

House Bill 998, 5th Edition
July 1, 2013

	HB 998, 3rd Edition (House)	HB 998, 4th Edition (Senate)	H998, 5th Edition (NEW, Senate)
INDIVIDUAL INCOME TAX CHANGE			
Rates 6%, 7%, 7.75%	Flat rate of 5.9%, 2014	Flat rate of 5.4%, 2014 Reduces rate to 5.25%, 2015	Flat Rate of 5.75%, 2014
Zero Tax Bracket <i>No zero bracket under current law</i>	N/A	\$15,000 (MFJ) \$12,000 (H/H) \$ 7,500 (MFS & Single)	N/A
Personal exemption \$2,500 up to \$100,000 (MFJ), then \$2,000	Eliminate Same in all three versions		
Standard deduction <i>Taxpayer is allowed the standard deduction amount or the itemized deduction amount</i> \$6,000 (MFJ); \$4,400 (H/H); \$3,000 (Single, MFS)	\$12,000 (MFJ) \$ 9,600 (H/H) \$ 6,000 (MFS/Single)	Eliminate	\$15,000 (MFJ) \$12,000 (H/H) \$ 7,500 (MFS & Single)
Itemized deductions <i>Taxpayer is allowed the itemized deduction amount from the federal return</i>	Limit itemized deductions to: <ul style="list-style-type: none"> • Unlimited charitable contributions (same as claimed on federal return) • Mtg. interest + property taxes paid on real estate (not to exceed \$25,000) 	Eliminate	Limit itemized deductions to: <ul style="list-style-type: none"> • Unlimited charitable contributions (same as claimed on federal return) • Mtg. interest + property taxes paid on real estate (not to exceed \$15,000)
Social security <i>Fully exempt</i>	No change	Included to the extent included in federal AGI	No change
\$4,000 government retirement income exemption <i>(\$2,000 private)</i>	No change	Eliminate	Eliminate
Deduction for severance wages	Eliminate in all three versions		

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\$50k business deduction	Eliminate , 2013	Eliminate, 2014	Eliminate, 2014
Child credit \$100 for AGI up to \$100,000 (MFJ)	AGI =/< \$100K = \$250 (MFJ) AGI > \$100K = \$100 (MFJ)	No change	No change
Credit for non- itemizers charitable deductions	Eliminate Same in all three versions		
Credits scheduled to sunset 2014 Long term care insurance premium, earned income tax credit, adoption expenses	No change Same in all three versions The credits will sunset as scheduled		
Credits with no sunset Child care, disabled, 529 Plan, gleaned crop, handicapped dwelling units, conservation tillage equipment, real property donations, poultry composting facility	No change	Eliminate	Eliminate
CORPORATE INCOME TAX CHANGES			
Rate 6.9%	2014 – 6.5% 2015 – 6.35% 2016 – 6.2% 2017 – 5.6% Thereafter – 5.4%	2014 – 6% 2015 – 4% 2016 – 2% 2017 – Eliminate CIT	2014 – 6.4% 2015 – 5% 2016 – 4% 2017 – 2% 2018 – Eliminate
Credit -- real property donation	No change	Eliminate	Eliminate

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Credit – low-income housing	Limit to Tier 1 and 2 Remove sunset Rename it	No change	Limit to tier 1 and 2 Rename it "Work Force Housing Credit" Phase it down 25% a year until it is eliminated in 2018
CIT credits without a sunset, that parallel PIT credits	No change	Eliminate, 2014, same as PIT	Eliminate, 2014, same as PIT
Credit – S&L supervisory fees	No change	Eliminate, 2017 when CIT eliminated	Eliminate, 2018 when CIT eliminated
Credit – manufacturing cigarettes for exportation	No change, sunsets 2018	Eliminate, 2017 when CIT eliminated	No change, sunsets 2018 (when CIT is eliminated)
Credit – recycling facilities Article 3C	No change	Eliminate, 2017 when CIT eliminated	Eliminate, 2018 when CIT eliminated
Credit – Intermodal RR Facilities	No change, sunsets 2038	Eliminate, 2017 when CIT eliminated	Eliminate, 2018 when CIT eliminated
Business Privilege Tax (New)			
Taxpayers	N/A	All limited liability entities except C corporations, 2015 All limited liability entities, 2018	S corporations and limited liability companies C corporations exempt
Rate	N/A	2015 - \$400 2016 - \$600 2017 - \$750 2018 – C corporations = \$5,000; all others = \$750	2015 - \$400 2016 and thereafter - \$500

