

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE BILL 1426

Short Title: Optional Simple Income Tax. (Public)

Sponsors: Senators Webster; Apodaca, Berger, Blake, Brock, Carpenter, Foxx, Hargett, Hartsell, Pittenger, Rucho, Shaw, Shubert, Sloan, Tillman, and White.

Referred to: Finance.

May 28, 2004

A BILL TO BE ENTITLED

AN ACT TO ENACT AN OPTIONAL SIMPLIFIED INCOME TAX FOR INDIVIDUALS WHO PREFER TO AVOID THE BURDEN AND EXPENSE OF CALCULATING STATE INCOME TAXES.

The General Assembly of North Carolina enacts:

SECTION 1. Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-134.2A. Optional simplified individual income tax.

(a) Tax. – On individuals who elect the optional tax provided in this section, there is imposed for each taxable year, in lieu of the tax imposed in G.S. 105-134.2, a simplified income tax. The simplified income tax is computed at the applicable percentages provided in G.S. 105-134.2(a), based on the taxpayer's filing status, of the individual's taxable income as determined under the Code for the taxable year.

(b) Election. – An individual may elect the optional simplified tax for the taxable year by so indicating on the tax return. If the individual's optional simplified tax for the taxable year is one dollar (\$1.00) or less, the individual may elect the optional simplified tax by not filing a return for the taxable year. The election is irrevocable.

(c) Administration. – The tax imposed by this section shall be treated as the tax imposed by G.S. 105-134.2 except as provided in this subsection.

(1) Adjustments. – G.S. 105-134.6 and G.S. 105-134.7 do not apply to the tax imposed by this section.

(2) Credits. – No credit is allowed against the tax imposed by this section other than credit for North Carolina income tax paid by or on behalf of the individual for the taxable year.

(3) Designations. – A refund of the tax imposed by this section may not be applied to estimated tax liability as provided in G.S. 105-269.4 or contributed as provided in G.S. 105-269.5. The taxpayer may not

1 designate any of the tax imposed by this section to the North Carolina
2 Political Parties Financing Fund under G.S. 105-159.1 or the North
3 Carolina Public Campaign Financing Fund under G.S. 105-159.2.

4 (4) Penalties. – For the purpose of G.S. 105-236(5)b., an understatement
5 of federal taxable income is considered an understatement of taxable
6 income.

7 (5) Federal corrections. – If a taxpayer has elected the tax imposed by this
8 section for a taxable year, and the taxpayer's federal taxable income for
9 that taxable year is corrected or otherwise determined by the federal
10 government, the taxpayer must, within two years after being notified
11 of the correction or final determination by the federal government, file
12 an income tax return with the Secretary reflecting the corrected or
13 determined taxable income. The provisions of G.S. 105-159 apply to
14 the taxpayer in this situation."

15 **SECTION 2.** This act is effective for taxable years beginning on or after
16 January 1, 2005.