

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: SB 121 (PCS)
SHORT TITLE: INHERITANCE/GIFT TAX CHANGES
SPONSOR(S): SEN. KERR, COCHRANE, HOYLE

FISCAL IMPACT: **Expenditures:** **Increase ()** **Decrease ()**
 Revenues: **Increase (X)** **Decrease ()**

: Deaths occurring on or after January 1, 1995 and gifts made on or after that date.

FISCAL EFFECT: There is insufficient information to predict exact impact.
However, the large federal estate tax credit (exempts estates of under
 No Impact ()
 No Estimate Available (X)

FUND AFFECTED: **General Fund (X)** **Highway Fund ()** **Local Govt. ()**
 Other Funds ()

BILL SUMMARY: (1) The state income tax calculation starts with federal taxable income (amount remaining after exemptions and deductions) and requires certain additions and deductions from this base figure. The proposal would allow the Secretary of Revenue to assess a negligence penalty for reporting improper adjustments to federal taxable income (favorable to the taxpayer) to the same extent that the Secretary can assess a penalty for understating gross income or overstating deductions.

(2) Requires that taxpayer add to State taxable income the amount of any federal estate tax paid on an item of income in respect of a decedent that is included in federal taxable income.

EFFECTIVE 5-Jul-1995: Deaths occurring on or after January 1, 1995 and gifts made on or after that date.

FISCAL EFFECT: There is insufficient information to predict exact impact.
However, the large federal estate tax credit (exempts estates of under \$600,000) means that few estates pay the federal tax. Thus, the impact should be minimal. **FISCAL RESEARCH DIVISION**

733-4910

PREPARED BY: Dave Crofts

APPROVED BY: TomC

NEW VERSION - JULY 7, 1995

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**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: SB 121 (PCS AS AMENDED ON 7/5/95)
SHORT TITLE: INHERITANCE/GIFT TAX CHANGES
SPONSOR(S): SEN. KERR, COCHRANE, HOYLE

FISCAL IMPACT: **Expenditures:** **Increase ()** **Decrease ()**
 Revenues: **Increase ()** **Decrease ()**
 No Impact ()
 No Estimate Available (X)

FUND AFFECTED: **General Fund (X)** **Highway Fund ()** **Local Govt. ()**
 Other Funds ()

BILL SUMMARY: (1) Makes the time limits for assessing any inheritance tax due after a federal determination of the value of an estate the same as the time limits that apply to assessments of other state taxes following a federal determination. (2) Reduces the penalty for failure to file an amended return following a federal determination from 25% of the amount of any additional tax due (minimum of \$25 and maximum of \$500) to 5% of the amount of the tax due, with an additional 5% for each month the tax is overdue.

EFFECTIVE DATE: August 1, 1995.

FISCAL EFFECT: Unknown. **FISCAL RESEARCH DIVISION**
733-4910

PREPARED BY: Dave Crofts

APPROVED BY: TomC TomC

DATE: July 6, 1995

[FRD#001]



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