

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**SENATE BILL 1012**

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

Sponsors: Senators Pittenger; Apodaca, Berger of Rockingham, Bingham, Blake, Brock, Brown, East, Forrester, Goodall, Hartsell, Hunt, Jacumin, Preston, and Tillman.

Referred to: Finance.

March 21, 2007

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 2007</u>	<del>6.9%</del> <u>6.9%</u>
<u>In 2007</u>	<u>5.9%</u>
<u>In 2008 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 9/30/08 Five sixty-ninths (5/69)

4 10/1/08 to 9/30/09 Five fifty-ninths (5/59)

5 After 9/30/09 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	<del>6%</del> <u>5.5%</u>
\$21,250	\$100,000	<del>7%</del> <u>6.5%</u>
\$100,000	NA	<del>7.75%</del> <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	<del>6%</del> <u>5.5%</u>
\$17,000	\$80,000	<del>7%</del> <u>6.5%</u>
\$80,000	NA	<del>7.75%</del> <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	<del>6%</del> <u>5.5%</u>
\$12,750	\$60,000	<del>7%</del> <u>6.5%</u>
\$60,000	NA	<del>7.75%</del> <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	<del>6%</del> <u>5.5%</u>
\$10,625	\$50,000	<del>7%</del> <u>6.5%</u>
\$50,000	NA	<del>7.75%</del> <u>7.25%.</u> "

40 **SECTION 4.(a)** Spending Reduction. – The Director of the Budget shall  
41 manage expenditures in the 2007-2008 fiscal year to reduce State funds to  
42 nongovernmental organizations and to find efficiencies through the elimination of  
43 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, 2007, 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 2007-2008 fiscal year. These amounts are at least five hundred fifty-four million six  
30 hundred thousand dollars (\$554,600,000) in fiscal year 2007-2008 and at least one  
31 billion sixty-two million five hundred thousand dollars (\$1,062,500,000) in fiscal year  
32 2008-2009. 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, 2008. Section 2 of this act is effective when it becomes  
42 law. The remainder of this act becomes effective July 1, 2007.