

NORTH CAROLINA GENERAL ASSEMBLY
1969 SESSION

CHAPTER 1200
HOUSE BILL 331

1 AN ACT TO AMEND THE CONSTITUTION OF NORTH CAROLINA TO REVISE
2 ARTICLE V CONCERNING STATE AND LOCAL FINANCE.

3
4 The General Assembly of North Carolina do enact:

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6 **Section 1.** The Constitution of North Carolina, as revised and amended by a
7 revision and amendment submitted to the qualified voters by An Act to Revise and Amend the
8 Constitution of North Carolina, H.B. 231, enacted as Chapter 1258 of the Session Laws of
9 1969, is amended as follows:

10 (a) Article V is rewritten to read as follows:

11 "Article V

12 "Finance

13 **"Section 1. No capitation tax to be levied.** No poll or capitation tax shall be levied by the
14 General Assembly or by any county, city or town, or other taxing unit.

15 **"Sec. 2. State and local taxation.**

16 "(1) Power of taxation. The power of taxation shall be exercised in a just and equitable
17 manner, for public purposes only, and shall never be surrendered, suspended, or contracted
18 away.

19 "(2) Classification. Only the General Assembly shall have the power to classify property
20 for taxation, which power shall be exercised only on a State-wide basis and shall not be
21 delegated. No class of property shall be taxed except by uniform rule, and every classification
22 shall be made by general law uniformly applicable in every county, city and town, and other
23 unit of local government.

24 "(3) Exemptions. Property belonging to the State, counties, and municipal corporations
25 shall be exempt from taxation. The General Assembly may exempt cemeteries and property
26 held for educational, scientific, literary, cultural, charitable, or religious purposes, and, to a
27 value not exceeding \$300, any personal property. The General Assembly may exempt from
28 taxation not exceeding \$1,000 in value of property held and used as the place of residence of
29 the owner. Every exemption shall be on a State-wide basis and shall be made by general law
30 uniformly applicable in every county, city and town, and other unit of local government. No
31 taxing 1385 authority other than the General Assembly may grant exemptions, and the General
32 Assembly shall not delegate the powers accorded to it by this subsection.

33 "(4) Special tax areas. Subject to the limitations imposed by Section 4, the General
34 Assembly may enact general laws authorizing the governing body of any county, city, or town
35 to define territorial areas and to levy taxes within those areas, in addition to those levied
36 throughout the county, city, or town, in order to finance, provide, or maintain services,
37 facilities, and functions in addition to or to a greater extent than those financed, provided, or
38 maintained for the entire county, city, or town.

39 "(5) Purposes of property tax. The General Assembly shall not authorize any county, city
40 or town, special district, or other unit of local government to levy taxes on property, except for
41 purposes authorized by general law uniformly applicable throughout the State, unless the tax is
42 approved by a majority of the qualified voters of the unit who vote thereon.

"(6) Income tax. The rate of tax on incomes shall not in any case exceed ten per cent and there shall be allowed the following minimum exemptions, to be deducted from the amount of annual incomes: to the income-producing spouse of a married couple living together, or to a widow or widower having minor child or children, natural or adopted, not less than \$2,000; to all other persons not less than \$1,000; and there may be allowed other deductions, not including living expenses, so that only net incomes are taxed.

"(7) Contracts. The General Assembly may enact laws whereby the State, any county, city or town, and any other public corporation may contract with and appropriate money to any person, association, or corporation for the accomplishment of public purposes only.

"Sec. 3. Limitations upon the increase of State debt.

"(1) Authorized purposes; two-thirds limitation. The General Assembly shall have no power to contract debts secured by a pledge of the faith and credit of the State, unless approved by a majority of the qualified voters of the State who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 per cent of such taxes;
- (d) to suppress riots or insurrections, or to repel invasions;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor;
- (f) for any other lawful purpose, to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the next preceding biennium.

