GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2023

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FILED SENATE May 2, 2024 S.B. 797 PRINCIPAL CLERK D

SENATE BILL DRS45425-NIf-182

Short Title:	Modify the Rate Reduction Triggers.	(Public)
Sponsors:	Senator Chaudhuri (Primary Sponsor).	
Referred to:		

1		A BILL TO BE E	NTITLED			
2	AN ACT TO MODIFY THE INCOME TAX RATE REDUCTION TRIGGER TO FUND					
3	NORTH CAROLINA'S FUTURE.					
4	The General Assembly of No	rth Carolina enacts:				
5	SECTION 1. G.S.	S. 105-153.7 reads as r	ewritten:			
6	"§ 105-153.7. Individual income tax imposed.					
7	(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income					
8	of every individual. The tax shall be levied, collected, and paid annually. Except as otherwise					
9	provided in subsection (a1) of this section, the tax is a percentage of the taxpayer's North Carolina					
10	taxable income computed as follows:					
11	Taxable Ye	ars Beginning	Tax			
12	In 20		4.99%			
13	In 20	23	4.75%			
14	In 20	24	4.5%			
15	In 20	25	4.25%			
16	After	2025	3.99%.4%.			
17	(a1) Rate Reduction T	rigger. – Notwithstand	ling the tax rates set out in subsection (a) of			
18	this section, if total General	Fund revenue in a fi	scal year set out below exceeds the trigger			
19	amount indicated for that fise	al year, then the applic	able tax rate for the indicated and subsequent			
20	tax years shall be equal to the greater of (i) the prior taxable year's rate decreased by one-half					
21	percentage point (0.50%) or (ii) two and forty-nine hundredths percent (2.49%). For purposes of					
22	this subsection, total General Fund revenue is the amount stated in the final accounting of total					
23	General Fund Reverting Net Tax and Non-Tax Revenues for the fiscal year, as reported by the					
24	Office of State Controller in August following the end of the fiscal year.during a fiscal year the					
25	recommended Savings Reserve Balance under G.S. 143C-4-2(f) has been met, and if both the					
26	revenue adequacy trigger and	d the recession indicat	tor trigger under G.S. 143C-4-12 have been			
27	met, then the applicable tax rate for that tax year and subsequent tax years shall be equal to the					
28	greater of (i) the prior taxable	e year's rate decreased	by one-quarter percentage point (0.25%) or			
29	(ii) two and forty-nine hundred	edths percent (2.49%).				
30	Fiscal Year	Trigger Amount	Taxable Year Beginning			
31	FY 2025-2026	\$33,042,000,000	In 2027			
32	FY 2026-2027	\$34,100,000,000	In 2028			
33	FY 2027-2028	\$34,760,000,000	In 2029			
34	FY 2028-2029	\$35,750,000,000	In 2030			
35	FY 2029-2030	\$36,510,000,000	In 2031			
36	FY 2030-2031	\$38,000,000,000	In 2032			



FY 2031-2032 \$38,500,000,000 In 2033 FY 2032-2033 \$39,000,000,000 In 2034 State Budget and Management (OSBM) and the Fiscal Research Division (FRD) of the General Assembly shall jointly calculate the conditions necessary to trigger a rate reduction und subsection (al) of this section. OSBM and FRD shall report the results of the calculatio required by this subsection to the Department of Revenue and the chairs of the House and Sena Finance Committees no later than October 1 of each vear." SECTION 2. Article 4 of Chapter 143C of the General Statutes is amended by addin a new section to read: "B12C412. Revenue adequacy and recession indicator triggers. (a) Revenue Adequacy Trigger. — The revenue adequacy trigger shall be met if the result obtained from the calculation outlined in subdivision (1) of this subsection. The revent adequacy trigger calculations are: (1) Estimated revenue if the tax rate in effect for the current fiscal year w reduced because of a rate reduction trigger pursuant to G.S. 105-153.7. (2) Estimated revenue based upon the certified net General Fund appropriation for the current fiscal year, increased by (i) the consensus calculation finitation of state government costs using the State and Local Governme Consumption Price Index (SLG-PD). (ii) population growth based on combination of populations under age 23 and above, weighted share of budget (sixty percent (60%) and forty percent (40%) respectively), estimated by the State Demographer of the Office of Budget and Mana	General Assembly	Of North Carolina	Session 2023
 (c) Report on the Calculation of the Rate Reduction Trigger. – Annually, the Office 1. State Budget and Management (OSBM) and the Fiscal Research Division (FRD) of the Gener Assembly shall jointly calculate the conditions necessary to trigger a rate reduction und subsection (a1) of this section. OSBM and FRD shall report the results of the calculatio required by this subsection to the Department of Revenue and the chairs of the House and Sena Finance Committees no later than October 1 of each year." SECTION 2. Article 4 of Chapter 143C of the General Statutes is amended by addit a new section to read: "8 143C-4-12. Revenue adequacy and recession indicator triggers. (a) Revenue Adequacy Trigger. – The revenue adequacy trigger shall be met if the resut obtained from the calculation outlined in subdivision (1) of this subsection. The revent adequacy trigger calculations are: (1) Estimated revenue if the tax rate in effect for the current fiscal year w reduced because of a rate reduction trigger pursuant to G.S. 105-153.7. (2) Estimated revenue based upon the certified net General Fund appropriatit for the current fiscal year, increased by (i) the consensus calculation findition of state government costs using the State and Local Governme Consumption Price Index (SLG-PI). (ii) population growth based on combination of populations under age 23. and ages 23 and above, weighted share of budget (sixty percent (60%) and forty percent (40%) respectively), estimated by the State Demographer of the Office of Budget and Managemer and (iii) funding increases or decreases necessary to comply with court order statutory appropriation for the prior fiscal year. (b) Recession Indicator Trigger. — The recession indicator trigger shall be met if the resu obtained from the calculation outlined in subdivision (1) of this subsection is less than one-har percent (0.5%) higher than the result obtained from the calculation outlined in subdivision (2) this subsection is less t	FY 2031-20	32 \$38,500,000,000	In 2033
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