

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

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SENATE BILL 860

Short Title: Simplified Business Enterprise Taxation. (Public)

Sponsors: Senators Clodfelter; and Hoyle.

Referred to: Rules and Operations of the Senate.

April 3, 2003

A BILL TO BE ENTITLED

1 AN ACT DIRECTING THE REVENUE LAWS STUDY COMMITTEE TO STUDY A
2 PROPOSAL TO REFORM AND SIMPLIFY STATE TAXATION OF BUSINESS
3 ENTERPRISES AND APPROPRIATING FUNDS TO THE DEPARTMENT OF
4 REVENUE FOR INFORMATION TECHNOLOGY NECESSARY TO ESTIMATE
5 THE REVENUE IMPACT OF PROPOSALS TO IMPROVE STATE BUSINESS
6 TAXATION.
7

8 The General Assembly of North Carolina enacts:

9 **SECTION 1.** The Revenue Laws Study Committee shall study
10 comprehensive reform and simplification of the existing State taxes on business entities,
11 including corporations, limited liability companies, partnerships, business trusts,
12 associations, and other entities engaged in business. The elements of the plan to be
13 studied shall include the following:

- 14 (1) Repealing the corporate income tax, Part 1 of Article 4 of Chapter 105
15 of the General Statutes.
- 16 (2) Including all types of business entities under a revised form of the
17 franchise tax, Article 3 of Chapter 105 of the General Statutes.
- 18 (3) Limiting the annual filing fee for all business entities to the amount of
19 the filing fee for corporations.
- 20 (4) Revising the current franchise tax to include two components, an
21 assessment based on asset values and an assessment based on gross
22 income or receipts from business activities.
- 23 (5) The revised franchise tax would be calculated and applied on a
24 consolidated basis for members of a related or affiliated group of
25 business entities, allocated and apportioned to this State using existing
26 formulas for allocating and apportioning corporate income.
- 27 (6) The tax rates to be applied to these components would be the rates that
28 are determined to yield revenue equal to the current combined revenue
29 from corporate income and franchise taxes.

1 (7) The Department of Revenue would annually review the revenue
2 generated by the new simplified tax to determine if rate adjustments
3 are necessary to preserve the revenue-neutrality of the simplification.

4 (8) Any other issues or elements the Study Committee considers
5 appropriate.

6 **SECTION 2.** The Revenue Laws Study Committee may report its findings,
7 together with any recommended legislation, to the 2004 Regular Session of the 2003
8 General Assembly and shall make a final report, together with any recommended
9 legislation, to the 2005 General Assembly.

10 **SECTION 3.** There is appropriated from the General Fund to the
11 Department of Revenue the sum of five hundred thousand dollars (\$500,000) for the
12 2003-2004 fiscal year for the purpose of creating computer modeling capability to
13 predict the fiscal effect of various proposed changes and adjustments to the State's
14 current and future system of business taxation.

15 **SECTION 4.** This act becomes effective July 1, 2003.