

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 36

Short Title: Taxpayer Bill of Rights.

(Public)

Sponsors: Senators Hoyle, Kerr, Plyler, Rand, Speed, Warren; Perdue, Albertson, Forrester, Soles, Dannelly, Martin of Guilford, Odom, Plyler, Cooper, Winner, Plexico, Lucas, and Gulley.

Referred to: Finance.

January 26, 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.

- 1 (2) To have a constitutional limit on the State income tax rate, in
2 accordance with Article V, Sec. 2 of the North Carolina Constitution.
3 (3) To have a balanced State budget, in accordance with Article III, Sec. 5
4 of the North Carolina Constitution.
5 (4) To be protected from uncontrolled growth in State government by
6 limiting increases in State spending and in the number of State
7 employees, in accordance with G.S. 143-10.2A and G.S. 143-10.2.
8 (5) To have the fiscal affairs of the State managed in the same prudent,
9 responsible way in which the people of the State manage their fiscal
10 affairs, in accordance with G.S. 120-36.7, 143-3.5, 143-15.1, 143-15.2,
11 143-15.3, and 143-15.4.
12 (6) To be told the truth in taxation, in accordance with G.S. 120-36.7, 159-
13 50, 160A-20, and 105-286.
14 (7) To be treated fairly and promptly in any questions regarding tax
15 liability, in accordance with G.S. 105-241.1, 105-241.2, and 105-258.1.
16 (8) To know the costs of proposed legislation and proposed administrative
17 rules, in accordance with G.S. 120-36.7, 143-3.5, 150B-21.4, 62-31, 96-
18 4, 97-80, 105-262, and 143-138.
19 (9) To have the people's investment in State buildings and other State
20 facilities protected through adequate funding for maintenance and
21 repairs, in accordance with G.S. 143-15.3A.
22 (10) To be informed on how revenue is used, pursuant to G.S. 20-66(j), 105-
23 248, 105-321.1, 143-15.1, 143-10.3, 143-10.4, and 143-10.5."

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

25 **"§ 105-134.2. Individual income tax imposed.**

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

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

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

34 On the amount over twenty-one thousand two hundred fifty dollars
35 (\$21,250) and up to one hundred thousand dollars (\$100,000), seven
36 percent (7%).

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

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

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

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

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

- 3 (3) For unmarried individuals other than surviving spouses and heads of
4 households:

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

7 On the amount over twelve thousand seven hundred fifty dollars
8 (\$12,750) and up to sixty thousand dollars (\$60,000), seven percent
9 (7%).

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

- 12 (4) For married individuals who do not file a joint return under G.S. 105-
13 152:

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

16 On the amount over ten thousand six hundred twenty-five dollars
17 (\$10,625) and up to fifty thousand dollars (\$50,000), seven percent
18 (7%).

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

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

30 (c) Inflation Adjustment to Tax Brackets. – The minimum and maximum dollar
31 amounts for each rate bracket set in subsection (a) of this section apply to the 1994
32 taxable year. For taxable years beginning on or after January 1, 1995, the minimum and
33 maximum dollar amount for each rate bracket is the amount for the previous taxable year
34 multiplied by the inflation factor and rounded to the next lowest multiple of fifty dollars
35 (\$50.00). The inflation factor is the cost-of-living adjustment determined under section
36 1(f)(3) of the Code for application to the federal taxable year that begins on the same
37 January 1.

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

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

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

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

Filing Status:	Amount Added:
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<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>

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

Filing Status:	Amount Added:
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<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>

- (4a) Five hundred dollars (\$500.00), which is the amount by which the taxpayer's personal exemptions have been were increased for inflation under section 151(d)(4)(A) of the Code. Code for taxable years beginning before January 1, 1995. For the purpose of this subdivision, if the taxpayer's personal exemptions for the taxable year have been reduced by the applicable percentage under section 151(d)(3) of the Code, the amount by which the personal exemptions have been increased for inflation is also reduced by the applicable percentage.

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

1 (6) The amount by which the basis of property under the Code exceeds the
2 basis of the property under this Article, in the year the taxpayer disposes
3 of the property."

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

5 **"§ 105-277.1. Property classified for taxation at reduced valuation.**

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

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

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

18 (3) Is a North Carolina resident.

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

23 (a1) Amount Excluded. – The homestead amount is fifteen thousand dollars
24 (\$15,000) for each county until the county's first horizontal adjustment of real property or
25 reappraisal that is effective on or after January 1, 1996. Upon the effective date of a
26 county's first horizontal adjustment of real property or reappraisal effective on or after
27 January 1, 1996, the homestead amount for that county is the previous year's amount plus
28 or minus a percentage of this amount that equals the average percentage increase or
29 decrease in the appraised value of real property in the county resulting from the
30 horizontal adjustment or reappraisal, rounded to the nearest one hundred dollars
31 (\$100.00). The homestead amount effective upon a county's horizontal adjustment or
32 reappraisal remains the county's homestead amount until the county's next horizontal
33 adjustment of real property or reappraisal.

