

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1241 (Senate Finance Committee Substitute)

SHORT TITLE: Amendments to the Revenue Laws

SPONSOR(S): Senator Hoyle, et al.

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
REVENUES					
General Fund					
Penalties		No estimate available			
Qualified Business Tax Credit			(\$6 mil.)	(\$6 mil.)	(\$6 mil.)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue; Department of the Secretary of State					
EFFECTIVE DATE: Sections 1 through 22 (penalties) become effective September 1, 1998. The remainder of the act (qualified business tax credit) is effective when it becomes law.					

BILL SUMMARY: The bill gives uniformity and simplicity to a number of penalties imposed by the Department of Revenue. The bill also extends the sunset on the qualified business tax credit from January 1, 1999 to January 1, 2003.

ASSUMPTIONS AND METHODOLOGY:

PENALTIES

This bill uses GS 105 - 236 as the standard for penalties charged by the Department of Revenue. A number of technical or clarifying changes are made in the bill to bring uniformity to a list of penalties imposed by the Department. Some penalties are deleted because they are not used by the Department of Revenue, such as the penalty on the clerks of Superior Court in Section 2 and the penalty for frivolous petitions in section 17. However, in the attempt for uniformity, some sections of the bill may create a small revenue impact (less than \$100,000). Section 7 lowers the penalty on the tobacco products tax and thus should produce a decrease in revenue. Sections 4 and 9 have higher penalties than the previous statute and may create a revenue gain.

Unfortunately, no estimate can be made because the Department does not collect data on these penalties.

QUALIFIED BUSINESS TAX CREDIT

The current tax credit for qualified business ventures expires for investments made on or after January 1, 1999. Investments made in 1998, the last year of the credit, will be taken in tax year 1999. The last General Fund impact for this credit will be in FY 99-00 when individual income tax returns are filed in the spring of 2000. (carry forwards will extend some of the credits into future years). Budget availability estimates for future years assume the credit will sunset in 1999. **Extension of the sunset in 1999, effective for tax year 2000, will produce an annual General Fund revenue loss of \$6 million for fiscal years 2000-01 through FY 2003-04.**

The qualified business tax credits given since 1993 are as follows:

1993	\$4,711,913
1994	\$6,011,513
1995	\$3,523,894
1996	\$4,677,221
1997	\$6,000,000 *
1998	\$5,082,000 **

* The Department of Revenue received requests for \$9,264,679 in credits, but the General Assembly limited the credit amount to \$6 million in 1997.

** This amount represents the applications processed as of July 7, 1998. (approximately \$200,000 more in credits pending)

FISCAL RESEARCH DIVISION (733-4910)

PREPARED BY: Richard Bostic

APPROVED BY: Tom Covington

DATE: July 16, 1998



Signed Copy Located in the NCGA Principal Clerk's Offices