

GENERAL ASSEMBLY OF NORTH CAROLINA
1993 SESSION

CHAPTER 433
HOUSE BILL 843

AN ACT TO REQUIRE THE DEPARTMENT OF REVENUE TO INCLUDE IN ITS BIENNIAL TAX EXPENDITURE REPORT ESTIMATES OF THE AMOUNT BY WHICH EACH TAX EXPENDITURE REDUCES STATE REVENUES AND TO SEND A COPY OF THE REPORT TO EACH LEGISLATOR.

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

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

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

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

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

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

The General Assembly of North Carolina enacts:

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

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

- (a) Reports. – The Secretary of Revenue shall prepare and publish the following:
- (1) At least every two years, statistics concerning taxes imposed by this Chapter, including amounts collected, classifications of taxpayers, geographic distribution of taxes, and other facts considered pertinent and valuable.
 - (2) At least every two years, a tax expenditure report that lists the tax expenditures made by a provision in this ~~Chapter~~ Chapter, other than a

provision in Subchapter H and, ~~when possible to do without impairing other duties of the Secretary or the Department of Revenue, II, and gives an estimate of the amount by which revenue is reduced by each tax expenditure.~~ A 'tax expenditure' is an exemption, an exclusion, a deduction, an allowance, a credit, a refund, a preferential tax rate, or another device that reduces the amount of tax revenue that would otherwise be available to the State. An estimate of the amount by which revenue is reduced by a tax expenditure may be stated as ranging between two amounts if the Department does not have sufficient data to make a more specific estimate.

- (3) As often as required, a report that is not listed in this subsection but is required by another law.
- (4) As often as the Secretary determines is needed, other reports concerning taxes imposed by this Chapter.

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

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

- (1) Five copies to the Division of State Library of the Department of Cultural Resources, as required by G.S. 125-11.7.
- (2) Five copies to the Legislative Services Commission for the use of the General Assembly.
- (3) Upon request, one copy to each entity and official to which a copy of the reports of the Appellate Division of the General Court of Justice is furnished under G.S. 7A-343.1.
- (4) ~~Upon request, one~~ One copy of the tax expenditure report to each member of the General Assembly. ~~Assembly and, upon request, one copy of any other report to each member of the General Assembly.~~

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

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

In the General Assembly read three times and ratified this the 22nd day of July, 1993.

Dennis A. Wicker
President of the Senate

Daniel Blue, Jr.
Speaker of the House of Representatives