sec. 11. G.S. 143-15.3 reads as rewritten:

6 **"§ 143-15.3. Savings Reserve Account.**

7 (a) There is established a Savings Reserve Account as a restricted reserve in the
8 General Fund. The State Controller shall reserve to the Savings Reserve Account one-
9 fourth of any unreserved credit balance remaining in the General Fund at the end of each
10 fiscal year until the account contains funds equal to ~~five percent (5%)~~ eight percent (8%)
11 of the amount appropriated the preceding year for the General Fund operating budget,
12 including local government tax-sharing funds. If the balance in the Savings Reserve
13 Account falls below this level during a fiscal year, the State Controller shall reserve to the
14 Savings Reserve Account for the following fiscal years up to one-fourth of any
15 unreserved credit balance remaining in the General Fund at the end of each fiscal year
16 until the account again equals ~~five percent (5%)~~ eight percent (8%) of the amount
17 appropriated the preceding year for the General Fund operating budget, including local
18 government tax-sharing funds. As used in this section, the term 'unreserved credit
19 balance' means the credit balance amount, as determined on a cash basis, before funds are
20 reserved by the Controller to the Savings Reserve Account or the Repairs and
21 Renovations Reserve Account pursuant to this section and G.S. 143-15.3A.

22 (b) The Director may not use funds in the Savings Reserve Account unless the use
23 has been approved by an act of the General Assembly."

24 Sec. 12. [State General Obligation Bonds] G.S. 120-36.7 is amended by
25 adding a new subsection to read:

26 "(e) Proposed Bond Authorizations. – Every bill introduced in the General
27 Assembly proposing the issuance of State general obligation bonds shall have attached to
28 it at the time of its consideration by the General Assembly a fiscal note prepared by the
29 Fiscal Research Division. The fiscal note shall estimate the debt service of the proposed
30 bonds over the life of the bonds."

31 Sec. 13. [Local Government General Obligation Bonds] G.S. 159-50 reads as
32 rewritten:

33 **"§ 159-50. Notice of intent to make application for issuance of voted bonds;**
34 **objection by citizens and taxpayers.**

35 (a) When a unit of local government proposes to issue bonds that must be
36 approved by a vote of the people, it shall first publish a notice of its intent to make
37 application to the Commission for approval of the issue. The notice shall be published
38 once not less than 10 days before the application is filed. The notice shall state ~~(i) that all~~
39 of the following:

40 (1) That the board intends to file an application with the Commission for
41 approval of a bond issue, ~~(ii) in issue.~~

42 (2) In brief and general terms the purpose of the proposed issue, ~~(iii) the~~
43 issue.

1 (3) The maximum amount of bonds to be issued, and (iv) that issued.

2 (4) The property tax rate required to produce revenue equal to the projected
3 annual debt service on the maximum amount of bonds that could be
4 issued.

5 (5) That any citizen or taxpayer of the issuing unit may, within seven days
6 after the date of the publication, file with the governing board and the
7 Commission a statement of any objections ~~he~~ that person may have to
8 the issue. ~~The~~

9 The Commission may prescribe the form of the notice.

10 (b) Any citizen or taxpayer of the issuing unit who objects to the proposed bond
11 issue in whole or in part may, within seven days from the date of publication of the
12 notice, file a written statement of ~~his~~ objections with the board and the Commission. The
13 statement shall set forth each objection to the proposed bond issue and shall contain the
14 name and address of the person filing it. The Commission shall consider the statement of
15 objections along with the application and shall notify the objector and the board of its
16 disposition of each objection.

17 (c) Failure to comply with this section shall not affect the validity of any bonds
18 otherwise issued in accordance with the law. This section shall not apply to bonds that
19 need not be submitted to a vote of the people."

20 [This appears to apply to bond anticipation notes as well. Need to check further.]

21 Sec. 14. [Certificates of participation] G.S. 160A-20(g) reads as rewritten:

22 "(g) Before entering into a contract under this section that includes the issuance of
23 certificates of participation, a unit of local government shall publish notice of its intent to
24 enter the contract and hold a public hearing on the contract. The notice shall state the
25 time and date of the public hearing and state the property tax rate required to produce
26 revenue equal to the projected annual payments under the contract. Before entering into
27 a contract under this section ~~involving that involves real property, property but does not~~
28 include the issuance of certificates of participation, a unit of local government shall hold
29 a public hearing on the contract. A notice of ~~the~~ a public hearing required by this
30 subsection shall be published once at least 10 days before the date fixed for the hearing."