"(2) Gift or loan of credit regulated. The General Assembly shall have no power to give or lend the credit of the State in aid of any person, association, or corporation, except a corporation in which the State has a controlling interest, unless the subject is submitted to a direct vote of the people of the State, and is approved by a majority of the qualified voters who vote thereon.

"(3) Definitions. A debt is incurred within the meaning of this Section when the State borrows money. A pledge of the faith and credit within the meaning of this Section is a pledge of the taxing power. A loan of credit within the meaning of this Section occurs when the State exchanges its obligations with or in any way guarantees the debts of an individual, association, or private corporation.

"(4) Certain debts barred. The General Assembly shall never assume or pay any debt or obligation, express or implied, incurred in aid of insurrection or rebellion against the United States. Neither shall the General Assembly assume or pay any debt or bond incurred or issued by authority of the Convention of 1868, the special session of the General Assembly of 1868, or the General Assemblies of 1868-69 and 1869-70, unless the subject is submitted to the people of the State and is approved by a majority of all the qualified voters at a referendum held for that sole purpose.

"(5) Outstanding debt. Except as provided in subsection (4), nothing in this Section shall be construed to invalidate or impair the obligation of any bond, note, or other evidence of indebtedness outstanding or authorized for issue as of July 1, 1973.

"Sec. 4. Limitations upon the increase of local government debt.

"(1) Regulation of borrowing and debt. The General Assembly shall enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts, and other units, authorities, and agencies of local government.

"(2) Authorized purposes; two-thirds limitation. The General Assembly shall have no power to authorize any county, city or town, special district, or other unit of local government

to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 per cent of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor;
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the unit's outstanding indebtedness shall have been reduced during the next preceding fiscal year.

"(3) Gift or loan of credit regulated. No county, city or town, special district, or other unit of local government shall give or lend its credit in aid of any person, association, or corporation, except for public purposes as authorized by general law, and unless approved by a majority of the qualified voters of the unit who vote thereon.

"(4) Certain debts barred. No county, city or town, or other unit of local government shall assume or pay any debt or the interest thereon contracted directly or indirectly in aid or support of rebellion or insurrection against the United States.

"(5) Definitions. A debt is incurred within the meaning of this Section when a county, city or town, special district, or other unit, authority, or agency of local government borrows money. A pledge of faith and credit within the meaning of this Section is a pledge of the taxing power. A loan of credit within the meaning of this Section occurs when a county, city or town, special district, or other unit, authority, or agency of local government exchanges its obligations with or in any way guarantees the debts of an individual, association, or private corporation.

"(6) Outstanding debt. Except as provided in subsection (4), nothing in this Section shall be construed to invalidate or impair the obligation of any bond, note, or other evidence of indebtedness outstanding or authorized for issue as of July 1, 1973.

"Sec. 5. Acts levying taxes to state objects. Every act of the General Assembly levying a tax shall state the special object to which it is to be applied, and it shall be applied to no other purpose.

"Sec. 6. Inviolability of sinking funds and retirement funds.

"(1) Sinking funds. The General Assembly shall not use or authorize to be used any part of the amount of any sinking fund for any purpose other than the retirement of the bonds for which the sinking fund has been created, except that these funds may be invested as authorized by law.

"(2) Retirement funds. Neither the General Assembly nor any public officer, employee, or agency shall use or authorize to be used any part of the funds of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System for any purpose other than retirement system benefits and purposes, administrative expenses, and refunds; except that retirement system funds may be invested as authorized by law, subject to the investment limitation that the funds of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System shall not be applied, diverted, loaned to, or used by the State, any State agency, State officer, public officer, or public employee.

"Sec. 7. Drawing public money.

"(1) State treasury. No money shall be drawn from the State Treasury but in consequence of appropriations made by law, and an accurate account of the receipts and expenditures of State funds shall be published annually.

"(2) Local treasury. No money shall be drawn from the treasury of any county, city or town, or other unit of local government except by authority of law."

