

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H

1

HOUSE BILL 995

Short Title: Tax Adjustment Plan. (Public)

Sponsors: Representative Owens (Primary Sponsor).
For a complete list of Sponsors, see Bill Information on the NCGA Web Site.

Referred to: Finance, if favorable, Appropriations.

May 21, 2012

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE SALES TAX BY A PENNY, REDUCE THE CORPORATE
3 INCOME TAX RATE BY ONE PERCENT, INCREASE THE PERSONAL EXEMPTION
4 FOR PERSONAL INCOME TAX, GIVE STATE EMPLOYEES AND TEACHERS A
5 TWO PERCENT PAY RAISE, AND PROVIDE ADDITIONAL FUNDS FOR
6 EDUCATION.

7 The General Assembly of North Carolina enacts:

8
9 **PART I. INCREASE SALES AND USE TAX BY ONE PERCENT**

10 **SECTION 1.(a)** The introductory language of G.S. 105-164.4(a) reads as
11 rewritten:

12 "(a) A privilege tax is imposed on a retailer at the following percentage rates of the
13 retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~four~~five
14 and three-quarters percent (~~4.75%~~)(5.75%)."

15 **SECTION 1.(b)** G.S. 105-164.44F(a) reads as rewritten:

16 "(a) Amount. – The Secretary must distribute part of the taxes imposed by
17 G.S. 105-164.4(a)(4c) on telecommunications service and ancillary service. The Secretary must
18 make the distribution within 75 days after the end of each calendar quarter. The amount the
19 Secretary must distribute is the following percentages of the net proceeds of the taxes collected
20 during the quarter:

21 (1) ~~Eighteen and seventy one hundredths percent (18.70%)~~Sixteen and thirty-six
22 hundredths percent (16.36%) minus two million six hundred twenty
23 thousand nine hundred forty-eight dollars (\$2,620,948), must be distributed
24 to cities in accordance with this section. The deduction is one-fourth of the
25 annual amount by which the distribution to cities of the gross receipts
26 franchise tax on telephone companies, imposed by former G.S. 105-20, was
27 required to be reduced beginning in fiscal year 1995-96 as a result of the
28 "freeze deduction."

29 (2) ~~Seven and seven tenths percent (7.7%)~~Six and seventy-four hundredths
30 percent (6.74%) must be distributed to counties and cities as provided in
31 G.S. 105-164.44I."

32 **SECTION 1.(c)** G.S. 105-164.44I(a) reads as rewritten:

33 "(a) Distribution. – The Secretary must distribute to the counties and cities part of the
34 taxes imposed by G.S. 105-164.4(a)(4c) on telecommunications service and
35 G.S. 105-164.4(a)(6) on video programming service. The Secretary must make the distribution



* H 9 9 5 - V - 1 *

1 within 75 days after the end of each calendar quarter. The amount the Secretary must distribute
 2 is the sum of the revenue listed in this subsection. The Secretary must distribute two million
 3 dollars (\$2,000,000) of this amount in accordance with subsection (b) of this section and the
 4 remainder in accordance with subsections (c) and (d) of this section. The revenue to be
 5 distributed under this section consists of the following:

- 6 (1) The amount specified in G.S. 105-164.44F(a)(2).
- 7 (2) ~~Twenty three and six tenths percent (23.6%)~~ Twenty and sixty-five
 8 hundredths percent (20.65%) of the net proceeds of the taxes collected
 9 during the quarter on video programming, other than on direct-to-home
 10 satellite service.
- 11 (3) ~~Thirty seven and one tenths percent (37.1%)~~ Thirty-two and forty-six
 12 hundredths percent (32.46%) of the net proceeds of the taxes collected
 13 during the quarter on direct-to-home satellite service."

14 **SECTION 1.(d)** This section does not apply to construction materials purchased to
 15 fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the
 16 increase or entered into or awarded pursuant to a bid made before the effective date of the
 17 increase when the construction materials would otherwise be subject to the increased rate of tax
 18 provided in this section.

19 **SECTION 1.(e)** This section becomes effective July 1, 2012. Subsection (a) of this
 20 section applies to sales made on or after July 1, 2012, and subsections (b) and (c) of this section
 21 apply to distributions for months beginning on or after July 1, 2012. This section does not
 22 affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute
 23 amended or repealed by this section before the effective date of its amendment or repeal; nor
 24 does it affect the right to any refund or credit of a tax that accrued under the amended or
 25 repealed statute before the effective date of its amendment or repeal.