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

41 (a2) Income Limit. – The income eligibility limit is the same for every county.
42 Until January 1, 1996, the limit is eleven thousand dollars (\$11,000). For taxable years
43 beginning on or after January 1, 1996, the limit is the amount for the preceding year

1 increased by the same percentage of this amount as the percentage by which the federal
2 government increased the benefits under Titles II and XVI of the Social Security Act
3 during the calendar year preceding the year in which the determination of a new income
4 eligibility limit is made, rounded to the nearest one hundred dollars (\$100.00). On or
5 before July 1 of each year, the Secretary must determine the income eligibility amount to
6 be in effect for the taxable year beginning the following January 1 and must notify the
7 assessor of each county of the amount to be in effect for that taxable year.

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

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

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

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

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

23 (2a) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 982, s. 20.

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

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

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

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

42 (2) Disabled Applicants. – Persons who are totally and permanently
43 disabled may apply for this exclusion by (i) entering the appropriate

1 information on a form made available by the assessor under G.S. 105-
2 282.1 and (ii) furnishing acceptable proof of their disability. The proof
3 shall be in the form of a certificate from a physician licensed to practice
4 medicine in North Carolina or from a governmental agency authorized
5 to determine qualification for disability benefits. After a disabled
6 applicant has qualified for this classification, he or she shall not be
7 required to furnish an additional certificate unless the applicant's
8 disability is reduced to the extent that the applicant could no longer be
9 certified for the taxation at reduced valuation.

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

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

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

25
26 **'PROPERTY TAX RELIEF FOR ELDERLY AND**
27 **PERMANENTLY DISABLED PERSONS.**
28

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

37 If you received this exclusion in (assessor insert previous year), you do not need to
38 apply again unless you have changed your permanent residence. If you received the
39 exclusion in (assessor insert previous year) and your income in (assessor insert previous
40 year) was above ~~eleven thousand dollars (\$11,000)~~ (assessor insert amount), you must
41 notify the assessor. If you received the exclusion in (assessor insert previous year)
42 because you were totally and permanently disabled and you are no longer totally and
43 permanently disabled, you must notify the assessor. If the person receiving the exclusion

1 in (assessor insert previous year) has died, the person required by law to list the property
2 must notify the assessor. Failure to make any of the notices required by this paragraph
3 before April 15 will result in penalties and interest.

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

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

8 **"§ 143-10.2. Limit on number of State employees.**

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

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

23 **"§ 143-10.2A. Limit on the size of the General Fund operating budget.**

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

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

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

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

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

10 **"§ 143-15.1. Current Operations Appropriations Act; General Fund Financial**
11 **Model.**

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

19 ~~The General Fund operating budget appropriations, including appropriations for local~~
20 ~~tax reimbursements and local tax sharing, for the second year in a Current Operations~~
21 ~~Appropriations Act that contains a biennial budget shall not be more than two percent~~
22 ~~(2%) greater than the General Fund operating budget appropriations for the first year of~~
23 ~~the biennial budget.~~

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

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

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

31 **"§ 143-15.2. Use of General Fund credit balance.**

32 The State Controller shall reserve up to one-fourth of any unreserved credit balance,
33 as determined on a cash basis, remaining in the General Fund at the end of each fiscal
34 year to the Savings Reserve Account as provided in G.S. 143-15.3, unless that would
35 result in the Savings Reserve Account having funds in excess of ~~five percent (5%)~~ eight
36 percent (8%) of the amount appropriated the preceding year for the General Fund
37 operating budget, including local government tax-sharing funds; in that case, only funds
38 sufficient to reach the ~~five percent (5%)~~ eight percent (8%) level shall be reserved. The
39 State Controller shall also reserve the lesser of (i) one-fourth of any unreserved credit
40 balance, as determined on a cash basis, remaining in the General Fund and (ii) one and
41 one-half percent (1.5%) of the replacement value of all State buildings supported from
42 the General Fund, at the end of each fiscal year to the Repairs and Renovations Reserve
43 Account as provided in G.S. 143-15.3A. The General Assembly may appropriate that part

1 of the anticipated General Fund credit balance not expected to be reserved to the Savings
2 Reserve Account or the Repairs and Renovations Reserve Account only for capital
3 improvements or other one-time expenditures. As used in this section, the term
4 'unreserved credit balance' means the credit balance amount, as determined on a cash
5 basis, before funds are reserved by the Controller to the Savings Reserve Account or the
6 Repairs and Renovations Reserve Account pursuant to G.S. 143-15.3 and G.S. 143-
7 15.3A."

