

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 1071 (First Edition)

**SHORT TITLE:** No State Income Tax on Unemployment Benefits.

**SPONSOR(S):** Representatives Brubaker, Howard, Gibson, and Lewis

<b>FISCAL IMPACT</b>					
	<b>Yes ( )</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
<b>REVENUES</b>	<b>(81.8)</b>	<b>(85.9)</b>	<b>(81.1)</b>	<b>(77.1)</b>	<b>(60.5)</b>
<b>EXPENDITURES</b>					
<b>POSITIONS (cumulative):</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	Department of Revenue				
<b>EFFECTIVE DATE:</b>	January 1, 2009				

### **BILL SUMMARY:**

The bill would eliminate the state income tax on unemployment benefits. The bill amends GS 105-134.6(b) by allowing a deduction from state income for benefits that are payable to the taxpayer by the State under GS Chapter 96 Article 2 (Unemployment Insurance Division) with respect to unemployment. The bill is effective for taxable years beginning on or after January 1, 2009.

**ASSUMPTIONS AND METHODOLOGY:** It is estimated that over the next five years taxable unemployment benefits will range between \$0.9 billion and \$1.3 billion. The estimated amount of taxable unemployment benefits was derived based on data from the Internal Revenue Service on the tax returns of North Carolina taxpayers; from current unemployment data provided by North Carolina Employment Security Commission; and a North Carolina employment forecast provided by Moody's economy.com.

The estimated fiscal impact was achieved by multiplying the statewide average income tax rate (6.75%) times the total amount of taxable unemployment benefits anticipated for each tax year. Once those yearly fiscal impacts were determined, then the estimates were shared out into the respective fiscal years

**SOURCES OF DATA:** Internal Revenue Service, North Carolina Employment Security Commission, Moody's economy.com

**TECHNICAL CONSIDERATIONS:** None

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

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**DATE:** June 10, 2009



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