

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 843

Short Title: Annual Tax Expenditure Reports.

(Public)

Sponsors: Representatives Gamble; and Luebke.

Referred to: Finance.

April 12, 1993

A BILL TO BE ENTITLED

1 **AN ACT TO REQUIRE THE DEPARTMENT OF REVENUE TO PREPARE ITS**
2 **TAX EXPENDITURE REPORT ANNUALLY AND TO INCLUDE IN THE**
3 **REPORT ESTIMATES OF THE AMOUNT BY WHICH EACH TAX**
4 **EXPENDITURE REDUCES STATE REVENUES.**
5

6 Whereas, the Department of State Treasurer has pointed out in one of its
7 annual reports that the revenue laws of the State contain a multiplicity of exemptions,
8 deductions, and exclusions (known collectively as tax expenditures or tax preferences);
9 and

10 Whereas, the Department of State Treasurer has asserted that there can be
11 little justification for some of these tax preferences and that many "are narrow,
12 benefitting the few at the expense of the entire citizenry"; and

13 Whereas, the Department of State Treasurer has stated that whether these tax
14 preferences should continue to exist is a matter for close scrutiny and possible
15 legislative action; and

16 Whereas, the Department of State Treasurer has stated that the amounts of
17 money involved with these tax preferences are substantial but go unnoticed; and

18 Whereas, the General Assembly requires the Department of Revenue to
19 report every two years on all tax expenditures (tax preferences) but does not require the
20 Department of Revenue to estimate the cost to the State of these tax expenditures; and

21 Whereas, the Department of State Treasurer has suggested that, for the tax
22 expenditure report to be an effective tool, "it needs to be carried further, and upgraded
23 to include the actual tax costs of the many preferences; and it needs both legislative and
24 public scrutiny"; Now, therefore,

1 The General Assembly of North Carolina enacts:

2 Section 1. G.S. 105-256 reads as rewritten:

3 **"§ 105-256. Reports prepared by Secretary of Revenue.**

4 (a) Reports. – The Secretary of Revenue shall prepare and publish the following:

5 (1) At least every two years, statistics concerning taxes imposed by this
6 Chapter, including amounts collected, classifications of taxpayers,
7 geographic distribution of taxes, and other facts considered pertinent
8 and valuable.

9 (2) At least every ~~two years,~~ year, a tax expenditure report that lists the tax
10 expenditures made by a provision in this Chapter other than a
11 provision in Subchapter II ~~and, when possible to do without impairing~~
12 ~~other duties of the Secretary or the Department of Revenue,~~ and the amount
13 by which revenue is reduced by each expenditure. A 'tax expenditure'
14 is an exemption, an exclusion, a deduction, an allowance, a credit, a
15 refund, a preferential tax rate, or another device that reduces the
16 amount of tax revenue that would otherwise be available to the State.

17 (3) As often as required, a report that is not listed in this subsection but is
18 required by another law.

19 (4) As often as the Secretary determines is needed, other reports
20 concerning taxes imposed by this Chapter.

21 (b) Information. – The Secretary of Revenue may require a unit of State or local
22 government to furnish the Secretary statistical information the Secretary needs to
23 prepare a report under this section. Upon request of the Secretary, a unit of government
24 shall submit statistical information on one or more forms provided by the Secretary.

25 (c) Distribution. – The Secretary of Revenue shall distribute reports prepared by
26 the Secretary as follows without charge:

27 (1) Five copies to the Division of State Library of the Department of
28 Cultural Resources, as required by G.S. 125-11.7.

29 (2) Five copies to the Legislative Services Commission for the use of the
30 General Assembly.

31 (3) Upon request, one copy to each entity and official to which a copy of
32 the reports of the Appellate Division of the General Court of Justice is
33 furnished under G.S. 7A-343.1.

34 (4) Upon request, one copy to each member of the General Assembly.
35 The Secretary shall notify each member of the General Assembly
36 annually that the tax expenditure report is available upon request.

37 The Secretary of Revenue may charge a person not listed in this subsection a fee for
38 a report prepared by the Secretary in an amount that covers publication or copying costs
39 and mailing costs."

40 Sec. 2. This act becomes effective July 1, 1993.