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FRANCHISE TAX CHANGES							
Rate \$1.50 per \$1000 Minimum tax = \$35 Maximum tax for holding company = \$75,000	Lowens rate to \$1.35 per \$1,000, effective 2015	Year	Rate (per \$1,000)	Minimum Tax	Year	Rate (per \$1,000)	Minimum Tax
	No change to minimum tax of \$35	2015	\$1.20	\$ 500	2015	\$1.25	\$1,000
		2016	\$0.90	\$1,000	2016	\$1.00	\$1,000
		2017	\$0.60	\$2,000	2017 and thereafter	\$0.75	\$1,000
		2018	Eliminated				
GR tax on electricity	Eliminate, include it in the sales tax base July 1, 2014 Same in all three versions						
Taxpayers of general franchise tax	No change	Exclude S corporations, 2015		Exclude S corporations, 2015			
Annual report filing fee	No change	Eliminate, 2015		Eliminate, 2015			
PRIVILEGE TAX CHANGES							
Local authority in 153A and 160A	No change	Eliminate, 2018		No change			
Amusements, movies	Eliminate, include in the sales tax base Same in all three versions						
Various State taxes	No change	Eliminate, 2018		No change			
SALES TAX CHANGES							
State Rate = 4.75%	No change Same in all three plans						
Local Rate = 2% Optional ¼ cent	No change Same in all three versions						
Tax rate: manufactured home 2%, \$300 maximum	No change	State general rate; not in local base		State general rate; not in local base July 1, 2014			
Tax rate: modular homes 2.5%	No change	State general rate; not in local base		State general rate; not in local base July 1, 2014			

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Tax rate: Electricity <ul style="list-style-type: none"> • 3% • 2.83% - dry cleaners • Exempt – mfgs, farmers, datacenters 	State tax only Combined general rate July 1, 2014 Retain current exemptions for farmers, eligible internet datacenter, and manufacturing Same in all three versions		
Add service contracts	Yes July 1, 2014 Exempt if item for which service contract provided is exempt (except motor vehicles)	No	Yes July 1, 2014 Exempt if item for which service contract provided is exempt (except motor vehicles)
Add – alteration, repair, maintenance, cleaning, installation	Yes July 1, 2014 Exempt if to an item exempt from tax	No	No
Add - Amusements from privilege GR tax	Yes October 1, 2013 Same in all three versions		
Add – Attractions for which admission charged	Yes October 1, 2013	Yes October 1, 2013	Yes July 1, 2014
Amusement exemptions	14	4	5 (add State attractions)
Add – PNG	State tax only Combined general rate July 1, 2014 Same in all three versions		
Exemption – nutritional supplements	Eliminate July 1, 2013	Eliminate October 1, 2013	Eliminate October 1, 2013
Exemption – newspapers	No change	Eliminate October 1, 2013	Eliminate October 1, 2013

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Exemption – penny vending machines	No change	Eliminate October 1, 2013	Eliminate October 1, 2013
Exemption – 50% of sales from vending machines	No change	Eliminate October 1, 2013	Phase out exemption over 4 years, beginning July 1, 2014
Exemption – free distribution periodicals	No change	Phased elimination	Repeal exemption; allow refund; phased elimination of refund (See below)
Sales tax holiday for school	No change	Eliminate July 1, 2014	Eliminate July 1, 2014
Sales tax holiday for Energy Star	Eliminate July 1, 2013	Eliminate July 1, 2014	Eliminate July 1, 2014
Exemption – Food	No change	<ul style="list-style-type: none"> Eliminate local sales tax on food, November 2014 Give counties the authority to impose a local sales tax on food at the county's local sales tax rate, January 2015 	No change
Exemptions – farm related <i>Fuel and electricity, fertilizer, etc., farm machinery, containers, substances used on animals or plants, baby chicks</i>	No change	Annual gross income requirement of \$10,000	Annual gross income requirement of \$10,000 Effective July 1, 2014
Various exemptions/refunds <i>Farm facilities and bulk barns, commercial logging, wood chippers, telephone companies, radio or television companies, cable</i>	No change	Phased elimination	Remove packaging, remains exempt 2014 – 80% refund of State and local sales tax paid 2015 – 60% 2016 – 40% 2017 – 20% 2018 -- Eliminate

