

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 549 (First Edition)

SHORT TITLE: Tax Restoration Act.

SPONSOR(S): Representatives Brockman, Harrison, Insko, and Luebke

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
State Impact	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
General Fund Revenues:					
Individual Income Tax	\$379.6	\$289.1	\$297.8	\$306.7	\$315.9
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$379.6	\$289.1	\$297.8	\$306.7	\$315.9
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue					
EFFECTIVE DATE: This act is effective for taxable years beginning on or after January 1, 2015					
TECHNICAL CONSIDERATIONS:					
None					

BILL SUMMARY:

House Bill 549 amends GS 105-153.7(a) to restore the personal income tax rate to 5.75% for individuals with taxable income up to \$1 million and to 7.75% for individuals with taxable income exceeding \$1 million. The bill is effective for taxable years beginning on or after January 1, 2015.

ASSUMPTIONS AND METHODOLOGY:

In order to estimate the impact of adding a 7.75% tax bracket for North Carolina taxable income greater than \$1 million, the scenario was run through the BearingPoint North Carolina Individual Income Tax Model. In that scenario, a new 7.75% tax rate was added for any North Carolina taxable income greater than \$1 million.

It's estimated that in FY 2015-16, the bill would generate \$379.6 million in additional revenue. This number includes the full impact of tax year 2015 plus estimated payments and withholding through the first half of tax year 2016. FY 2016-17, which features a single fiscal year impact, would result in a revenue increase of \$289.1 million. It's estimated that the addition of the new 7.75% rate would impact approximately 10,000 tax returns.

SOURCES OF DATA: BearingPoint North Carolina Individual Income Tax Model; IRS Statistics of Income; Moody's Economy.com

TECHNICAL CONSIDERATIONS: None

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