(b) Article XIV, Sec. 3, is rewritten to read as follows:

"Sec. 3. General laws defined. Whenever the General Assembly is directed or authorized by this Constitution to enact general laws, or general laws uniformly applicable throughout the State, or general laws uniformly applicable in every county, city and town, and other unit of local government, or in every local court district, no special or local act shall be enacted concerning the subject matter directed or authorized to be accomplished by general or uniformly applicable laws, and every amendment or repeal of any law relating to such subject matter shall also be general and uniform in its effect throughout the State. General laws may be enacted for classes defined by population or other criteria. General laws uniformly applicable throughout the State shall be made applicable without classification or exception in every unit of local government of like kind, such as every county, or every city and town, but need not be made applicable in every unit of local government in the State. General laws uniformly applicable in every county, city and town, and other unit of local government, or in every local court district, shall be made applicable without classification or exception in every unit of local government, or in every local court district, as the case may be. The General Assembly may at any time repeal any special, local, or private act."

Sec. 2. Article I, Sec. 6, Article II, Sec. 30, Article II, Sec. 31, Article VII, Sec. 6, Article VII, Sec. 7, Article VII, Sec. 9, and Article XIV, Sec. 3, of the Constitution of North Carolina, as that document read on January 1, 1969, are repealed, the remaining sections of those articles are renumbered appropriately, to close up the resulting gaps, and Article V is rewritten to read as follows:

"Article V

"Finance

"Section 1. No capitation tax to be levied. No poll or capitation tax shall be levied by the General Assembly or by any county, city or town, or other taxing unit.

"Sec. 2. State and local taxation.

"(1) Power of taxation. The power of taxation shall be exercised in a just and equitable manner, for public purposes only, and shall never be surrendered, suspended, or contracted away.

"(2) Classification. Only the General Assembly shall have the power to classify property for taxation, which power shall be exercised only on a State-wide basis and shall not be delegated. No class of property shall be taxed except by uniform rule, and every classification shall be made by general law uniformly applicable in every county, city and town, and other unit of local government.

"(3) Exemptions. Property belonging to the State, counties, and municipal corporations shall be exempt from taxation. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable, or religious purposes, and, to a value not exceeding \$300, any personal property. The General Assembly may exempt from taxation not exceeding \$1,000 in value of property held and used as the place of residence of the owner. Every exemption shall be on a State-wide basis and shall be made by general law uniformly applicable in every county, city and town, and other unit of local government. No taxing authority other than the General Assembly may grant exemptions, and the General Assembly shall not delegate the powers accorded to it by this subsection.

"(4) Special tax areas. Subject to the limitations imposed by Section 4, the General Assembly may enact general laws authorizing the governing body of any county, city, or town to define territorial areas and to levy taxes within those areas, in addition to those levied throughout the county, city, or town, in order to finance, provide, or maintain services, facilities, and functions in addition to or to a greater extent than those financed, provided, or maintained for the entire county, city, or town.

"(5) Purposes of property tax. The General Assembly shall not authorize any county, city or town, special district, or other unit of local government to levy taxes on property, except for

purposes authorized by general law uniformly applicable throughout the State, unless the tax is approved by a majority of the qualified voters of the unit who vote thereon.

"(6) Income tax. The rate of tax on incomes shall not in any case exceed ten per cent and there shall be allowed the following minimum exemptions, to be deducted from the amount of annual incomes: to the income-producing spouse of a married couple living together, or to a widow or widower having minor child or children, natural or adopted, not less than \$2,000; to all other persons not less than \$1,000; and there may be allowed other deductions, not including living expenses, so that only net incomes are taxed.

"(7) Contracts. The General Assembly may enact laws whereby the State, any county, city or town, and any other public corporation may contract with and appropriate money to any person, association, or corporation for the accomplishment of public purposes only.

"Sec. 3. Limitations upon the increase of State debt.

