

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003

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HOUSE DRH50410-LC-234 (05/20)

Short Title: Tax Cut Act of 2004.

(Public)

Sponsors: Representative McHenry.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REDUCE TAXES AND CUT GOVERNMENT SPENDING.

The General Assembly of North Carolina enacts:

**REDUCE SALES TAX RATE ONE-HALF CENT FOR 04-05 FISCAL YEAR**

**SECTION 1.** Section 34.13(c) of S.L. 2001-424, as amended by Section 38.1 of S.L. 2003-284, reads as rewritten:

"**SECTION 34.13.(c)** This section becomes effective October 16, 2001, and applies to sales made on or after that date. This section is repealed effective for sales made on or after July 1, ~~2005~~2004. This section does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this section before the effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective date of its amendment or repeal."

**INDIVIDUAL INCOME TAX REBATE FOR 2004**

**SECTION 2.** G.S. 105-134.2 is amended by adding a new subsection to read:

"(c) Rebate. – After computing the tax under subsection (a) or (b) of this section for the 2004 taxable year, the taxpayer shall reduce the amount of tax due by eight percent (8%)."

**CORPORATE TAX REDUCTION FOR 2004**

**SECTION 3.** G.S. 105-130.3 reads as rewritten:

"§ **105-130.3. Corporations.**

A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
In 1997	7.5%

1	In 1998	7.25%
2	In 1999	7%
3	After 1999 <u>through 2003</u>	<del>6.9%</del> - <u>6.9%</u>
4	<u>After 2003</u>	<u>6.4%</u> "

5           **SECTION 4.** G.S. 115C-546.1(b) reads as rewritten:

6           "(b) Each calendar quarter, the Secretary of Revenue shall remit to the State  
7 Treasurer for credit to the Public School Building Capital Fund an amount equal to the  
8 applicable fraction or percentage provided in the table below of the net collections  
9 received during the previous quarter by the Department of Revenue under  
10 G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All  
11 funds deposited in the Public School Building Capital Fund shall be invested as  
12 provided in G.S. 147-69.2 and G.S. 147-69.3.

13	Period	Fraction
14	10/1/97 to 9/30/98	One-fifteenth (1/15)
15	10/1/98 to 9/30/99	Two twenty-ninths (2/29)
16	10/1/99 to 9/30/00	One-fourteenth (1/14)
17	After 9/30/00 <u>to 9/30/04</u>	Five sixty-ninths (5/69)
18	<u>After 9/30/04</u>	<u>Seven and eighty-two hundredths percent (7.82%)"</u>

19           **CUT GOVERNMENT SPENDING FOR 04-05 FISCAL YEAR**

20           **SECTION 5.(a)** The Director of the Budget shall manage expenditures in  
21 the 2004-2005 fiscal year to reduce State spending by three percent (3%) across State  
22 government and to find efficiencies in the various State departments, agencies, and  
23 institutions that result in cost savings to the State of at least four hundred forty-one  
24 million six hundred thousand dollars (\$441,600,000) to offset the loss of revenue caused  
25 by the tax relief authorized in this act. The highest priority for reductions should be  
26 eliminating unfilled positions and reducing Medicaid fraud. To achieve the anticipated  
27 savings authorized by this act, the Director of the Budget shall not make reductions that  
28 would adversely affect enrollment growth at The University of North Carolina, the  
29 Community Colleges System, and the public schools.

30           **SECTION 5.(b)** In addition to the reductions authorized by subsection (a) of  
31 this section, the Director of the Budget shall implement all recurring and nonrecurring  
32 reductions as stated in "The North Carolina State Budget, Recommended Adjustments  
33 2004-2005", dated May 2004, in the amount of three hundred forty-eight million dollars  
34 (\$348,000,000).

35           **SECTION 5.(c)** The Director of the Budget shall compare total revenue  
36 availability in fiscal year 2004-2005 to the fiscal year 2004-2005 certified budget as  
37 enacted in 2003 and revised pursuant to subsections (a) and (b) of this section, and shall  
38 use the resulting surplus to offset the remaining loss of revenue caused by the tax relief  
39 provided by this act.

40           **SECTION 6.** Sections 2 and 3 of this act are effective for taxable years  
41 beginning on or after January 1, 2004, and before January 1, 2005. The remainder of  
42 this act is effective when it becomes law. Section 4 of this act is repealed effective  
43 October 1, 2005.