

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 1636

**SHORT TITLE:** Repeal Intangibles Tax

**SPONSOR(S):** Senator Cochrane

**FISCAL IMPACT:**   **Expenditures:**   **Increase ( )**       **Decrease (x)**  
                           **Revenues:**           **Increase (X)**       **Decrease (x)**  
                           **No Impact ( )**  
                           **No Estimate Available ( )**

**FUND AFFECTED:** **General Fund (X)**   **Highway Fund ( )**   **Local Govt. (x)**  
                           **Other Funds ( )**

**BILL SUMMARY:** (1) Phases out intangibles tax as follows:

<u>Tax Year</u>	<u>Tax Rate</u>
Current	25 cents per \$100
1994	16
1995	8
1996	0

- (2) Exempts shares of nonpublic stock from intangibles tax, effective beginning with the 1994 tax year.
- (3) Eliminates \$300 income tax credit for dividends associated with N.C. operations of corporations ("N.C. dividends"), effective beginning with the 1994 tax year.
- (4) Eliminates \$15,000 corporate income tax exclusion for "N.C. dividends", effective beginning with the 1994 tax year.
- (5) Provides reimbursement to counties and cities for the amount of intangibles tax each unit would have received if the tax had not been repealed until 1997. At that point the reimbursement is allowed to grow at 3% annual rate, versus the projected 6.2% annual growth in the local share of the existing tax.

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:** All taxes affected are administered by the N.C. Department of Revenue.

**FISCAL IMPACT**

	(\$ Million)				
	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>
	<u>99-00</u>				
State:					
Phase Out Intangibles Tax*	-48.6	-87.0	-127.7	-130.8	-134.0-137.3
Repeal NC Dividend Credit	+14.0	+14.9	+15.8	+16.9	+17.9+19.0
Repeal NC Dividend Deduction	+2.0	+2.1	+2.3	+2.4	+2.5 +2.6
Net Impact	-32.6	-70.0	-109.6	-111.5	-113.6-115.7
Local:					
Phase-Out Intangibles Tax	-	-	-2.9	-7.9	-13.3-19.1

\* Includes exemption for nonpublic stock.

**ASSUMPTIONS AND METHODOLOGY:** The revenue impact for 1994-95 for the intangibles tax repeal is based on the detailed General Fund revenue estimates used in the budget process. The 1994-95 estimate for the N.C. dividend credit is based on FRD and Department of Revenue adjustment of data from 1992 Tax Expenditure Report of N.C. Department of Revenue. The 1994-95 corporate dividend exclusion impact is an agreed to estimate of FRD and the Department of Revenue based on limited data from a similar proposal introduced many years ago. All future year impact estimates are based on the 6.2% forecast of annual state personal income growth used in the GPAC Financial Model.

**FISCAL RESEARCH DIVISION**

**733-4910**

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**DATE:** June 1, 1994



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