



HOUSE BILL 74: Taxpayer Refund Act.

2019-2020 General Assembly

Committee:	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	Date:	August 21, 2019
Introduced by:	Reps. Torbett, Lewis, Dobson, Bell	Prepared by:	Cindy Avrette
Analysis of:	PCS to Second Edition H74-CSRBFa-20		Staff Attorney

OVERVIEW: *The Senate proposed committee substitute for House Bill 74 would replace the contents of the bill with a one-time tax refund to taxpayers who have a net North Carolina tax liability on their 2018 NC individual income tax return. It would also appropriate non-recurring funds to the Department of Revenue for fiscal year 2019-2020 to cover the costs associated with the administration of the tax refund provision and with its tax systems operations and maintenance upgrades.*

BILL ANALYSIS: The Senate proposed committee substitute for House Bill 74 would provide an individual income tax credit for the 2018 taxable year equal to the following:

- \$250 for married filing jointly
- \$125 for all other taxpayers.

The tax credit cannot exceed the amount of tax owed. The tax credit is only available to taxpayers who file an individual income tax return on or before October 15, 2019.

The tax credit cannot be claimed on the 2018 individual income tax return. Instead, the Department is directed to automatically apply the tax credit to a qualifying taxpayer's tax return and mail a tax refund check to the taxpayer by December 15, 2019, for taxpayers who filed an individual income tax return for the 2018 taxable year on or before August 1, 2019, and by February 1, 2020, for all other qualifying taxpayers.¹ The Department must include with the check an explanatory insert provided by the State Treasurer. As with other tax refunds, this one would be subject to the Setoff Debt Collection Act.

The Senate proposed committee substitute would also appropriate the following non-recurring funds to the Department of Revenue for the 2019-2020 fiscal year:

- \$5,560,000 from the General Fund to be used to cover costs incurred from implementing the tax refund provided by this bill.
- \$12,500,000 from the Collection Assistance Fee Special Fund and the Integrated Tax Administration System Replacement Special Fund to be used for costs associated with tax systems operations and maintenance upgrades. This amount is an annual expense that is typically appropriated on a nonrecurring basis.

¹ The bill provides that the Department must mail the checks by the dates in the bill, or as soon as practicable thereafter.

Karen Cochrane-Brown
Director



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CURRENT LAW: Under federal law, state tax refunds² are taxable if the taxpayer claimed an itemized deduction for state income taxes. Under State law, State tax refunds are deductible from adjusted gross income to the extent they are included in adjusted gross income. The refund will be paid with applicable interest as provided under G.S. 105-241.21(c).³

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

² The Department of Revenue sends taxpayers who receive a State tax refund a Form 1099-G.

³ Interest on an overpayment of income taxes accrues 45 days from the latest of the date the final return was filed, the date the final return was due to be filed, or the date of the overpayment. An overpayment does not occur until a payment of tax has been made.