

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2003**

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**SENATE DRS85349-LC-238 (05/20)**

Short Title: Study Interstate Tax Cooperation.

(Public)

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Sponsors: Senator Webster.

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Referred to:

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A BILL TO BE ENTITLED

1  
2 AN ACT AUTHORIZING THE REVENUE LAWS STUDY COMMITTEE TO  
3 STUDY INTERSTATE TAX COOPERATION TO ELIMINATE MULTIPLE  
4 FILING BY INDIVIDUALS WHO OWE INCOME TAX TO MORE THAN ONE  
5 STATE.

6       Whereas, many North Carolina citizens work in border states; and

7       Whereas, many residents of those border states also work in North Carolina;

8 and

9       Whereas, in the case of a married couple, one spouse may work in their state  
10 of residence while the other works in a border state; and

11       Whereas, in these cases, the individuals have to file state tax returns with  
12 more than one state; and

13       Whereas, even for lower-income taxpayers, filing in more than one state can  
14 be extremely complex; and

15       Whereas, taxpayers incur extra costs in employing tax preparers to calculate  
16 and file these complex, multiple returns and experience frustration in handling  
17 burdensome paperwork; and

18       Whereas, other states, notably Virginia and Maryland, have solved this  
19 problem through interstate tax agreements in which the states cooperate in exchanging  
20 and processing tax information, eliminating the need for multiple, complex tax filing by  
21 individuals; and

22       Whereas, such interstate cooperation may be beneficial for North Carolina  
23 and its residents; Now, therefore,

24 The General Assembly of North Carolina enacts:

25       **SECTION 1.** The Revenue Laws Study Committee shall study interstate tax  
26 agreements regarding income taxes of individuals who work across North Carolina's  
27 borders from their states of residence. These agreements generally provide that an

1 individual residing in one state (residence state) and employed in another state (work  
2 state) is taxed as if the earnings in the work state were sourced in the residence state;  
3 they also provide for the work state employer to withhold residence state income taxes.

4 In conducting this study, the Committee should:

- 5 (1) Examine agreements, including mutual compliance enforcement  
6 provisions, existing between other states adjoining one another.
- 7 (2) Consult with appropriate officials of Virginia, South Carolina,  
8 Tennessee, and Georgia.
- 9 (3) Determine whether the goals of reducing taxpayer burden, simplifying  
10 tax administration, and increasing taxpayer compliance could be  
11 achieved by the adoption of appropriate tax agreements.
- 12 (4) Draft proposed agreements and any necessary enabling legislation to  
13 recommend to the General Assembly.

14 **SECTION 2.** The Committee may make an interim report to the 2005  
15 General Assembly and shall make a final report of its recommendations to the 2006  
16 Regular Session of the 2005 General Assembly.

17 **SECTION 3.** There is appropriated from the General Fund to the General  
18 Assembly the sum of fifteen thousand dollars (\$15,000) for the 2004-2005 fiscal year to  
19 fund the study authorized by this act.

20 **SECTION 4.** This act becomes effective July 1, 2004.