26
 27 **PART II. REDUCE CORPORATE INCOME TAX**

28 **SECTION 2.(a)** G.S. 105-130.3 reads as rewritten:

29 **"§ 105-130.3. Corporations.**

30 A tax is imposed on the State net income of every C Corporation doing business in this
 31 State. An S Corporation is not subject to the tax levied in this section. The tax is a
 32 percentage five and nine-tenths percent (5.9%) of the taxpayer's State net ~~income computed as~~
 33 ~~follows:~~

34	Income Years Beginning	Tax
35	In 1997	7.5%
36	In 1998	7.25%
37	In 1999	7%
38	After 1999	6.9%-income."

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

40 "(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer
 41 for credit to the Public School Building Capital Fund an amount equal to ~~the applicable fraction~~
 42 ~~provided in the table below~~ five fifty-ninths (5/59) of the net collections received during the
 43 previous quarter by the Department of Revenue under G.S. 105-130.3. All funds deposited in
 44 the Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and
 45 G.S. 147-69.3.

46	Period	Fraction
47	10/1/97 to 9/30/98	One fifteenth (1/15)
48	10/1/98 to 9/30/99	Two twenty-ninths (2/29)
49	10/1/99 to 9/30/00	One fourteenth (1/14)
50	After 9/30/00	Five sixty-ninths (5/69)"

1 **SECTION 2.(c)** Subsection (a) of this section is effective for taxable years
 2 beginning on or after January 1, 2012. Subsection (b) of this section is effective July 1, 2012,
 3 and applies to the calendar quarter that ends September 30, 2012.
 4

5 **PART III. INCREASE PERSONAL EXEMPTION FOR PERSONAL INCOME TAX**

6 **SECTION 3.(a)** G.S. 105-134.6(a1) reads as rewritten:

7 "(a1) Personal Exemption. – In calculating North Carolina taxable income, a taxpayer
 8 may deduct an exemption amount equal to the amount listed in the table below based on the
 9 taxpayer's filing status and adjusted gross income. The taxpayer is allowed the same personal
 10 exemptions allowed under section 151 of the Code for the taxable year.

Filing Status	Adjusted Gross Income	Personal Exemption
Married, filing jointly	Up to \$100,000	\$2,500 \$2,950
	Over \$100,000	\$2,000 \$2,350
Head of Household	Up to \$80,000	\$2,500 \$2,950
	Over \$80,000	\$2,000 \$2,350
Single	Up to \$60,000	\$2,500 \$2,950
	Over \$60,000	\$2,000 \$2,350
Married, filing separately	Up to \$50,000	\$2,500 \$2,950
	Over \$50,000	\$2,000 \$2,350".

11 **SECTION 3.(b)** This section is effective for taxable years beginning on or after
 12 January 1, 2012.
 13
 14

15 **PART IV. USE OF REVENUE**

16 **SECTION 4.** The revenue resulting from the one percent (1%) increase in the sales
 17 and use tax rate enacted by Section 1 of this act shall be used, in decreasing order of priority, as
 18 follows:
 19

- 20 (1) To offset the reduction in corporate income tax revenue resulting from the
 21 reduced corporate income tax rate, as enacted by Section 2 of this act.
- 22 (2) To offset the reduction in personal income tax revenue resulting from the
 23 increase in the personal exemption, as enacted by Section 3 of this act.
- 24 (3) To increase, notwithstanding any other provision of law, the salaries of State
 25 employees, The University of North Carolina employees, community college
 26 system employees, and State-funded local school employees by two percent
 27 (2%). The Fiscal Research Division of the General Assembly shall identify
 28 any employee whose salary is set by statute, shall calculate the two percent
 29 (2%) increase required by this section, and shall convey that information to
 30 the Revisor of Statutes, who shall make the appropriate and corresponding
 31 substitutions in the statutes.
 32

33 Any remaining funds are appropriated to the Department of Public Instruction and
 34 shall be used to reduce the LEA budget adjustment for local school administrative units and
 35 charter schools on the basis of average daily membership.
 36
 37

38 **PART V. EFFECTIVE DATE**

39 **SECTION 5.** Except as otherwise provided herein, this act is effective when it
 40 becomes law.
 41
 42
 43
 44
 45
 46