

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 323 (First Edition)

SHORT TITLE: Decrease Corporate Income Tax Rate.

SPONSOR(S): Representatives Torbett, Jordan, and Stone

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES:	-307	-326	-352	-380	-410
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Dept. of Revenue					
EFFECTIVE DATE: Section 1 of this act is effective for taxable years beginning on or after January 1, 2011. Section 2 of this act is effective July 1, 2011, and applies to the calendar quarter that ends September 30, 2011. The remainder of this act is effective when it becomes law.					

BILL SUMMARY: Section 1 of the bill lowers the Corporate Income Tax rate from 6.9 percent to 4.75 percent beginning with the 2011 tax year. Section 2 adjusts the distribution rate for the Public School Building Capital Fund, distributed from the gross collections of the Corporate Income Tax, so as to hold harmless the amount distributed to the fund.

ASSUMPTIONS AND METHODOLOGY: The bill reduces the amount of collections from the Corporate Income Tax. The estimated fiscal year reductions in revenue are based on the most recent consensus revenue forecast (February 2011) for FY 2011-12 and FY 2012-13, and then using an average long term growth rate of 8% for the remaining fiscal years. Because the changes affect tax liability on a calendar year, timing adjustments were made to align with the State’s fiscal year. Based on previous research by the Department of Revenue, corporate taxpayers will adjust their estimated payments rather than wait until the final payment, which is due on April 15. Fiscal Research assumes that taxpayers will not be able to adjust their April 15, 2011 or June 15 2011 estimated payments for the 2011 tax year. Therefore, there will not be any impact to FY 2010-11 revenues, and the full impact of the tax rate change for tax year 2011 will occur in FY 2011-12.

SOURCES OF DATA: Consensus Revenue Forecast – February 2011, Department of Revenue

TECHNICAL CONSIDERATIONS: None

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