

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** H.B. 63 (First Edition)

**SHORT TITLE:** Review Tax Credits Periodically

**SPONSOR(S):** Rep. Lyons Gray

**FISCAL IMPACT**

**Yes (X)      No ( )      No Estimate Available ( )**

**FY 1999-00   FY 2000-01   FY 2001-02   FY 2002-03   FY 2003-04**

**REVENUES**

**General Fund      \$117.6 to \$142.5 million revenue gain each year beginning FY2001-02**

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** North Carolina Department of Revenue.

**EFFECTIVE DATE:** Effective for taxable years beginning on or after January 1, 2001.

**BILL SUMMARY:** The legislation repeals forty North Carolina income tax credits effective January 1, 2001. It is the legislative intent to review each credit before its sunset date and renew those that continue to serve a "valid public purpose." The bill is a recommendation of the Revenue Laws Study Committee.

**ASSUMPTIONS AND METHODOLOGY:**

The bill repeals 21 corporate income tax credits and 19 individual income tax credits. A chart listing the repealed credits is shown on the following pages. The fiscal note assumes all tax credits will be repealed as of January 1, 2001. This action is certain unless the General Assembly intervenes to remove the sunset from a credit.

The Tax Research Division of the Department of Revenue provided revenue information on all credits enacted prior to 1997 using income tax return data. Unfortunately, the Department cannot provide the amount of tax relief given for each tax credit due to the way credits are reported on income tax forms and the method data is entered in the computer upon receipt of the forms. What is provided in this note is a total revenue loss associated with all individual income tax credits and with all corporate income tax credits. The Fiscal Research Division of the General Assembly provided revenue estimates for legislation enacted in 1997 and 1998. These estimates are taken from fiscal notes prepared on the approved legislation.

<u>Statute</u>	<u>Description</u>	<u>Year</u>	<u>Estimated</u>
		<u>Enacted</u>	<u>Cost</u>
			<u>(\$million)</u>
<b>Corporate Income Tax Credits</b>			
105-130.22	Credit for construction of dwelling units for handicapped persons	1973	
105-130.23	Credit for solar energy equipment in residential buildings	1977	
105-130.25	Credit for construction of cogenerating power plants	1979	
105-130.26	Credit for conversion of industrial boiler to wood fuel	1979	
105-130.27	Credit for construction of a fuel ethanol distillery	1979	
105-130-27A	Credit for construction of a peat facility	1982	
105-130-28	Credit for construction of a photovoltaic equipment facility	1981	
105-130.29	Credit for construction of an olivine brick facility	1981	
105-130.30	Credit for construction of a methane gas facility	1981	
105-130.31	Credit for installation of a wind energy device	1981	
105-130.32	Credit for installation of solar energy equip. for heat or electricity in certain processes	1981	
105-130.33	Credit for installation of a hydroelectric generator	1981	
105-130.34	Credit for certain real property donations for conservation purposes	1983	
105-130.36	Credit for conservation tillage equipment	1984	
105-130.37	Credit for gleaned crop	1984	
105-130.39	Credit for certain telephone subscriber line charges	1985	
105-130.41	Credit for N.C. State Ports Authority wharfage, handling, and throughput charges	1991	
105-130.43	Credit for savings and loan supervisory fees	1985	
105-130.44	Credit for construction of a poultry composting facility	1998	
	<b>Estimated Annual Value of Corporate Tax Credits Listed Above</b>		\$2.5
105-130.42	Credit for rehabilitating an historic structure	1993	\$4.8 - \$18.4
105-228.5A	Credit for assessments paid to the Insurance Guaranty Association and Life and Health Insurance Guaranty Association.	1991	\$10.0 - \$20.0

<u>Statute</u>	<u>Description</u>	<u>Year</u> <u>Enacted</u>	<u>Estimated</u> <u>Cost</u> <u>(\$million)</u>
<b>Individual Income Tax Credits</b>			
105-151.1	Credit for construction of dwelling units for handicapped persons	1973	
105-151.2	Credit for solar energy equipment	1977	
105-151.5	Credit for conversion of industrial boiler to wood fuel	1979	
105-151.6	Credit for construction of a fuel ethanol distillery	1979	
105-151.10	Credit for construction of a methane gas facility	1981	
105-151.9	Credit for installation of a wind energy device	1981	
105-151.8	Credit for installation of solar energy equip. for heat or electricity in certain processes	1981	
105-151.7	Credit for installation of a hydroelectric generator	1981	
105-151.12	Credit for certain real property donations for conservation purposes	1983	
105-151.13	Credit for conservation tillage equipment	1984	
105-151.14	Credit for gleaned crop	1984	
105-151.22	Credit for N.C. State Ports Authority wharfage, handling, and throughput charges	1991	
105-151.21	Credit for property taxes paid on farm machinery	1985	
105-151.25	Credit for construction of a poultry composting facility	1995	
	<b>Estimated Annual Value of Individual Tax Credits Listed Above</b>		\$8.0
105-151.23	Credit for rehabilitating an historic structure	1993	\$1.2 - \$2.5
105-151.26	Credit for charitable contributions by nonitemizers	1996	\$12.6
105-151.27	Credit for child health insurance	1998	\$64.5
105-151.28	Credit for premiums paid on long-term care insurance	1998	\$8.0
105-163.011	Credit for Qualified Business Investment (Repealed effective for investments made on or after Jan. 1, 2003)	1987	\$6.0
	<b>Total All Tax Credits</b>		\$117.6 - \$142.5

**FISCAL RESEARCH DIVISION 733-4910**

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