"(1) Authorized purposes; two-thirds limitation. The General Assembly shall have no power to contract debts secured by a pledge of the faith and credit of the State, unless approved by a majority of the qualified voters of the State who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 per cent of such taxes;
- (d) to suppress riots or insurrections, or to repel invasions;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor;
- (f) for any other lawful purpose, to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the next preceding biennium.

"(2) Gift or loan of credit regulated. The General Assembly shall have no power to give or lend the credit of the State in aid of any person, association, or corporation, except a corporation in which the State has a controlling interest, unless the subject is submitted to a direct vote of the people of the State, and is approved by a majority of the qualified voters who vote thereon.

"(3) Definitions. A debt is incurred within the meaning of this Section when the State borrows money. A pledge of the faith and credit within the meaning of this Section is a pledge of the taxing power. A loan of credit within the meaning of this Section occurs when the State exchanges its obligations with or in any way guarantees the debts of an individual, association, or private corporation.

"(4) Certain debts barred. The General Assembly shall never assume or pay any debt or obligation, express or implied, incurred in aid of insurrection or rebellion against the United States. Neither shall the General Assembly assume or pay any debt or bond incurred or issued by authority of the Convention of 1868, the special session of the General Assembly of 1868, or the General Assemblies of 1868-69 and 1869-70, unless the subject is submitted to the people of the State and is approved by a majority of all the qualified voters at a referendum held for that sole purpose.

"(5) Outstanding debt. Except as provided in subsection (4), nothing in this Section shall be construed to invalidate or impair the obligation of any bond, note, or other evidence of indebtedness outstanding or authorized for issue as of July 1, 1973.

"Sec. 4. Limitations upon the increase of local government debt.

"(1) Regulation of borrowing and debt. The General Assembly shall enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts, and other units, authorities, and agencies of local government.

"(2) Authorized purposes; two-thirds limitation. The General Assembly shall have no power to authorize any county, city or town, special district, or other unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 per cent of such taxes;
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- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor;
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the unit's outstanding indebtedness shall have been reduced during the next preceding fiscal year.

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"(4) Certain debts barred. No county, city or town, or other unit of local government shall assume or pay any debt or the interest thereon contracted directly or indirectly in aid or support of rebellion or insurrection against the United States.

"(5) Definitions. A debt is incurred within the meaning of this Section when a county, city or town, special district, or other unit, authority, or agency of local government borrows money. A pledge of faith and credit within the meaning of this Section is a pledge of the taxing power. A loan of credit within the meaning of this Section occurs when a county, city or town, special district, or other unit, authority, or agency of local government exchanges its obligations with or in any way guarantees the debts of an individual, association, or private corporation.

"(6) Outstanding debt. Except as provided in subsection (4), nothing in this Section shall be construed to invalidate or impair the obligation of any bond, note, or other evidence of indebtedness outstanding or authorized for issue as of July 1, 1973.

"Sec. 5. Acts levying taxes to state objects. Every act of the General Assembly levying a tax shall state the special object to which it is to be applied, and it shall be applied to no other purpose.

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"(1) Sinking funds. The General Assembly shall not use or authorize to be used any part of the amount of any sinking fund for any purpose other than the retirement of the bonds for which the sinking fund has been created, except that these funds may be invested as authorized by law.

"(2) Retirement funds. Neither the General Assembly nor any public officer, employee, or agency shall use or authorize to be used any part of the funds of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System for any purpose other than retirement system benefits and purposes, administrative expenses, and refunds; except that retirement system funds may be invested as authorized by law, subject to the investment limitation that the funds of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System shall not be applied, diverted, loaned to, or used by the State, any State agency, State officer, public officer, or public employee.

"Sec. 7. Drawing public money.

"(1) State treasury. No money shall be drawn from the State Treasury but in consequence of appropriations made by law, and an accurate account of the receipts and expenditures of State funds shall be published annually.

