

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003**

S

1

**SENATE BILL 1289**

Short Title: Reduce Taxes/Cut Government Spending. (Public)

---

Sponsors: Senators Pittenger; Allran, Apodaca, Berger, Bingham, Blake, Brock, Carpenter, Carrington, Forrester, Foxx, Garwood, Hargett, Hartsell, Horton, Hoyle, Moore, Shubert, Sloan, Smith, Tillman, Webster, Weinstein, and White.

---

Referred to: Finance.

---

May 24, 2004

A BILL TO BE ENTITLED

AN ACT TO REDUCE THE CORPORATE AND PERSONAL INCOME TAX, CUT GOVERNMENT SPENDING, AND REDUCE MEDICAID FRAUD.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-130.3 reads as rewritten:

"§ **105-130.3. Corporations.**

A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999 through 2004	<del>6.9%</del> 6.9%
<u>After 2004</u>	<u>4.9%</u> "

**SECTION 2.** G.S. 115C-546.1(b) reads as rewritten:

"(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer for credit to the Public School Building Capital Fund an amount equal to the applicable fraction or percentage provided in the table below of the net collections received during the previous quarter by the Department of Revenue under G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All funds deposited in the Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.

<b>Period</b>	<b><u>Fraction or Percentage</u></b>
10/1/97 to 9/30/98	One-fifteenth (1/15)
10/1/98 to 9/30/99	Two twenty-ninths (2/29)

1 10/1/99 to 9/30/00 One-fourteenth (1/14)  
 2 ~~10/1/00 to 9/30/05~~ ~~After 9/30/00~~ Five sixty-ninths (5/69)  
 3 ~~After 9/30/05~~ Ten and two-tenths percent (10.2%)"

4 **SECTION 3.(a)** G.S. 105-134.2(a) reads as rewritten:

5 "(a) A tax is imposed upon the North Carolina taxable income of every individual.  
 6 The tax shall be levied, collected, and paid annually and shall be computed at the  
 7 following percentages of the taxpayer's North Carolina taxable income.

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

Over	Up To	Rate
0	\$21,250	6%
\$21,250	\$100,000	7%
\$100,000	\$200,000	<del>7.75%</del>
<del>\$200,000</del>	NA	<del>8.25%</del> <u>7.5%</u>

16  
 17 (2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
0	\$17,000	6%
\$17,000	\$80,000	7%
\$80,000	<del>\$160,000</del>	<del>7.75%</del>
<del>\$160,000</del>	NA	<del>7.5%</del> <u>8.25%</u>

24  
 25 (3) For unmarried individuals other than surviving spouses and heads of  
 26 households:

Over	Up To	Rate
0	\$12,750	6%
\$12,750	\$60,000	7%
\$60,000	<del>\$120,000</del>	<del>7.75%</del>
<del>\$120,000</del>	NA	<del>8.25%</del> <u>7.5%</u>

33  
 34 (4) For married individuals who do not file a joint return under  
 35 G.S. 105-152:

Over	Up To	Rate
0	\$10,625	6%
\$10,625	\$50,000	7%
\$50,000	\$100,000	<del>7.75%</del>
<del>\$100,000</del>	NA	<del>7.5%</del> <u>8.25%</u> "

42 **SECTION 3.(b)** Section 39.1 of S.L. 2003-284 is repealed.

43 **SECTION 4.(a)** Spending Reduction. – The Director of the Budget shall  
 44 manage expenditures in the 2004-2005 fiscal year to reduce State funds to

1 nongovernmental organizations and to find efficiencies through the elimination of  
2 vacant positions in the various State departments, agencies, and institutions that result in  
3 cost savings to the State of at least one hundred eighty-two million seven hundred  
4 thousand dollars (\$182,700,000) to offset the loss of revenue caused by the corporate  
5 tax relief authorized in this act.

6 **SECTION 4.(b)** Nongovernmental Organizations. – A nongovernmental  
7 organization that is not in compliance with the reporting requirements of G.S. 143-6.1 at  
8 the time this act becomes effective is not eligible for further State funds from the  
9 program from which the grant was made. Reductions in State funding to  
10 nongovernmental organizations shall be limited to the actual amount of overall funding  
11 necessary to offset any temporary reduction in State revenues as projected under this  
12 act. Nongovernmental organizations shall be selected for funding reductions based on  
13 their rank in order of their importance to the immediate health and safety of the citizens  
14 of North Carolina. The Office of State Budget and Management shall establish and  
15 maintain this ranking for the fiscal year considering both the purpose for which a grant  
16 is to be made and the demonstrable results of grants made in previous fiscal years.

17 **SECTION 4.(c)** Vacant Positions. – To achieve the anticipated savings and  
18 the negative reserve authorized by this section, the Office of State Budget and  
19 Management (OSBM) shall eliminate all General Fund positions across State  
20 government that are vacant on July 1, 2004, by transferring from the various State  
21 departments, agencies, and institutions all salary funds appropriated for salaries and  
22 related benefits associated with State government positions vacant on that date. The  
23 Office of State Budget and Management shall not, however, transfer funds appropriated  
24 for salaries and related benefits that will be redirected and expended in accordance with  
25 G.S. 143-23(a2) or as otherwise directed by the General Assembly.

26 **SECTION 4.(d)** First Responders. – Notwithstanding the provisions of  
27 subsections (a) and (c) of this section, police departments, fire departments, and  
28 recipients of first responder grants from the United States Department of Homeland  
29 Security are exempt from the reductions in State funding required by this section.

30 **SECTION 4.(e)** Future Years. – The General Assembly finds that the  
31 corporate tax relief provided by this act will continue to decrease State revenues beyond  
32 the 2004-2005 fiscal year. For the 2005-2007 biennium, these amounts are three  
33 hundred forty-one million one hundred thousand dollars (\$341,100,000) in fiscal year  
34 2005-2006 and three hundred sixty-five million three hundred thousand dollars  
35 (\$365,300,000) in fiscal year 2006-2007. It is the intent of the General Assembly that  
36 the prospective budgetary impact of the corporate tax relief provided by this act shall be  
37 offset by additional savings to the State based upon continuing reductions in funding to  
38 nongovernmental organizations and to State departments, agencies, and institutions.

39 **SECTION 5.** The Department of Health and Human Services shall improve  
40 procedures for the deterrence, identification, and investigation of Medicaid fraud so that  
41 incidences of fraud are reduced by at least five percent (5%) from the previous fiscal  
42 year.

1           **SECTION 6.** Section 1 of this act becomes effective for taxable years  
2 beginning on or after January 1, 2005. Section 2 of this act is effective when it becomes  
3 law. The remainder of this act becomes effective July 1, 2004.