GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2003

HOUSE BILL 1758

Short Title: Tax Cut Act of 2004.

Sponsors:Representative McHenry.Referred to:Finance.

May 31, 2004

1	A BILL TO BE ENTITLED
2	AN ACT TO REDUCE TAXES AND CUT GOVERNMENT SPENDING.
3	The General Assembly of North Carolina enacts:
4	REDUCE SALES TAX RATE ONE-HALF CENT FOR 04-05 FISCAL YEAR
5	SECTION 1. Section 34.13(c) of S.L. 2001-424, as amended by Section
6	38.1 of S.L. 2003-284, reads as rewritten:
7	"SECTION 34.13.(c) This section becomes effective October 16, 2001, and applies
8	to sales made on or after that date. This section is repealed effective for sales made on
9	or after July 1, 2005.2004. This section does not affect the rights or liabilities of the
10	State, a taxpayer, or another person arising under a statute amended or repealed by this
11	section before the effective date of its amendment or repeal; nor does it affect the right
12	to any refund or credit of a tax that accrued under the amended or repealed statute
13	before the effective date of its amendment or repeal."
14	INDIVIDUAL INCOME TAX REBATE FOR 2004
15	SECTION 2. G.S. 105-134.2 is amended by adding a new subsection to
16	read:
17	"(c) Rebate. – After computing the tax under subsection (a) or (b) of this section
18	for the 2004 taxable year, the taxpayer shall reduce the amount of tax due by eight
19	<u>percent (8%).</u> "
20	CORPORATE TAX REDUCTION FOR 2004
21	SECTION 3. G.S. 105-130.3 reads as rewritten:
22	"§ 105-130.3. Corporations.
23	A tax is imposed on the State net income of every C Corporation doing business in
24	this State. An S Corporation is not subject to the tax levied in this section. The tax is a
25	percentage of the taxpayer's State net income computed as follows:
26	Income Years Beginning Tax
27	In 1997 7.5%
28	In 1998 7.25%
29	In 1999 7%

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(Public)

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1	After 1999 <u>through 2003</u> 6.9%.6.9%
2	After 2003 6.4%"
3	SECTION 4. G.S. 115C-546.1(b) reads as rewritten:
4	"(b) Each calendar quarter, the Secretary of Revenue shall remit to the State
5	Treasurer for credit to the Public School Building Capital Fund an amount equal to the
6	applicable fraction or percentage provided in the table below of the net collections
7	received during the previous quarter by the Department of Revenue under
8	G.S. 105-130.3 minus two million five hundred thousand dollars (\$2,500,000). All
9	funds deposited in the Public School Building Capital Fund shall be invested as
10	provided in G.S. 147-69.2 and G.S. 147-69.3.
11	Period Fraction
12	10/1/97 to 9/30/98 One-fifteenth (1/15)
13	10/1/98 to 9/30/99 Two twenty-ninths (2/29)
14	10/1/99 to 9/30/00 One-fourteenth (1/14)
15	After 9/30/00 to 9/30/04 Five sixty-ninths (5/69)
16	After 9/30/04 Seven and eighty-two hundredths percent (7.82%)"
17	CUT GOVERNMENT SPENDING FOR 04-05 FISCAL YEAR
18	SECTION 5.(a) The Director of the Budget shall manage expenditures in
19	the 2004-2005 fiscal year to reduce State spending by three percent (3%) across State
20	government and to find efficiencies in the various State departments, agencies, and
21	institutions that result in cost savings to the State of at least four hundred forty-one
22	million six hundred thousand dollars (\$441,600,000) to offset the loss of revenue caused
23	by the tax relief authorized in this act. The highest priority for reductions should be
24	eliminating unfilled positions and reducing Medicaid fraud. To achieve the anticipated
25	savings authorized by this act, the Director of the Budget shall not make reductions that
26	would adversely affect enrollment growth at The University of North Carolina, the
27	Community Colleges System, and the public schools.
28	SECTION 5.(b) In addition to the reductions authorized by subsection (a) of
29	this section, the Director of the Budget shall implement all recurring and nonrecurring
30	reductions as stated in "The North Carolina State Budget, Recommended Adjustments
31	2004-2005", dated May 2004, in the amount of three hundred forty-eight million dollars
32	(\$348,000,000).
33	SECTION 5.(c) The Director of the Budget shall compare total revenue
34	availability in fiscal year 2004-2005 to the fiscal year 2004-2005 certified budget as
35	enacted in 2003 and revised pursuant to subsections (a) and (b) of this section, and shall
36	use the resulting surplus to offset the remaining loss of revenue caused by the tax relief
37	provided by this act.
38	SECTION 6. Sections 2 and 3 of this act are effective for taxable years
39	beginning on or after January 1, 2004, and before January 1, 2005. The remainder of
40	this act is effective when it becomes law. Section 4 of this act is repealed effective
4.4	

41 October 1, 2005.