



# SENATE BILL 75: Const. Amd. - Max. Income Tax Rate of 5.5%.

2017-2018 General Assembly

<b>Committee:</b>	Senate Rules and Operations of the Senate	<b>Date:</b>	March 9, 2017
<b>Introduced by:</b>	Sens. Tucker, Brock, Tillman	<b>Prepared by:</b>	Nicholas Giddings Staff Attorney
<b>Analysis of:</b>	First Edition		

**OVERVIEW:** *Senate Bill 75 would propose amending the North Carolina Constitution to cap the tax on both personal and corporate incomes at 5.5%. The cap is currently 10%.*

**CURRENT LAW:** The State Constitution may be amended by either a constitutional convention or by legislative action. An amendment proposed by legislative action must be approved by a vote of three-fifths of each house and submitted to the voters of the State. If a majority of the voters of the State approve the amendment, the amendment will become effective either the January following the public vote, or the date provided in the legislative proposal.

**BILL ANALYSIS:** If enacted by the General Assembly, and approved by a majority of the voters, this bill would limit the tax on both personal and corporate incomes to 5.5% for taxable years beginning on or after January 1, 2019. Section 2 of Article V of the North Carolina Constitution currently provides the tax rate imposed on incomes cannot exceed 10%. The current tax rate on corporate income is 3%. The current tax rate on personal income is 5.499%.

The ballot question would be considered at the statewide general election to be held on November 6, 2018.

**EFFECTIVE DATE:** The bill is effective when it becomes law.

**BACKGROUND:** North Carolina amended the State Constitution in 1920 to cap taxation of incomes at 6%. In 1935, the cap was raised to 10%, where it stands today. Personal income utilized a bracket system for taxation until 2014, wherein a flat tax rate was implemented. The highest maximum personal income tax rate in North Carolina was 8.25%, from 2001-2006, while the lowest maximum personal income tax rate is 5.499%, where it stands today. Corporate income has always been taxed via a flat rate system. The highest maximum corporate tax rate in North Carolina was 7.75%, from 1991-1996, while the lowest maximum corporate tax rate is 3%, where it stands today.<sup>1</sup>

<sup>1</sup> The corporate tax rate was also 3% prior to 1939.

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