

March 23, 2005

**S 885. REDUCE TAX/CUT GOVERNMENT SPENDING. TO REDUCE THE CORPORATE AND PERSONAL INCOME TAX, CUT GOVERNMENT SPENDING, AND REDUCE MEDICAID FRAUD.** Amends GS 105-130.3 to reduce corporate income tax rate by 1% (to 5.9%) in 2006 and by an additional 1% in 2007. Makes conforming changes to GS 115C-546.1(b) to hold harmless the Public School Building Capital Fund. Amends GS 105-134.2 to reduce all individual income tax rates by 0.5%.

Directs Governor to reduce expenditures in fiscal 2005-06 by reducing funding to nongovernmental organizations and by eliminating vacant positions, so that cost savings of at least \$90 million are achieved. Directs Office of State Budget to eliminate funds appropriated to any state agency for any position vacant on July 1. Exempts from reductions any police, fire, or other first responders. Specifies that greater additional reductions will be necessary in future years, and states intent of legislature to achieve additional savings to the state using similar mechanisms. Directs Department of Health and Human Services to improve procedures so that incidences of Medicaid fraud are reduced over previous year by 5%. Tax rate reductions effective January 1, 2006. Remainder of act, except changes to School Capital Fund are effective July 1, 2005; Capital Fund change is effective when it becomes law.

**Intro. by Pittenger.**

Ref. to Finance

GS 105, 115C, APPROP