31 Sec. 15. The catch line to G.S. 105-286 reads as rewritten:

32 "**§ 105-286. Time for general reappraisal of real ~~property.~~ property; notice of**
33 **revenue-neutral property tax rate.**"

34 Sec. 16. G.S. 105-286 is amended by adding a new subsection to read:

35 "(d) Revenue-Neutral Rate. – When a county completes a reappraisal of real
36 property or a horizontal adjustment of real property, it must publish in a newspaper
37 having general circulation in the county a notice of the revenue-neutral property tax rate
38 for the reappraisal or readjustment. The 'revenue-neutral property tax rate' is the rate that
39 will generate the same amount of revenue that was generated by the property tax in the
40 year before the reappraisal or readjustment became effective."

41 Sec. 17. The catch line to G.S. 105-241.1 reads as rewritten:

42 "**§ 105-241.1. ~~Additional taxes; Taxpayer rights and assessment procedure.~~ procedure**
43 **when additional taxes assessed.**"

1 Sec. 18. G.S. 105-267 reads as rewritten:

2 **"§ 105-267. Taxes to be paid; suits for recovery of taxes.**

3 No court of this State shall entertain a suit of any kind brought for the purpose of
4 preventing the collection of any tax imposed in this Subchapter. Whenever a ~~person~~
5 taxpayer shall have a valid defense to the enforcement of the collection of a tax assessed
6 or charged against ~~him or his~~ the taxpayer or the taxpayer's property, ~~such person~~ the
7 taxpayer shall pay ~~such~~ the tax to the proper officer, and ~~such~~ the payment shall be
8 without prejudice to any defense of rights ~~he~~ the taxpayer may have in the premises. At
9 any time within ~~30~~ 180 days after payment, the taxpayer may demand a refund of the tax
10 paid in writing from the Secretary of Revenue and if the ~~same shall not be~~ tax is not
11 refunded within 90 days thereafter, the taxpayer may sue the Secretary of Revenue in the
12 courts of the State for the amount ~~so~~ demanded. ~~Such~~ The suit may be brought in the
13 Superior Court of Wake County, or in the county in which the taxpayer resides at any
14 time within three years after the expiration of the 90-day period allowed for making the
15 refund. If upon the trial it shall be determined that ~~such a~~ the tax or any part ~~thereof~~ of the
16 tax was levied or assessed for an illegal or unauthorized purpose, or that the tax was for
17 any reason invalid or excessive, judgment shall be rendered ~~therefor~~ for the taxpayer with
18 interest, and the same shall be collected as in other cases ~~and the tax shall be refunded, with~~
19 interest, to the taxpayer. The amount of taxes for which judgment shall be rendered in
20 ~~such~~ the action shall be refunded by the State; provided, nothing in this section shall be
21 construed to conflict with or supersede the provisions of G.S. 105-241.2."

22 Sec. 19. G.S. 150B-21.4 is amended by adding a new subsection to read:

23 "(b1) Substantial Economic Impact. – Before an agency publishes in the North
24 Carolina Register the proposed text of a permanent rule change that would have a
25 substantial economic impact and is not identical to a federal regulation the agency is
26 required to adopt, the agency must obtain from the Office of State Budget and
27 Management a fiscal note for the proposed rule change. If an agency is not sure whether
28 a proposed rule change would have a substantial economic impact, the agency may ask
29 the Office of State Budget and Management to determine whether the proposed rule
30 change has a substantial economic impact. The Office of State Budget and Management
31 must prepare a fiscal note for a proposed rule change within 90 days after receiving a
32 written request for the note.

33 A fiscal note for a rule must contain the following:

- 34 (1) A description of the persons who would be affected by the proposed
35 rule change.
36 (2) A description of the types of expenditures that persons affected by the
37 proposed rule change would have to make to comply with the rule and
38 an estimate of these expenditures.
39 (3) A description of the purpose and benefits of the proposed rule change.
40 (4) An explanation of how the estimate of expenditures was computed.

41 As used in this subsection, the term 'substantial economic impact' means an aggregate
42 financial impact on all persons affected of at least five million dollars (\$5,000,000) in a
43 twelve-month period."

1 Sec. 20. G.S. 150B-21.1(d) reads as rewritten:

2 "(d) Effective Date and Expiration. – A temporary rule becomes effective on the
3 date specified in G.S. 150B-21.3. A temporary rule expires on the date specified in the
4 rule or ~~180~~210 days from the date the rule becomes effective, whichever comes first."

5 Sec. 21. G.S. 150B-21.2(e) reads as rewritten:

6 "(e) Comments. – An agency must accept comments on the text of a proposed rule
7 that is published in the North Carolina Register and requires a fiscal analysis under G.S.
8 150B-21.4(b1) for at least 60 days after the text is published or until the date of any
9 public hearing held on the proposed rule, whichever is longer. An agency must accept
10 comments on the text of a~~any other~~ proposed rule published in the North Carolina
11 Register for at least 30 days after the text is published or until the date of any public
12 hearing held on the proposed rule, whichever is longer. An agency must accept
13 comments on a statement of the subject matter of proposed rule making until the public
14 hearing on the subject matter. An agency must consider fully all written and oral
15 comments received."

