

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE DRS55152-LC-26 (02/11)

Short Title: Phase Down Income Tax Rates.

(Public)

Sponsors: Senator Forrester.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REDUCE INCOME TAX RATES.

The General Assembly of North Carolina enacts:

SECTION 1. Effective for taxable years beginning on or after January 1, 2005, G.S. 105-134.2(a) reads as rewritten:

"(a) A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually and shall be computed at the following percentages of the taxpayer's North Carolina taxable income.

- (1) For married individuals who file a joint return under G.S. 105-152 and for surviving spouses, as defined in section 2(a) of the Code:

For Taxable Years Beginning in 2005:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$21,250	5.75%
\$21,250	\$100,000	6.75%
\$100,000	NA	7.5%

For Taxable Years Beginning in 2006:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$21,250	5.5%
\$21,250	\$100,000	6.5%
\$100,000	NA	7.25%

For Taxable Years Beginning in 2007:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$21,250	5.25%
\$21,250	\$100,000	6.25%
\$100,000	NA	7%

For Taxable Years Beginning Thereafter:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
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1	<u>-0-</u>	<u>\$21,250</u>	<u>5%</u>
2	<u>\$21,250</u>	<u>\$100,000</u>	<u>6%</u>
3	<u>\$100,000</u>	<u>NA</u>	<u>6.75%</u>

4 On the North Carolina taxable income up to twenty-one thousand
5 two hundred fifty dollars (\$21,250), six percent (6%).

6 On the amount over twenty-one thousand two hundred fifty dollars
7 (\$21,250) and up to one hundred thousand dollars (\$100,000), seven
8 percent (7%).

9 On the amount over one hundred thousand dollars (\$100,000),
10 seven and seventy-five one hundredths percent (7.75%).

11 (2) For heads of households, as defined in section 2(b) of the Code:

12 **For Taxable Years Beginning in 2005:**

13	<u>Over</u>	<u>Up To</u>	<u>Rate</u>
14	<u>-0-</u>	<u>\$17,000</u>	<u>5.75%</u>
15	<u>\$17,000</u>	<u>\$80,000</u>	<u>6.75%</u>
16	<u>\$80,000</u>	<u>NA</u>	<u>7.5%</u>

17 **For Taxable Years Beginning in 2006:**

18	<u>Over</u>	<u>Up To</u>	<u>Rate</u>
19	<u>-0-</u>	<u>\$17,000</u>	<u>5.5%</u>
20	<u>\$17,000</u>	<u>\$80,000</u>	<u>6.5%</u>
21	<u>\$80,000</u>	<u>NA</u>	<u>7.25%</u>

22 **For Taxable Years Beginning in 2007:**

23	<u>Over</u>	<u>Up To</u>	<u>Rate</u>
24	<u>-0-</u>	<u>\$17,000</u>	<u>5.25%</u>
25	<u>\$17,000</u>	<u>\$80,000</u>	<u>6.25%</u>
26	<u>\$80,000</u>	<u>NA</u>	<u>7%</u>

27 **For Taxable Years Beginning Thereafter:**

28	<u>Over</u>	<u>Up To</u>	<u>Rate</u>
29	<u>-0-</u>	<u>\$17,000</u>	<u>5%</u>
30	<u>\$17,000</u>	<u>\$80,000</u>	<u>6%</u>
31	<u>\$80,000</u>	<u>NA</u>	<u>6.75%</u>

32 On the North Carolina taxable income up to seventeen thousand
33 dollars (\$17,000), six percent (6%).

34 On the amount over seventeen thousand dollars (\$17,000) and up to
35 eighty thousand dollars (\$80,000), seven percent (7%).

36 On the amount over eighty thousand dollars (\$80,000), seven and
37 seventy-five one hundredths percent (7.75%).

38 (3) For unmarried individuals other than surviving spouses and heads of
39 households:

40 **For Taxable Years Beginning in 2005:**

41	<u>Over</u>	<u>Up To</u>	<u>Rate</u>
42	<u>-0-</u>	<u>\$12,750</u>	<u>5.75%</u>
43	<u>\$12,750</u>	<u>\$60,000</u>	<u>6.75%</u>
44	<u>\$60,000</u>	<u>NA</u>	<u>7.5%</u>

For Taxable Years Beginning in 2006:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$12,750	5.5%
\$12,750	\$60,000	6.5%
\$60,000	NA	7.25%

For Taxable Years Beginning in 2007:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$12,750	5.25%
\$12,750	\$60,000	6.25%
\$60,000	NA	7%

For Taxable Years Beginning Thereafter:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$12,750	5%
\$12,750	\$60,000	6%
\$60,000	NA	6.75%

~~On the North Carolina taxable income up to twelve thousand seven hundred fifty dollars (\$12,750), six percent (6%).~~

~~On the amount over twelve thousand seven hundred fifty dollars (\$12,750) and up to sixty thousand dollars (\$60,000), seven percent (7%).~~

~~On the amount over sixty thousand dollars (\$60,000), seven and seventy five one hundredths percent (7.75%).~~

(4) For married individuals who do not file a joint return under G.S. 105-152:

For Taxable Years Beginning in 2005:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$10,625	5.75%
\$10,625	\$50,000	6.75%
\$50,000	NA	7.5%

For Taxable Years Beginning in 2006:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$10,625	5.5%
\$10,625	\$50,000	6.5%
\$50,000	NA	7.25%

For Taxable Years Beginning in 2007:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$10,625	5.25%
\$10,625	\$50,000	6.25%
\$50,000	NA	7%

For Taxable Years Beginning Thereafter:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
-0-	\$10,625	5%
\$10,625	\$50,000	6%
\$50,000	NA	6.75%

~~On the North Carolina taxable income up to ten thousand six hundred twenty five dollars (\$10,625), six percent (6%).~~

~~On the amount over ten thousand six hundred twenty five dollars (\$10,625) and up to fifty thousand dollars (\$50,000), seven percent (7%).~~

~~On the amount over fifty thousand dollars (\$50,000), seven and seventy five one hundredths percent (7.75%)."~~

SECTION 2. G.S. 105-130.3 reads as rewritten:

"§ 105-130.3. Corporations.

A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999	
<u>and before 2005</u>	<u>6.9%-6.9%</u>
<u>In 2005</u>	<u>6.65%</u>
<u>In 2006</u>	<u>6.4%</u>
<u>In 2007</u>	<u>6.15%</u>
<u>After 2007</u>	<u>5.9%"</u>

SECTION 3. G.S. 115C-546.1(b) reads as rewritten:

"(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer for credit to the Public School Building Capital Fund an amount equal to the applicable fraction provided in the table below of the net collections received during the previous quarter by the Department of Revenue under G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All funds deposited in the Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.

Period	Fraction
10/1/97 to 9/30/98	One-fifteenth (1/15)
10/1/98 to 9/30/99	Two twenty-ninths (2/29)
10/1/99 to 9/30/00	One-fourteenth (1/14)
After 9/30/00 <u>10/1/00 to 9/30/05</u>	Five sixty-ninths (5/69)
<u>10/1/05 to 9/30/06</u>	<u>Ten one-hundred-and-thirty-thirds (10/133)</u>
<u>10/1/06 to 9/30/07</u>	<u>Five sixty-fourths (5/64)</u>
<u>10/1/07 to 9/30/08</u>	<u>Ten one-hundred-and-twenty-thirds (10/123)</u>
<u>After 9/30/08</u>	<u>Five fifty-ninths (5/59)"</u>

SECTION 4. Section 1 of this act becomes effective for taxable years beginning on or after January 1, 2005. The remainder of this act is effective when it becomes law.