

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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HOUSE DRH11198-MC-129 (02/11)

Short Title: Parity in Tax Paid by Small Businesses. (Public)

Sponsors: Representative Torbett.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ENSURE THAT SMALL BUSINESSES ARE NOT PLACED AT A
3 COMPETITIVE DISADVANTAGE AS COMPARED TO LARGE CORPORATIONS BY
4 VIRTUE OF A HIGHER INCOME TAX RATE.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 105-134.2 reads as rewritten:

7 "**§ 105-134.2. Individual income tax imposed.**

8 (a) Tax Rate. – A tax is imposed upon the North Carolina taxable income of every
9 individual. The tax shall be levied, collected, and paid ~~annually and shall annually.~~ Except as
10 otherwise provided in this section, the tax shall be computed at the following percentages of the
11 taxpayer's North Carolina taxable income.

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

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

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

Over	Up To	Rate
0	\$17,000	6%
\$17,000	\$80,000	7%
\$80,000	NA	7.75%

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27 (3) For unmarried individuals other than surviving spouses and heads of
28 households:

Over	Up To	Rate
0	\$12,750	6%
\$12,750	\$60,000	7%
\$60,000	NA	7.75%

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



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Over	Up To	Rate
0	\$10,625	6%
\$10,625	\$50,000	7%
\$50,000	NA	7.75%

(b) Tax Tables. – In lieu of the tax imposed by subsection (a) of this section, there is imposed for each taxable year upon the North Carolina taxable income of every individual a tax determined under tables, applicable to the taxable year, which may be prescribed by the Secretary. The amounts of the tax determined under the tables shall be computed on the basis of the rates prescribed by subsection (a) of this section. This subsection does not apply to an individual making a return under section 443(a)(1) of the Code for a period of less than 12 months on account of a change in the individual's annual accounting period, or to an estate or trust. The tax imposed by this subsection shall be treated as the tax imposed by subsection (a) of this section.

(c) Small Business Income. – The tax rate imposed on the net business income of a taxpayer who receives income from a small business for a taxable year may not exceed by more than two percent (2%) the rate imposed on a corporation under G.S. 105-130.3. A small business is a business whose cumulative gross receipts from all business activity in a taxable year does not exceed eight hundred fifty thousand dollars (\$850,000). For purposes of this subsection, the term business income does not include income that is considered passive income under the Code.

SECTION 2. G.S. 105-134.2, as rewritten by Section 1 of this act, reads as rewritten:

"§ 105-134.2. **Individual income tax imposed.**

...

(c) Small Business Income. – The tax rate imposed on the net business income of a taxpayer who receives income from a small business for a taxable year may not exceed by more than ~~two percent (2%)~~ one percent (1%) the rate imposed on a corporation under G.S. 105-130.3. A small business is a business whose cumulative gross receipts from all business activity in a taxable year does not exceed eight hundred fifty thousand dollars (\$850,000). For purposes of this subsection, the term business income does not include income that is considered passive income under the Code."

SECTION 3. G.S. 105-134.2(c), as rewritten by Section 2 of this act, reads as rewritten:

"(c) Small Business Income. – The tax rate imposed on the net business income of a taxpayer who receives income from a small business for a taxable year may not exceed ~~by more than one percent (1%)~~ the rate imposed on a corporation under G.S. 105-130.3. A small business is a business whose cumulative gross receipts from all business activity in a taxable year does not exceed eight hundred fifty thousand dollars (\$850,000). For purposes of this subsection, the term business income does not include income that is considered passive income under the Code."

SECTION 4. Section 1 of this act becomes effective for taxable years beginning on or after January 1, 2011. Section 2 of this act becomes effective for taxable years beginning on or after January 1, 2012. Section 3 of this act becomes effective for taxable years beginning on or after January 1, 2013. The remainder of this act is effective when it becomes law.