

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1233

Short Title: Optional Simple Income Tax.

(Public)

Sponsors: Representative Shubert.

Referred to: Finance.

May 19, 1997

A BILL TO BE ENTITLED

AN ACT TO ENACT AN OPTIONAL SIMPLIFIED INCOME TAX FOR
INDIVIDUALS WHO PREFER TO AVOID THE BURDEN AND EXPENSE OF
CALCULATING STATE INCOME TAXES.

The General Assembly of North Carolina enacts:

Section 1. Division II of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-134.2A. Optional simplified individual income tax.

(a) Tax. – On individuals who elect the optional simplified tax provided in this section, there is imposed for each taxable year, in lieu of the tax imposed in G.S. 105-134.2, a tax equal to X percent (X%) of the individual's federal income tax liability under the Code for the taxable year. For the purposes of this section, an individual's federal income tax liability is determined before the subtraction of any credits.

(b) Election. – An individual may elect the optional simplified tax by so indicating on the tax return. The election is irrevocable once the return is filed.

(c) Administration. – The tax imposed by this section shall be treated as the tax imposed by G.S. 105-134.2 except as provided in this subsection.

(1) Adjustments. – G.S. 105-134.6 and G.S. 105-134.7 do not apply to the tax imposed by this section.

- 1 (2) Credits. – No credit is allowed against the tax imposed by this section
2 other than credit for North Carolina income tax paid by or on behalf of
3 the individual for the taxable year.
- 4 (3) Designation of Refund. – A refund of the tax imposed by this section
5 may not be applied to estimated tax liability as provided in G.S. 105-
6 269.4 or contributed as provided in G.S. 105-269.5 or G.S. 105-269.6.
- 7 (4) Penalties. – For the purpose of G.S. 105-236(5)b., an understatement of
8 federal income tax liability is considered an understatement of gross
9 income.
- 10 (5) Federal Corrections. – If a taxpayer has elected the tax imposed in this
11 section for a taxable year and the taxpayer's federal income tax liability
12 for that taxable year is corrected or otherwise determined by the federal
13 government, the taxpayer must, within two years after being notified of
14 the correction or final determination by the federal government, file an
15 income tax return with the Secretary reflecting the corrected or
16 determined tax liability. The provisions of G.S. 105-159 apply to the
17 taxpayer in this situation."

18 Section 2. The Department of Revenue may withhold from collections under
19 Article 4 of Chapter 105 of the General Statutes for the 1998-99 fiscal year an amount
20 necessary to pay the costs of developing and printing forms and instructions for the new
21 optional tax provided in this act.

22 Section 3. Section 2 of this act becomes effective July 1, 1998. The remainder
23 of this act is effective for taxable years beginning on or after January 1, 1998.