

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1756 (Second Edition)

SHORT TITLE: Estate and Gift Tax Law Changes.

SPONSOR(S): Senator Hoyle

	FISCAL IMPACT				
	Yes ()	No ()	No Estimate Available ()		
	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>
REVENUES (\$ millions):					
Estate Tax Modification	(2.0)	(0.5)	(0.5)	(0.5)	(0.5)
Gift Tax Repeal	(16.9)	(17.5)	(18.1)	(18.5)	(18.5)
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Revenue				
EFFECTIVE DATE:	See Bill Summary				

BILL SUMMARY:

This bill would modify the formula for calculating the North Carolina estate tax on estates that include property in another state by excluding the value of the property from the estate tax payable to North Carolina. The bill would apply retroactively to the estates of decedents for which the statute of limitations for claiming a refund had not expired as of December 28, 2007.

The Proposed Committee Substitute repeals the state Gift Tax effective January 1, 2008.

ASSUMPTIONS AND METHODOLOGY: Based on data provided by the Department of Revenue, the dollar amount from taxpayers claiming a refund could equal \$1.5 million. This estimate is based on estate tax returns between 2002 and 2007 and assumes that the statute of limitations would extend no more than three years prior to December 28, 2007. It is also assumed

that all taxpayers eligible for a refund will apply for the refund. Passage of this bill will also mean out of state property will be excluded from the estate tax and this would reduce estate tax collections by \$0.5 million per fiscal year.

Repeal Gift Tax

The revenue loss from the repeal of the gift tax was estimated using baseline collections data for the last 20 years, plus recent consensus revenue estimates produced by Fiscal Research and the Office of State Budget and Management.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

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DATE: June 3, 2008



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