

## SB 394 (PCS): Lower Rates for a Stronger NC Economy

Summary	Eff. Date	State \$Millions				Local \$Millions			
		13-14	14-15	15-16	16-17	13-14	14-15	15-16	16-17
<b>Business Tax Changes</b>									
Repeal state and local privilege license tax	Various	(50.0)	(51.3)	(52.5)	(53.8)		(75.0)	(75.0)	(75.0)
Expand franchise tax base and reduce rate to \$1.25/\$1,000	01/01/2015		107.0	108.0	109.9		45.0	45.0	45.0
Expand corporate income tax base and reduce rate to 6%	01/01/2014	(61.0)	(146.0)	(152.2)	(158.6)				
Increase sales factor apportionment from 1/2 to 3/4	01/01/2014	(43.6)	(96.6)	(100.4)	(110.1)				
Repeal ineffective tax credits and extend sunset on others	01/01/2014		(35.6)	(69.0)	(69.0)				
Repeal 1%, \$80 excise tax	01/01/2014	(17.4)	(39.2)	(40.2)					
Repeal piped gas excise tax	01/01/2014	(11.4)	(25.6)	(26.0)	(26.7)	(4.9)	(11.0)	(11.2)	(24.9)
Repeal electricity franchise tax	01/01/2014	(78.5)	(157.0)	(157.0)	(160.9)	(93.5)	(187.0)	(187.0)	(191.7)
Repeal discounts	07/01/2014		12.0	12.0	12.0				
Eliminate annual report fees	01/01/2015		(30.0)	(31.2)	(32.4)				
<b>Total Business Tax Changes</b>		(261.9)	(462.2)	(508.5)	(489.6)	(98.4)	(228.0)	(228.2)	(246.6)
<b>Individual Income Tax Changes</b>									
Zero Bracket: MFJ - \$11,000; S/MFS - \$5,500; HOH - \$8,800	01/01/2015		(276.0)	(466.0)	(476.1)				
6.0% Flat Rate									
Eliminate exemptions									
Eliminate standard and itemized deductions									
Eliminate \$50,000 business exemption									
Treat retirement benefits same as other income									
Tax Social Security benefits only if taxed by federal government									
Eliminate all Credits, except for the following:									
Child Tax Credit - AGI < \$110,000 (MFJ) \$450 per child; AGI between \$110,000 and \$200,000 (MFJ) \$200 per child									
Charitable Contributions Credit - 6.0% Rate and \$600 Credit Cap (\$10,000 in contributions)									
Personal Expense Tax Credit - (AGI - Zero Bracket)*0.6%; Limited to AGI<\$150,000 (MFJ); \$800 (MFJ) Credit Cap and \$200 (MFJ) Credit Floor									
<b>Sales Tax Changes</b>									
Repeal vending, newspaper, and various other exemptions	07/01/2013	28.9	31.4	32.2	33.0	12.2	13.2	13.6	13.9
Transfer entertainment from privilege tax and expand to include other recreation charges	07/01/2013	55.0	125.7	133.0	136.2	23.2	52.9	56.0	57.4
Include tangible personal property services	01/01/2014	113.6	261.5	327.9	335.8	47.8	110.1	138.1	141.4
Include real property care and maintenance services	07/01/2014	0.0	179.7	195.4	200.1	0.0	75.7	82.3	84.2
Limit equipment exemptions to capital equipment	01/01/2014	3.3	7.7	7.9	8.1	1.4	3.2	3.3	3.4
Remove vehicle caps, include doc fees in vehicle pricing	01/01/2014	16.9	39.0	40.0	41.0				
Modify other exemptions and rates for consistency	01/01/2014	6.7	15.3	15.7	16.1	3.4	7.8	8.0	8.2
<b>Subtotal Sales Tax Changes</b>		224.5	660.4	752.1	770.2	88.0	263.0	301.2	308.4
Eliminate electricity preferential rate	01/01/2014	86.6	169.1	171.0	170.8	99.0	222.4	228.0	228.0
Include piped natural gas	01/01/2014	32.0	68.5	69.9	71.6	13.5	30.3	31.1	31.8
Reduce State Sales Tax Rate To 4.5%	09/01/2014		(270.4)	(366.3)	(382.6)				
<b>Total Sales Tax Changes</b>		343.1	627.7	626.8	630.0	200.4	515.7	560.3	568.3
<b>State/Local Distribution Changes</b>									
Tax Food at 1% in State and local base instead of 2% in local	07/01/2015		0.0	145.1	148.6		0.0	(145.1)	(148.6)
Repeal distribution to Public School Capital Fund	04/01/2014	0.0	85.5	89.0	92.6	0.0	(85.5)	(89.0)	(92.6)
Repeal distribution of State excise tax on beer and wine	07/01/2014		36.8	37.8	37.8		(36.8)	(37.8)	(37.8)
Repeal distribution on modular homes	01/01/2014								
Repeal Medicaid hold-harmless	07/01/2013	22.0	47.8	49.0	60.8	(22.0)	(47.8)	(49.0)	(60.8)
<b>Total State/Local Distribution Changes</b>		22.0	170.1	320.9	339.7	(22.0)	(170.1)	(320.9)	(339.7)
<b>Reserves</b>									
Implementation and Transitional Adjustments		(40.0)							
Reserve (FY 15-16)		(26.7)							
<b>Total Reserves</b>		(66.7)							
<b>Total All Changes</b>		<b>36.5</b>	<b>59.5</b>	<b>(26.7)</b>	<b>4.1</b>	<b>80.0</b>	<b>117.6</b>	<b>11.2</b>	<b>(18.0)</b>