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

9 **"§ 143-15.3. Savings Reserve Account.**

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

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

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

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

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

36 **"§ 159-50. Notice of intent to make application for issuance of voted bonds;**
37 **objection by citizens and taxpayers.**

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

- 1 (1) That the board intends to file an application with the Commission for
2 approval of a bond issue, ~~(ii) in issue.~~
3 (2) In brief and general terms the purpose of the proposed issue, ~~(iii) the~~
4 issue.
5 (3) The maximum amount of bonds to be issued, and ~~(iv) that issued.~~
6 (4) The property tax rate required to produce revenue equal to the projected
7 annual debt service on the maximum amount of bonds that could be
8 issued.
9 (5) That any citizen or taxpayer of the issuing unit may, within seven days
10 after the date of the publication, file with the governing board and the
11 Commission a statement of any objections ~~he~~ that person may have to
12 the issue. ~~The~~

13 The Commission may prescribe the form of the notice.

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

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

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

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

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

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

36 "**§ 105-286. Time for general reappraisal of real ~~property.~~ property; notice of**
37 **revenue-neutral property tax rate.**"

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

39 "(d) Revenue-Neutral Rate. – When a county completes a reappraisal of real
40 property or a horizontal adjustment of real property, it must publish in a newspaper
41 having general circulation in the county a notice of the revenue-neutral property tax rate
42 for the reappraisal or readjustment. The 'revenue-neutral property tax rate' is the rate that

1 will generate the same amount of revenue that was generated by the property tax in the
2 year before the reappraisal or readjustment became effective."

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

4 "**§ 105-241.1. Additional taxes; Taxpayer rights and assessment procedure. procedure**
5 **when additional taxes assessed.**"

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

7 "**§ 105-267. Taxes to be paid; suits for recovery of taxes.**

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

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

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

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

39 (1) A description of the persons who would be affected by the proposed
40 rule change.

41 (2) A description of the types of expenditures that persons affected by the
42 proposed rule change would have to make to comply with the rule and
43 an estimate of these expenditures.

1 (3) A description of the purpose and benefits of the proposed rule change.

2 (4) An explanation of how the estimate of expenditures was computed.

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

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

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

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

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

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

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

24 (1) It is within the authority delegated to the agency by the General
25 Assembly.

26 (2) It is clear and unambiguous.

27 (3) It is reasonably necessary to fulfill a duty delegated to the agency by the
28 General Assembly.

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

35 The Commission must notify the agency that adopted the rule if it determines that a
36 rule was not adopted in accordance with Part 2 of this Article and must return the rule to
37 the agency. Entry of a rule in the North Carolina Administrative Code after review by
38 the Commission is conclusive evidence that the rule was adopted in accordance with Part
39 2 of this Article."

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

41 "**§ *62-31 Power to make and enforce rules and regulations for public utilities.**

42 The Commission shall have and exercise full power and authority to administer and
43 enforce the provisions of this Chapter, and to make and enforce reasonable and necessary

1 rules and regulations to that end. The Commission shall request the Office of State
2 Budget and Management to prepare a fiscal note for a proposed new or amended rule or
3 regulation that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The
4 Commission shall not take final action on a proposed rule change that has a substantial
5 economic impact until at least 60 days after the Office of State Budget and Management
6 gives the Commission a copy of the fiscal note for the proposed change."

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

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

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

39 "(a) The Commission may make rules, not inconsistent with this Article, for
40 carrying out the provisions of this Article. The Commission shall request the Office of
41 State Budget and Management to prepare a fiscal note for a proposed new or amended
42 rule that has a substantial economic impact, as defined in G.S. 150B-21.4(b1). The
43 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 Processes, procedure, and discovery under this Article shall be as summary and
4 simple as reasonably may be."

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

6 "**§ 105-262. Rules.**

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

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

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

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

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

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

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

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

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

42 "**§ 105-248. Purpose of and information on State taxes.**

1 The taxes levied in this Subchapter are for the expenses of the State government, the
2 appropriations to its educational, charitable, and penal institutions, the interest on the debt
3 of the State, the public schools, and other specific appropriations made by law, and shall
4 be collected and paid into the General Fund. The Secretary must inform the public about
5 the taxes imposed by this Subchapter by including in the instructions for filing an
6 individual income tax return a brief explanation of the source and use of revenue in the
7 General Fund. The explanation must be presented in the form of a chart or another
8 means that is easily understandable."

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

11 "**§ 105-321.1. Information on use of property tax revenue.**

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

17 Sec. 32. Sections 2 and 3 of this act are effective for taxable years beginning
18 on or after January 1, 1995. Notwithstanding G.S. 105-134.2(c), as enacted by this act,
19 the Secretary must adjust the tax brackets pursuant to G.S. 105-134.2 by September 1,
20 1995. Sections 4 and 5 of this act are effective for taxes imposed for taxable years
21 beginning on or after July 1, 1996.

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

28 The remainder of this act is effective upon ratification.