

Tax Reform Timeline

Tax Type	Jan 1. 2013	Jan 1. 2014	Jan 1. 2015	Jan 1. 2016
Sales	<ul style="list-style-type: none"> 4.75/6.75%¹ Current sales tax base with about 30 services subject to tax 	<ul style="list-style-type: none"> 4.75/6.75% Sales tax base unchanged; phase in cap for non-profit refunds 	<ul style="list-style-type: none"> 5.00/6.50%² Sales tax base expands to more services; cap non-profit refunds³ 	<ul style="list-style-type: none"> 5.00/6.50% Expanded sales tax base; cap non-profit refunds
Personal (PIT)	<ul style="list-style-type: none"> 6/7/7.75% Continue \$50K Non-passive Business Income Exemption for individual income tax;⁴ 	<ul style="list-style-type: none"> 5.50% single rate \$10K zero bracket replaces itemized & standard deductions;⁵ start with Fed AGI Retains Child Tax Credit of \$100/child 	<ul style="list-style-type: none"> 5.00% single rate \$12.5K zero bracket replaces itemized & standard deductions New Working Families exemption for incomes \$30k – \$80k⁶ Retains Child Tax Credit of \$100/child 	<ul style="list-style-type: none"> 4.50% single rate \$12.5K zero bracket replaces itemized & standard deductions Continue Working Families Exemption Retains Child Tax Credit of \$100/child
Corporate (CIT)	<ul style="list-style-type: none"> 6.90% 3 factor/double weighted sales apportionment; 	<ul style="list-style-type: none"> 6.50% 3 factor/3 times Sales Factor Apportionment⁷ Repeal special deductions⁸ 	<ul style="list-style-type: none"> 6.25 % 3 factor/5 times Sales Factor Apportionment 	<ul style="list-style-type: none"> 6.00 % Single Sales Factor Apportionment
Franchise/Privilege	<ul style="list-style-type: none"> \$1.5/1000 of highest of 3 tax bases 3 factor/double weighted sales apportionment 	<ul style="list-style-type: none"> \$1.5/1000 of highest of 3 tax bases; 3 factor/3 times Sales Factor Apportionment 	<ul style="list-style-type: none"> \$1.35/1000 of net worth 3 factor/5 times Sales Factor Apportionment;⁹ Base expands to LLC's with Cap & Minimum¹⁰ 	<ul style="list-style-type: none"> \$1.35/1000/ net worth Single Sales Factor Apportionment; Base includes LLC's with Cap & Minimum
Real Estate Conveyance	0.2%	0.2%	0.2% All revenue to Gen. Fund	0.2% All revenue to Gen. Fund
Estate	repealed ¹¹	0	0	0

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- ¹ Current law is 4.75% state rate and 2% local rate with numerous, complicated exemptions and special rates
- ² 5% state rate, 1.5% local, 6.5% combined; begin phase in of caps on refunds to non-profits; Yr. 1 - \$5M cap; Yr. 2 - \$1M cap; Yr. 3 - \$100,000 cap
- ³ Retail sales tax base significantly expanded to include most retail services from Federation of Tax Administrators list of services taxed in at least one state; B2B transactions exempted from expansion of sales tax base to additional services if business registered with NCDOR; purchases of assets capitalized for income tax purposes exempt from sales tax; privilege tax on mill machinery, r&d equipment, etc. repealed; most current business exemptions continue (sale for resale, agriculture, manufacturing, etc.)
- ⁴ \$50k non-passive income exemption repealed effective for tax years beginning 1/1/14
- ⁵ One reduced, flat tax rate for all taxpayers; start with Federal AGI to calculate state income tax; all exemptions and deductions eliminated unless required by law or court decision, but replaced with \$10k zero tax bracket for MFJ that increases \$12.5k zero tax bracket by year 3. A Child Tax Credit of \$100 per child is retained for families.
- ⁶ Increase zero tax bracket for MFJ to \$12.5K in 2015 and 2016; new Working Family Exemption ranging from \$8500 - \$2500 for incomes from \$30k – \$80k, for two years only to address impact on middle income working families; (\$30k-\$45k --\$8500); (\$45k – \$60k--\$7500); (\$60k - \$75k--\$5000); (\$75k - \$80k--\$2500)
- ⁷ Begin phase in of single sales factor apportionment; eliminate special deductions and loopholes; repeal confusing NC Net Economic Loss rules and follow Federal net operating loss rules going forward; transition for NEL carryforward to state NOL carryforward on last day of tax year;
- ⁸ Eliminate special deductions and loopholes; All tax credits sunset as currently scheduled, most 1/1/14, except cigarette export credit (2018) and renewable energy credit (2015); previously earned credits may be carried over as currently provided;
- ⁹ Current franchise tax repealed and changed to simpler, lower rate tax calculated on apportioned net worth as determined under GAAP or federal income tax purposes; net worth = assets minus liabilities minus accumulated depreciation for tax purposes; adjustments for intercompany debt & treasury stock; All current State & local privilege taxes repealed effective 7/1/15; Cities permitted to levy privilege tax with maximum tax capped.
- ¹⁰ Expansion of tax base to include LLC's with tax capped at \$5k and \$500 minimum tax; LLC's with less than \$2500 in gross income subject to \$500 minimum only;
- ¹¹ Estate tax repealed effective 1/1/13