March 20, 2007

S 1012. REDUCE TAX/CUT GOVERNMENT SPENDING. Filed 3/20/07. *TO REDUCE THE CORPORATE AND PERSONAL INCOME TAX, CUT GOVERNMENT SPENDING, AND REDUCE MEDICAID FRAUD*.

Amends GS 105-130.3 to reduce the corporate income tax rate to 5.9 percent in 2007 and 4.9 percent in 2008 and thereafter; and makes changes to GS 115C-546.1(b) to maintain the amount of corporate income tax proceeds going to Public School Building Capital Fund. Amends GS 105-134.2(a) to reduce individual income tax rates for each filing status and income bracket to 5.5 percent, 6.5 percent, and 7.25 percent (currently, 6, 7, and 7.75 percent). Directs the Director of the Budget to manage 2007-08 expenditures to reduce state funds to nongovernmental organizations and eliminate vacant positions in order to result in cost savings of at least $90.3 million, to offset the loss of revenue caused by the tax relief in the bill. Directs the Office of State Budget and Management to eliminate all General Fund positions in state departments, agencies, and institutions that are vacant on July 1, 2007. Exempts from the mandatory reductions police departments, fire departments, and recipients of federal first responder grants. Directs the Department of Health and Human Services to reduce incidences of Medicaid fraud by at least 5 percent from previous the year. Forecasts that the tax relief will reduce state revenues by at least $554.6 million in 2007-08 and $1.0625 billion in 2008-09 and expresses legislative intent to reduce the state budget accordingly. Provides that changes in tax rates are effective for taxable years beginning on or after January 1, 2008; changes to the Public School Building Capital Fund are effective when bill becomes law; and other changes are effective July 1, 2007.

Intro. by Pittenger. GS 105, 115C