

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: Senate Bill 20 (First Edition)

SHORT TITLE: IRC Update.

SPONSOR(S): Senators Rabon, Rucho, and Tillman

FISCAL IMPACT					
(\$ in millions)					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
State Impact					
General Fund Revenues:	(1.0)	0.0	0.0	0.0	0.0
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	(\$1.0)	\$0.0	\$0.0	\$0.0	\$0.0
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue					
EFFECTIVE DATE: Taxable years beginning on or after January 1, 2014					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

Senate Bill 20 would update from December 31, 2013, to January 1, 2015, the reference to the Internal Revenue Code, thereby conforming to various federal provisions, including a deduction for teachers' classroom expenses of up to \$250 for the 2014 tax year. The Bill would decouple from the following provisions:

- Enhanced Section 179 expensing limits
- Qualified tuition and expenses deduction
- Mortgage insurance premium as interest deduction
- Income exclusion for discharge of residence indebtedness
- Income exclusion for IRA distributions to charity by a person who has reached age 70.5.

ASSUMPTIONS AND METHODOLOGY:

The fiscal impact to the General Fund from updating the reference to the Internal Revenue Code is a result of conformity to the deduction for teachers' classroom expenses of up to \$250. The estimate is based on the US Joint Committee on Taxation (JCT) estimates on changes to federal taxes. The methodology used begins with these JCT estimates, which are calculated by federal fiscal year. Since the federal fiscal year ends 9/30 and the state's fiscal year ends 6/30, Fiscal Research adjusts these numbers to an approximate state fiscal year tax impact. Then, the next step is to prorate the national numbers to the state impact. This adjustment involved two steps: accounting for the relative size of the state based on federal tax collections and then adjusting for the difference in federal marginal tax rates and the state tax rate. Once North Carolina's share of the JCT estimates were determined, state tax liability changes were estimated and allocated to the appropriate fiscal year.

SOURCES OF DATA: NC Department of Revenue, US Joint Committee on Taxation

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Jonathan Tart

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

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