"(2) Local treasury. No money shall be drawn from the treasury of any county, city or town, or other unit of local government except by authority of law.

"Sec. 8. General laws defined. Whenever the General Assembly is directed or authorized by this Article to enact general laws, or general laws uniformly applicable throughout the State, or general laws uniformly applicable in every county, city or town, and other unit of local government, no special or local act shall be enacted concerning the subject matter directed or authorized to be accomplished by general or uniformly applicable laws, and every amendment or repeal of any law relating to such subject matter shall also be general and uniform in its effect throughout the State. General laws may be enacted for classes denned by population or other criteria. General laws uniformly applicable throughout the State shall be made applicable without classification or exception in every unit of local government of like kind, such as every county, or every city and town, but need not be made applicable in every unit of local government in the State. General laws uniformly applicable in every county, city and town, and other unit of local government shall be made applicable without classification or exception in every unit of local government in the State. The General Assembly may at any time repeal any special, local, or private act.

"Sec. 9. Merged or consolidated counties. Any unit of local government formed by the merger or consolidation of a county or counties and the cities and towns therein shall be deemed both a county and a city for the purposes of this Article, and may exercise any authority conferred by law on counties, or on cities and towns, or both, as the General Assembly may provide."

Sec. 3. The amendment set out in Sections 1 and 2 of this Act shall be submitted to the qualified voters of the State at the next general election. That election shall be conducted under the laws then governing elections in this State.

Sec. 4. At that election, each qualified voter presenting himself to vote shall be provided a ballot on which shall be printed the following:

☐ FOR constitutional amendment revising those portions of the present or proposed State Constitution concerning State and local finance."

☐ AGAINST constitutional amendment revising those portions of the present or proposed State Constitution concerning State and local finance."

Those qualified voters favoring the amendment set out in Sections 1 and 2 of this Act shall vote by marking an X or a check mark in the square beside the statement beginning "FOR", and those qualified voters opposed to that amendment shall vote by marking an X or a check mark in the square beside the statement beginning "AGAINST".

Sec. 5. If a majority of the votes cast thereon are in favor of the amendment set out in Sections 1 and 2 of this Act, and if a majority of the votes cast thereon are in favor of the revision and amendment submitted to the qualified voters by An Act to Revise and Amend the Constitution of North Carolina, then the Governor shall certify the amendment set out in Section 1 of this Act to the Secretary of State, who shall enroll that amendment so certified among the permanent records of his office, and that amendment shall take effect as an amendment to the revised and amended Constitution of North Carolina on July 1, 1973.

Sec. 6. If a majority of the votes cast thereon are in favor of the amendment set out in Sections 1 and 2 of this Act, and if a majority of the votes cast thereon are against the revision and amendment submitted to the qualified voters by An Act to Revise and .Amend the Constitution of North Carolina, then the Governor shall certify the amendment set out in Section 2 of this Act to the Secretary of State, who shall enroll that amendment so certified among the permanent records of his office, and that amendment shall take effect as an amendment to the present Constitution of North Carolina on July 1, 1973.

Sec. 7. If a majority of the votes cast thereon are in favor of the amendment submitted to the qualified voters by An Act to Amend the Constitution of North Carolina to Authorize the General Assembly To Fix the Personal Exemptions for Income Tax Purposes,

1 and if a majority of the votes cast thereon are in favor of the amendment set out in Sections 1
2 and 2 of this Act, then Article V, Sec. 2(6), as set forth in Sections 1 and 2 of the former Act
3 shall take precedence over and constitute an amendment of Article V, Sec. 2(6), as set forth in
4 Sections 1 and 2 of this Act, and this Act shall not amend or repeal Article V, Sec. 2(6) in any
5 manner.

6 **Sec. 8.** All laws and clauses of laws in conflict with this Act are repealed.

7 **Sec. 9.** This Act shall take effect upon its ratification.

8 In the General Assembly read three times and ratified, this the 2nd day of July,
9 1969.