

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2017**

**Legislative Fiscal Note  
REVISED**

**BILL NUMBER:** House Bill 54 (First Edition)  
**SHORT TITLE:** Protect the Hardworking Taxpayers Act.  
**SPONSOR(S):** Representatives Hastings, Saine, Howard, and Setzer

<b>FISCAL IMPACT</b> (\$ in millions)					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
<b>State Impact</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
General Fund Revenues:	(\$63) to (\$70)	(\$69) to (\$78)	(\$72) to (\$85)	(\$76) to (\$93)	(\$81) to (\$104)
General Fund Expenditures:	- to -	- to -	- to -	- to -	- to -
<b>NET STATE IMPACT</b>	<b>(\$63) to (\$70)</b>	<b>(\$69) to (\$78)</b>	<b>(\$72) to (\$85)</b>	<b>(\$76) to (\$93)</b>	<b>(\$81) to (\$104)</b>

**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, 2017.

**TECHNICAL CONSIDERATIONS:** None

**REVISION NOTE:**

This Note has been revised based upon new data provided by the Department of Revenue.

**BILL SUMMARY:**

Current law provides that in calculating taxable income, a taxpayer may deduct from adjusted gross income either the North Carolina standard deduction or certain itemized deductions. The itemized deduction for mortgage interest and real estate property taxes, as codified in G.S. 105-153.5(2)(b), cannot exceed \$20,000. House Bill 54 would repeal the \$20,000 deduction cap.

**ASSUMPTIONS AND METHODOLOGY:**

The impact on North Carolina’s individual income tax collections was determined based on summary data compiled by the Department of Revenue from tax year 2014 personal income tax forms and results from the North Carolina Individual Income Tax Model. Projected values are based on state forecasts of population, personal income, mortgage originations, new home prices, and existing home prices provided by Moody’s Analytics and individual income tax statistics for North Carolina residents provided by the Internal Revenue Service.

Removing the \$20,000 cap on the deduction is estimated to result in a decrease in individual income tax collections of \$63 to \$70 Million for tax year 2017. Approximately 5% of tax returns are estimated to realize a tax decrease due to the proposed change.

The table below shows the percentage of filers in each income group that would be expected to benefit from the proposed tax change.

<b>Federal Adjusted Gross Income</b>	<b>Estimated Percent of 2017 Returns with Tax Decrease</b>
Less than \$50,000	<1%
\$50,000 - \$99,999	2%
\$100,000 - \$199,999	11%
\$200,000 - \$499,999	35%
\$500,000 - \$999,999	55%
\$1,000,000 or More	70%
<b>Total</b>	<b>5%</b>

**SOURCES OF DATA:** NC Department of Revenue; Internal Revenue Service; Moody’s Analytics

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Emma Turner, Jonathan Tart, Brian Silva

**APPROVED BY:**

Mark Trogon, Director  
**Fiscal Research Division**

**DATE:** February 28, 2017



**Signed Copy Located in the NCGA Principal Clerk's Offices**