



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

2017-2018 General Assembly

Committee:		Date:	June 26, 2018
Introduced by:	Sens. Tucker, Brock, Tillman	Prepared by:	Cindy Avrette Staff Attorney
Analysis of:	Second Edition		

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

CURRENT LAW: The General Assembly is restricted by the Constitution of North Carolina from imposing a tax rate on personal or corporate income that exceeds 10%.¹

The current tax rate on corporate income is 3%, and the rate is scheduled to fall to 2.5% for taxable years beginning on or after January 1, 2019.² The current tax rate on personal income is 5.499%; and the rate is scheduled to fall to 5.25% for taxable years beginning on or after January 1, 2019.³

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: Senate Bill 75 would submit to the voters of North Carolina the question of whether to amend the State's Constitution to reduce the maximum allowed tax rate on incomes from 10% to 5.5%. The ballot question would be considered at the statewide general election to be held on November 6, 2018, and the ballot question would read:

"Reduce the income tax rate in North Carolina to a maximum allowable rate of five and one-half percent (5.5%)."

If enacted by the General Assembly and approved by a majority of the voters, this bill would limit the tax rate on both personal and corporate incomes to 5.5% for taxable years beginning on or after January 1, 2019. The limit, if enacted, would not reduce the current corporate and personal income tax rates since they are below 5.5%.

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

Nicholas Giddings and Greg Roney with the Legislative Analysis Division substantially contributed to this summary.

¹ North Carolina amended the Constitution in 1920 to cap taxation of incomes at 6%. In 1935, the cap was raised to 10%.

² Corporate income has always been taxed at a flat rate. The highest corporate tax rate in North Carolina was 7.75%, from 1991-1996. The lowest rate is 3%.

³ Personal income utilized a bracket system for taxation until 2014, when a flat rate was implemented. The highest marginal personal income tax rate in North Carolina was 8.25%, from 2001-2006. The lowest rate is 5.499%.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578