GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2003

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SENATE DRS55152-LC-26 (02/11)

Short Title:	Phase Down	Income Tax	Rates.	(Public)
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Referred to:

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- 2 AN ACT TO REDUCE INCOME TAX RATES.
- 3 The General Assembly of North Carolina enacts:

SECTION 1. Effective for taxable years beginning on or after January 1, 2005, G.S. 105-134.2(a) reads as rewritten:

- "(a) A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually and shall be computed at the following percentages of the taxpayer's North Carolina taxable income.
- (1) For married individuals who file a joint return under G.S. 105-152 and for surviving spouses, as defined in section 2(a) of the Code:

10	for surviving spouse	s, as defined in section	1 2(a) of the Co
11	For Taxable Y	ears Beginning in 200	<u>05:</u>
12	Over	Up To	Rate
13	<u>-0-</u>	<u>\$21,250</u>	<u>5.75%</u>
14	<u>\$21,250</u>	\$100,000	<u>6.75%</u>
15	<u>\$100,000</u>	<u>NA</u>	<u>7.5%</u>
16	<u>For Taxable Y</u>	ears Beginning in 200	<u>06:</u>
17	<u>Over</u>	Up To	<u>Rate</u>
18	<u>-0-</u>	<u>\$21,250</u>	<u>5.5%</u>
19	<u>\$21,250</u>	\$100,000	<u>6.5%</u>
20	<u>\$100,000</u>	<u>NA</u>	<u>7.25%</u>
21	<u>For Taxable Y</u>	ears Beginning in 200	<u>07:</u>
22	<u>Over</u>	Up To	<u>Rate</u>
23	<u>-0-</u>	<u>\$21,250</u>	<u>5.25%</u>
24	<u>\$21,250</u>	<u>\$100,000</u>	<u>6.25%</u>
25	<u>\$100,000</u>	<u>NA</u>	<u>7%</u>
26	For Taxable Y	ears Beginning There	eafter:
27	<u>Over</u>	Up To	Rate