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<i>service providers, commercial fishing, commercial laundries, diesel fuel sold to railroad, fuel sold to passenger air carrier</i>			
Tax refunds – existing sunset of 2014 <i>Passenger air carrier, motorsports, analytical services, industrial</i>	No change	No change	Current law; no change except as follows: <ul style="list-style-type: none"> • Passenger air carrier moved to phased elimination of refund (-164.14A(1)) • Motorsports extended 6 months, until July 1, 2014 (-164.14A(4) & (5))
Tax refunds – nonprofits	No change	Capped 2014 - \$7.5M State, \$2.25M local 2015 - \$5M State, \$1.5M local 2016 - \$1M State, \$300,000 local 2017 - \$100,000 State, \$30,000 local	Move UNC Healthcare to State agencies exemption. Cap remaining refunds: 2014-15 - \$10.5 million (State and local) 2015-16 - \$7 million (State and local) 2016-17 - \$5 (State and local) 2017-18 - \$2.85 (State and local)
Tax refunds – local governments	No change	Eliminate, July 1, 2014	Eliminate, January 1, 2016
EXCISE TAX CHANGES			
Excise tax on PNG	Eliminate, include in the sales tax base July 1, 2014 Same in all three versions		
Excise tax on motor fuel	N/A	N/A	Cap for one year at current rate, beginning September 1, 2013 – until July 1, 2014
LOCAL GOVERNMENT DISTRIBUTIONS			
CIT earmark for Public School Building Capital Fund (No funds applied since 2008)	Eliminate Same in all three versions		
GR tax on electricity	Formula to preserve local distribution	Formula to preserve local distribution	Formula to preserve local distribution

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distributed to cities	Re-calculate formula every 5 years, beginning 2020		Recalculate every five years, beginning 2020
Excise tax on PNG distributed to cities	Formula to preserve local distribution Same in all three versions		
Earmarking 20% of sales tax from modular homes	No change	Eliminate	Eliminate
ESTATE TAX			
Tax Levy	Eliminate, 2013 Same in both Senate versions, and in HB 101		
EARMARKING			
Real estate conveyance tax	No change	Eliminate earmarks, State proceeds credited to General Fund	Eliminate earmarks, State proceeds credited to General Fund
Scrap tire disposal tax	No change	Eliminate earmarks, proceeds credited to General Fund	Eliminate earmarks, State proceeds credited to General Fund
TOBACCO DISCOUNTS			
2% discount to taxpayers of cigarettes and OTP	No change	Eliminate, July 2014	Eliminate, July 2014
REVENUE LAWS STUDY			
Revenue Law Study	N/A	N/A	<ul style="list-style-type: none"> • The 1%/\$80 privilege tax that applies to mill machinery and on other machinery and equipment purchased by certain industries and companies. • The feasibility of a preferential tax rate on diesel fuel sold to railroads, fuel sold to passenger air carriers, and fuel sold to motorsports. • The authority of cities and counties to impose a privilege tax on businesses and the various State privilege license taxes. • The impact of the elimination of the State and local sales and use tax refund on

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			<p>nonprofit entities and their ability to fulfill their stated mission.</p> <ul style="list-style-type: none"> • The benefits of allowing corporations to deduct NOLs instead of NELs. • The simplification of the franchise tax base calculation and the elimination of the franchise tax. • The feasibility of expanding the sales tax base to additional services.

TOTAL PLAN					
	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18
Total GF Revenues Forecast (\$ billions)	20.47	21.39	22.31	23.27	24.27
House Plan	20.51	21.04	21.92	22.80	23.69
Difference from Forecast (\$ millions) ¹	(4.7)	(353.4)	(383.2)	(461.1)	(570.9)
Senate Plan 4th Edition	20.29	20.88	21.27	21.94	22.94
Difference from Forecast (\$ millions)	(173.8)	(523.2)	(1,108.1)	(1,414.8)	(1,382.1)
Senate Plan PCS to H998	20.30	20.91	21.55	22.35	23.30
Difference from Forecast (\$ millions)	(168.5)	(492)	(757.1)	(911.5)	(962.9)

¹ This item includes the estate tax repeal in HB 101.