

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 885

Short Title: Reduce Tax/Cut Government Spending. (Public)

Sponsors: Senators Pittenger; Allran, Apodaca, Berger of Rockingham, Bingham, Blake, Brock, Brown, East, Forrester, Garwood, Goodall, Hartsell, Hunt, Jacumin, Presnell, Stevens, Tillman, and Webster.

Referred to: Finance.

March 23, 2005

A BILL TO BE ENTITLED

AN ACT TO REDUCE THE CORPORATE AND PERSONAL INCOME TAX, CUT GOVERNMENT SPENDING, AND REDUCE MEDICAID FRAUD.

The General Assembly of North Carolina enacts:

SECTION 1. 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>through 2005</u>	6.9% -6.9%
<u>In 2006</u>	<u>5.9%</u>
<u>In 2007 and thereafter</u>	<u>4.9%</u> "

SECTION 2. 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)

1 10/1/99 to 9/30/00 One-fourteenth (1/14)
 2 ~~After 9/30/00~~
 3 10/1/00 to 9/30/06 Five sixty-ninths (5/69)
 4 10/1/06 to 9/30/07 Five fifty-ninths (5/59)
 5 After 9/30/07 Five forty-ninths (5/49)"

6 **SECTION 3.** G.S. 105-134.2(a) reads as rewritten:

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

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

Over	Up To	Rate
0	\$21,250	6% <u>5.5%</u>
\$21,250	\$100,000	7% <u>6.5%</u>
\$100,000	NA	7.75% <u>7.25%</u>

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

Over	Up To	Rate
0	\$17,000	6% <u>5.5%</u>
\$17,000	\$80,000	7% <u>6.5%</u>
\$80,000	NA	7.75% <u>7.25%</u>

25 (3) For unmarried individuals other than surviving spouses and heads of
 26 households:

Over	Up To	Rate
0	\$12,750	6% <u>5.5%</u>
\$12,750	\$60,000	7% <u>6.5%</u>
\$60,000	NA	7.75% <u>7.25%</u>

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

Over	Up To	Rate
0	\$10,625	6% <u>5.5%</u>
\$10,625	\$50,000	7% <u>6.5%</u>
\$50,000	NA	7.75% <u>7.25%</u> "

41 **SECTION 4.(a)** Spending Reduction. – The Director of the Budget shall
 42 manage expenditures in the 2005-2006 fiscal year to reduce State funds to
 43 nongovernmental organizations and to find efficiencies through the elimination of
 44 vacant positions in the various State departments, agencies, and institutions that result in

1 cost savings to the State of at least ninety million three hundred thousand dollars
2 (\$90,300,000) to offset the loss of revenue caused by the tax relief authorized in this act.

3 **SECTION 4.(b)** Nongovernmental Organizations. – A nongovernmental
4 organization that is not in compliance with the reporting requirements of G.S. 143-6.2
5 the time this act becomes effective is not eligible for further State funds from the
6 program from which the grant was made. Reductions in State funding to
7 nongovernmental organizations shall be limited to the actual amount of overall funding
8 necessary to offset any temporary reduction in State revenues as projected under this
9 act. Nongovernmental organizations shall be selected for funding reductions based on
10 their rank in order of their importance to the immediate health and safety of the citizens
11 of North Carolina. The Office of State Budget and Management shall establish and
12 maintain this ranking for the fiscal year considering both the purpose for which a grant
13 is to be made and the demonstrable results of grants made in previous fiscal years.

14 **SECTION 4.(c)** Vacant Positions. – To achieve the anticipated savings and
15 the negative reserve authorized by this section, the Office of State Budget and
16 Management (OSBM) shall eliminate all General Fund positions across State
17 government that are vacant on July 1, 2005, by transferring from the various State
18 departments, agencies, and institutions all salary funds appropriated for salaries and
19 related benefits associated with State government positions vacant on that date. The
20 Office of State Budget and Management shall not, however, transfer funds appropriated
21 for salaries and related benefits that will be redirected and expended in accordance with
22 G.S. 143-23(a2) or as otherwise directed by the General Assembly.

23 **SECTION 4.(d)** First Responders. – Notwithstanding the provisions of
24 subsections (a) and (c) of this section, police departments, fire departments, and
25 recipients of first responder grants from the United States Department of Homeland
26 Security are exempt from the reductions in State funding required by this section.

27 **SECTION 4.(e)** Future Years. – The General Assembly finds that the
28 corporate tax relief provided by this act will continue to decrease State revenues beyond
29 the 2005-2006 fiscal year. These amounts are five hundred fifty-four million six
30 hundred thousand dollars (\$554,600,000) in fiscal year 2006-2007 and one billion
31 sixty-two million five hundred thousand dollars (\$1,062,500,000) in fiscal year
32 2007-2008. It is the intent of the General Assembly that the prospective budgetary
33 impact of the tax relief provided by this act shall be offset by additional savings to the
34 State based upon continuing reductions in funding to nongovernmental organizations
35 and to State departments, agencies, and institutions.

36 **SECTION 5.** The Department of Health and Human Services shall improve
37 procedures for the deterrence, identification, and investigation of Medicaid fraud so that
38 incidences of fraud are reduced by at least five percent (5%) from the previous fiscal
39 year.

40 **SECTION 6.** Sections 1 and 3 of this act become effective for taxable years
41 beginning on or after January 1, 2006. Section 2 of this act is effective when it becomes
42 law. The remainder of this act becomes effective July 1, 2005.