1		<u>-0-</u>	<u>\$21,250</u>	<u>5%</u>
2		<u>\$21,250</u>	<u>\$100,000</u>	<u>6%</u>
3		<u>\$100,000</u>	<u>NA</u>	<u>6.75%</u>
4				up to twenty-one thousand
5			ollars (\$21,250), six perc	
6				d two hundred fifty dollars
7		(\$21,250) and up to	o one hundred thousand	l dollars (\$100,000), seven
8		percent (7%).		
9		On the amount	over one hundred the	ousand dollars (\$100,000),
10			ive one-hundredths perc	
11	(2)	For heads of housel	olds, as defined in section	on 2(b) of the Code:
12		For Taxable Y	ears Beginning in 2005	<u>5:</u>
13		<u>Over</u>	Up To	<u>Rate</u>
14		<u>-0-</u>	<u>\$17,000</u>	<u>5.75%</u>
15		\$17,000	\$80,000	<u>6.75%</u>
16		\$80,000	<u>NA</u>	<u>7.5%</u>
17		For Taxable Y	ears Beginning in 2006	<u>5:</u>
18		Over	Up To	Rate
19		<u>-0-</u>	<u>\$17,000</u>	<u>5.5%</u>
20		<u>\$17,000</u>	<u>\$80,000</u>	<u>6.5%</u>
21		\$80,000	<u>NA</u>	<u>7.25%</u>
22		For Taxable Y	Years Beginning in 2007	7 <u>:</u>
23			T	
23		<u>Over</u>	<u>Up To</u>	<u>Rate</u>
24		<u>Over</u> -0-	<u>Up To</u> \$17,000	<u>Kate</u> 5.25%
24		<u>-0-</u>	\$17,000	5.25%
24 25		<u>-0-</u> <u>\$17,000</u> <u>\$80,000</u>	\$17,000 \$80,000	5.25% 6.25% 7%
24 25 26		<u>-0-</u> <u>\$17,000</u> <u>\$80,000</u>	\$17,000 \$80,000 <u>NA</u>	5.25% 6.25% 7% after:
24 25 26 27		<u>-0-</u> <u>\$17,000</u> <u>\$80,000</u> For Taxable Y	\$17,000 \$80,000 <u>NA</u> Years Beginning Therea	5.25% 6.25% 7% nfter: Rate
24 25 26 27 28		-0- \$17,000 \$80,000 For Taxable Y <u>Over</u> -0-	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000	5.25% 6.25% 7% after: Rate 5%
24 25 26 27 28 29		-0- \$17,000 \$80,000 For Taxable Y Over -0- \$17,000	\$17,000 \$80,000 <u>NA</u> Years Beginning Therea <u>Up To</u>	5.25% 6.25% 7% nfter: Rate
24 25 26 27 28 29 30		-0- \$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA	5.25% 6.25% 7% nfter: Rate 5% 6%
24 25 26 27 28 29 30 31		-0- \$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income	5.25% 6.25% 7% after: Rate 5% 6% 6.75%
24 25 26 27 28 29 30 31 32		-0- \$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), see	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%).	5.25% 6.25% 7% after: Rate 5% 6% 6.75% up to seventeen thousand
24 25 26 27 28 29 30 31 32 33		-0- \$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North O dollars (\$17,000), so	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%).	5.25% 6.25% 7% after: Rate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to
24 25 26 27 28 29 30 31 32 33 34 35		-0- \$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), s On the amount c eighty thousand dol	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%).	5.25% 6.25% 7% 1ster: Rate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%).
24 25 26 27 28 29 30 31 32 33 34 35 36		-0- \$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), so On the amount ceighty thousand dol On the amount	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand- lars (\$80,000), seven per over eighty thousand do	5.25% 6.25% 7% 1ster: Rate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and
24 25 26 27 28 29 30 31 32 33 34 35 36 37	(3)	\$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), s On the amount ceighty thousand dol On the amount seventy five one hu	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand lars (\$80,000), seven per over eighty thousand do endredths percent (7.75%	5.25% 6.25% 7% 1fter: Rate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and
24 25 26 27 28 29 30 31 32 33 34 35 36 37 38	(3)	\$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), s On the amount ceighty thousand dol On the amount seventy five one hu	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand lars (\$80,000), seven per over eighty thousand do endredths percent (7.75%	5.25% 6.25% 7% 1ster: Rate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and
24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39	(3)	\$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), s On the amount ceighty thousand dol On the amount seventy five one hu For unmarried indi	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand lars (\$80,000), seven per over eighty thousand do endredths percent (7.75% viduals other than survi	5.25% 6.25% 7% after: Rate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and recent (\$100). ving spouses and heads of
24 25 26 27 28 29 30 31 32 33 34 35 36 37 38	(3)	\$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), so On the amount ceighty thousand dol On the amount seventy five one hull For unmarried indi households: For Taxable Y	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand lars (\$80,000), seven per over eighty thousand dendredths percent (7.75%) viduals other than survi	5.25% 6.25% 7% 1ster: Rate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and older). ving spouses and heads of
24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41	(3)	\$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), s On the amount ceighty thousand dol On the amount seventy five one hu For unmarried indi households: For Taxable Y Over	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand lars (\$80,000), seven per over eighty thousand de indredths percent (7.75% viduals other than survi Years Beginning in 2005 Up To	5.25% 6.25% 7% Mate 5% 6% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and ol). ving spouses and heads of E. Rate Rate
24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42	(3)	\$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North O dollars (\$17,000), s On the amount of the eighty thousand doll On the amount seventy five one hute for unmarried indicate the households: For Taxable Y Over -0-	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand lars (\$80,000), seven per over eighty thousand dendredths percent (7.75% viduals other than survi Years Beginning in 2005 Up To \$12,750	5.25% 6.25% 7% Mate 5% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and recent (\$10,000), seven
24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41	(3)	\$17,000 \$80,000 For Taxable Y Over -0- \$17,000 \$80,000 On the North C dollars (\$17,000), s On the amount ceighty thousand dol On the amount seventy five one hu For unmarried indi households: For Taxable Y Over	\$17,000 \$80,000 NA Years Beginning Therea Up To \$17,000 \$80,000 NA Carolina taxable income ix percent (6%). Over seventeen thousand lars (\$80,000), seven per over eighty thousand de indredths percent (7.75% viduals other than survi Years Beginning in 2005 Up To	5.25% 6.25% 7% Mate 5% 6% 6% 6.75% up to seventeen thousand dollars (\$17,000) and up to reent (7%). ollars (\$80,000), seven and ol). ving spouses and heads of E. Rate Rate