16 Sec. 22. G.S. 150B-21.9(a) reads as rewritten:

17 "(a) Standards. – The Commission must determine whether a rule meets all of the
18 following criteria:

- 19 (1) It is within the authority delegated to the agency by the General
20 Assembly.
21 (2) It is clear and unambiguous.
22 (3) It is reasonably necessary to fulfill a duty delegated to the agency by the
23 General Assembly.

24 The Commission may determine if a rule submitted to it was adopted in accordance
25 with Part 2 of this Article. The Commission may ask the Office of State Budget and
26 Management to determine if a rule has a substantial economic impact and is therefore
27 required to have a fiscal note. The Commission must ask that Office to make this
28 determination if a fiscal note was not prepared for a rule and the Commission receives a
29 written request for a determination of whether the rule has a substantial economic impact.

30 The Commission must notify the agency that adopted the rule if it determines that a
31 rule was not adopted in accordance with Part 2 of this Article and must return the rule to
32 the agency. Entry of a rule in the North Carolina Administrative Code after review by
33 the Commission is conclusive evidence that the rule was adopted in accordance with Part
34 2 of this Article."

35 Sec. 23. [Utilities Commission] G.S. 62-31 reads as rewritten:

36 "**§ *62-31 Power to make and enforce rules and regulations for public utilities.**

37 The Commission shall have and exercise full power and authority to administer and
38 enforce the provisions of this Chapter, and to make and enforce reasonable and necessary
39 rules and regulations to that end. The Commission shall request the Office of State
40 Budget and Management to prepare a fiscal note for a proposed new or amended rule or
41 regulation that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The
42 Commission shall not take final action on a proposed rule change that has a substantial

1 economic impact until at least 60 days after the Office of State Budget and Management
2 gives the Commission a copy of the fiscal note for the proposed change."

3 Sec. 24. [Employment Security Commission] G.S. 96-4(b) reads as rewritten:

4 "(b) Regulations and General and Special Rules. – General and special rules may be
5 adopted, amended, or rescinded by the Commission only after public hearing or
6 opportunity to be heard thereon, of which proper notice has been given by mail to the last
7 known address in cases of special rules, or by publication as herein provided, and by one
8 publication as herein provided as to general rules. The Commission may not take final
9 action on a general or special rule that has a substantial economic impact, as defined in
10 G.S. 150B-21.4(b1), until 60 days after the Office of State Budget and Management
11 prepares a fiscal note for the proposed rule and and gives the Commission a copy of the
12 note. General rules shall become effective 10 days after filing with the Secretary of State
13 and publication in one or more newspapers of general circulation in this State. Special
14 rules shall become effective 10 days after notification to or mailing to the last known
15 address of the individuals or concerns affected thereby. Before the adoption, amendment,
16 or repeal of any permanent regulation, the Commission shall publish notice of the public
17 hearing and offer any person an opportunity to present data, opinions, and arguments.
18 The notice shall be published in one or more newspapers of general circulation in this
19 State at least 10 days before the public hearing and at least 20 days prior to the proposed
20 effective date of the proposed permanent regulation. The published notice of public
21 hearing shall include the time and place of the public hearing; a statement of the manner
22 in which data, opinions, and arguments may be submitted to or before the Commission; a
23 statement of the terms or substance of the proposed regulation; a statement of whether a
24 fiscal note has been or will be prepared for the proposed regulation and the proposed
25 effective date of the regulation. Any permanent regulation adopted after following the
26 above procedure shall become effective on its effective date and after it is published in
27 the manner provided for in subsection (c) as well as such additional publication as the
28 Commission deems appropriate. Additionally, the Commission shall provide notice of
29 adoption by mail to the last known addresses of all persons who submitted data, opinions,
30 or arguments to the Commission with respect to the regulation. Temporary regulations
31 may be adopted, amended, or rescinded by the Commission and shall become effective in
32 the manner and at the time prescribed by the Commission but shall remain in force for no
33 longer than 120 days."

34 Sec. 25. [Industrial Commission] G.S. 97-80(a) reads as rewritten:

35 "(a) The Commission may make rules, not inconsistent with this Article, for
36 carrying out the provisions of this Article. The Commission shall request the Office of
37 State Budget and Management to prepare a fiscal note for a proposed new or amended
38 rule that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The
39 Commission shall not take final action on a proposed rule change that has a substantial
40 economic impact until at least 60 days after the Office of State Budget and Management
41 gives the Commission a copy of the fiscal note for the proposed change.

42 Processes, procedure, and discovery under this Article shall be as summary and
43 simple as reasonably may be."

1 Sec. 26. [Department of Revenue] G.S. 105-262 reads as rewritten:

2 **"§ 105-262. Rules.**

3 The Secretary of Revenue may adopt rules needed to administer a tax collected by the
4 Secretary or to fulfill another duty delegated to the Secretary. The Tax Review Board
5 shall review a new rule or a change to a rule before it is filed in the North Carolina
6 Administrative Code.

7 The Secretary must ask the Office of State Budget and Management to prepare a
8 fiscal note for a proposed new rule or a proposed change to a rule that has a substantial
9 economic impact, as defined in G.S. 150B-21.4(b1). The Secretary may not take final
10 action on a proposed rule change that has a substantial economic impact until at least 60
11 days after the Office of State Budget and Management gives the Commission a copy of
12 the fiscal note for the proposed change."

13 Sec. 27. [Building Code Council] G.S. 143-138(a) reads as rewritten:

14 "(a) Preparation and Adoption. – The Building Code Council is hereby empowered
15 to prepare and adopt, in accordance with the provisions of this Article, a North Carolina
16 State Building Code. Prior to the adoption of this Code, or any part thereof, the Council
17 shall hold at least one public hearing. A notice of such public hearing shall be given once
18 a week for two successive calendar weeks in a newspaper published in Raleigh, said
19 notice to be published the first time not less than 15 days prior to the date fixed for said
20 hearing. The Council may hold such other public hearings and give such other notice as
21 it may deem necessary.

22 The Council shall request the Office of State Budget and Management to prepare a
23 fiscal note for a proposed Code change that has a substantial economic impact, as defined
24 in G.S. 150B-21.4(b1). The Commission shall not take final action on a proposed Code
25 change that has a substantial economic impact until at least 60 days after the Office of
26 State Budget and Management gives the Commission a copy of the fiscal note for the
27 proposed change."

28 Sec. 28. There is appropriated from the General Fund to the Office of State
29 Budget and Management the sum of four hundred fifty thousand dollars (\$450,000) for
30 fiscal year 1995-96 and the sum of nine hundred thousand dollars (\$900,000) for fiscal
31 year 1996-97 to implement Sections 19 through 27 of this act.

32 Sec. 29. G.S. 20-66 is amended by adding a new subsection to read:

33 "(j) Information on Use of Revenue. – The Division must include in each notice of
34 registration renewal a brief explanation of the source and use of revenue in the Highway
35 Fund and the Highway Trust Fund. The explanation must be presented in the form of a
36 chart or another means that is easily understandable."

37 Sec. 30. G.S. 105-248 reads as rewritten:

38 **"§ 105-248. Purpose of and information on State taxes.**

39 The taxes levied in this Subchapter are for the expenses of the State government, the
40 appropriations to its educational, charitable, and penal institutions, the interest on the debt
41 of the State, the public schools, and other specific appropriations made by law, and shall
42 be collected and paid into the General Fund. The Secretary must inform the public about
43 the taxes imposed by this Subchapter by including in the instructions for filing an

1 individual income tax return a brief explanation of the source and use of revenue in the
2 General Fund. The explanation must be presented in the form of a chart or another
3 means that is easily understandable."

4 Sec. 31. Article 20 of Chapter 105 of the General Statutes is amended by
5 adding a new section to read:

6 **"§ 105-321.1. Information on use of property tax revenue.**

7 The assessor must inform the public about the taxes imposed by this Subchapter by
8 including in the annual notice of taxes due a brief explanation of the use of property tax
9 revenue and percentage of total unit revenue that comes from property taxes. The
10 explanation must be presented in the form of a chart or another means that is easily
11 understandable."

12 Sec. 32. Sections 2 and 3 of this act are effective for taxable years beginning
13 on or after January 1, 1995. Notwithstanding G.S. 105-134.2(c), as enacted by this act,
14 the Secretary must adjust the tax brackets pursuant to G.S. 105-134.2 by September 1,
15 1995. Sections 4 and 5 of this act are effective for taxes imposed for taxable years
16 beginning on or after July 1, 1996.

17 Sections 10 through 16, and Sections 19 through 28 of this act become
18 effective July 1, 1995. Sections 19 through 27 of this act apply to rules for which a
19 notice of rule making is published in the North Carolina Register on or after the effective
20 date and to rule and Building Code changes that are initiated on or after that date and are
21 not subject to the procedures in Chapter 150B of the General Statutes, the Administrative
22 Procedure Act.

23 The remainder of this act is effective upon ratification.