1	For Ta	xable Years Beginning in	<u> 2006:</u>			
2	Over	Up To	<u>Rate</u>			
3	<u>-0-</u>	\$12,750	5.5%			
4	\$12,750	<u>\$60,000</u>	<u>6.5%</u>			
5	<u>\$60,000</u>	<u>NA</u>	<u>7.25%</u>			
6		xable Years Beginning in	<u> 2007:</u>			
7	<u>Over</u>	Up To	<u>Rate</u>			
8	-0-	\$12,750	5.25%			
9	\$12,750	\$60,000	6.25%			
10	\$60,000	NA	<u>7%</u>			
11	For Ta	xable Years Beginning T	<u>hereafter:</u>			
12	<u>Over</u>	<u>Up To</u>	<u>Rate</u>			
13	<u>-0-</u>	<u>\$12,750</u>	<u>5%</u>			
14	<u>\$12,750</u>	<u>\$60,000</u>	<u>6%</u>			
15	\$60,000	<u>NA</u>	<u>6.75%</u>			
16	On the N	lorth Carolina taxable inco	ome up to twelve thousand seven			
17	hundred fifty	y dollars (\$12,750), six pe	rcent (6%).			
18			and seven hundred fifty dollars			
19	(\$12,750) ar	nd up to sixty thousand (dollars (\$60,000), seven percent			
20	(7%).		_			
21	On the a	amount over sixty thousa	nd dollars (\$60,000), seven and			
22	seventy five	one hundredths percent (7.75%).			
23	(4) For married	individuals who do not	file a joint return under G.S.			
24	105-152:		•			
25	<u>For Ta</u>	xable Years Beginning in	<u> 2005:</u>			
26	<u>Over</u>	<u>Up To</u>	<u>Rate</u>			
27	<u>-0-</u>	<u>\$10,625</u>	<u>5.75%</u>			
28	<u>\$10,625</u>	<u>\$50,000</u>	<u>6.75%</u>			
29	\$50,000	<u>NA</u>	<u>7.5%</u>			
30	<u>For Ta</u>	<u>xable Years Beginning ir</u>	<u> 2006:</u>			
31	<u>Over</u>	Up To	<u>Rate</u>			
32	<u>-0-</u>	<u>\$10,625</u>	<u>5.5%</u>			
33	<u>\$10,625</u>	<u>\$50,000</u>	<u>6.5%</u>			
34	\$50,000	<u>NA</u>	<u>7.25%</u>			
35	<u>For Ta</u>	For Taxable Years Beginning in 2007:				
36	<u>Over</u>	Up To	<u>Rate</u>			
37	<u>-0-</u>	<u>\$10,625</u>	<u>5.25%</u>			
38	\$10,625	<u>\$50,000</u>	<u>6.25%</u>			
39	\$50,000	<u>NA</u>	<u>7%</u>			
40	<u>For Ta</u>	xable Years Beginning T	<u>hereafter:</u>			
41	<u>Over</u>	Up To	<u>Rate</u>			
42	<u>-0-</u>	\$10,62 <u>5</u>	<u>5%</u>			
43	\$10,625	\$50,000	<u>6%</u>			
44	\$50,000	<u>NA</u>	<u>6.75%</u>			

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On the North Carolina taxable income up to ten thousand six
1
2
                    hundred twenty-five dollars ($10,625), six percent (6%).
3
                        On the amount over ten thousand six hundred twenty five dollars
                    ($10,625) and up to fifty thousand dollars ($50,000), seven percent
4
5
                    (7\%).
6
                        On the amount over fifty thousand dollars ($50,000), seven and
7
                    seventy-five one-hundredths percent (7.75%)."
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              SECTION 2. G.S. 105-130.3 reads as rewritten:
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"§ 105-130.3. Corporations.

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41 42 A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net income computed as follows:

13	Income Years Beginning	Tax
14	In 1997	7.5%
15	In 1998	7.25%
16	In 1999	7%
17	After 1999	
18	and before 2005	6.9%. 6.9%
19	<u>In 2005</u>	<u>6.65%</u>
20	<u>In 2006</u>	6.4%
21	<u>In 2007</u>	<u>6.15%</u>
22	<u>After 2007</u>	<u>5.9%</u> "

SECTION 3. G.S. 115C-546.1(b) reads as rewritten:

"(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer for credit to the Public School Building Capital Fund an amount equal to the applicable fraction provided in the table below of the net collections received during the previous quarter by the Department of Revenue under G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All funds deposited in the Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.

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31
         Period
                                 Fraction
                                 One-fifteenth (1/15)
32
         10/1/97 to 9/30/98
33
         10/1/98 to 9/30/99
                                 Two twenty-ninths (2/29)
34
                                 One-fourteenth (1/14)
         10/1/99 to 9/30/00
35
         After 9/30/0010/1/00 to 9/30/05
                                               Five sixty-ninths (5/69)
                                 Ten one-hundred-and-thirty-thirds (10/133)
         10/1/05 to 9/30/06
36
         10/1/06 to 9/30/07
                                 Five sixty-fourths (5/64)
37
         10/1/07 to 9/30/08
                                 Ten one-hundred-and-twenty-thirds (10/123)
38
39
         After 9/30/08
                                 Five fifty-ninths (5/59)"
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SECTION 4. Section 1 of this act becomes effective for taxable years beginning on or after January 1, 2005. The remainder of this act is effective when it becomes law.