

	<b><i>HB 998, 3rd Edition (House)</i></b>	<b><i>H998, 6th Edition (Senate)</i></b>	<b><i>Proposed Conference Committee Substitute</i></b>
<b>INDIVIDUAL INCOME TAX CHANGE</b>			
<b>Effective Date</b>			Taxable years beginning on or after January 1, 2014
<b>Rates</b> <i>6%, 7%, 7.75%</i>	Flat rate of 5.9%, 2014	Flat Rate of 5.75%, 2014	2014 – 5.8% 2015 and thereafter – 5.75%
<b>Personal exemption</b> <i>\$2,500 up to \$100,000 (MFJ), then \$2,000</i>	Eliminate <b>Same in all three versions</b>		
<b>Standard deduction</b> <i>Taxpayer is allowed the standard deduction amount or the itemized deduction amount \$6,000 (MFJ); \$4,400 (H/H); \$3,000 (Single, MFS)</i>	\$12,000 (MFJ) \$ 9,600 (H/H) \$ 6,000 (MFS/Single)	\$15,000 (MFJ) \$12,000 (H/H) \$ 7,500 (MFS/Single)	\$15,000 (MFJ) \$12,000 (H/H) \$ 7,500 (MFS/Single)
<b>Itemized deductions</b> <i>Taxpayer is allowed the itemized deduction amount from the federal return</i>	Limit itemized deductions to: <ul style="list-style-type: none"> <li>• Unlimited charitable contributions (same as claimed on federal return)</li> <li>• Mtg. interest + property taxes paid on real estate (not to exceed \$25,000)</li> </ul>	Limit itemized deductions to: <ul style="list-style-type: none"> <li>• Unlimited charitable contributions (same as claimed on federal return)</li> <li>• Mtg. interest + property taxes paid on real estate (not to exceed \$15,000)</li> </ul>	Limit itemized deductions to: <ul style="list-style-type: none"> <li>• Unlimited charitable contributions (same as claimed on federal return)</li> <li>• Mtg. interest + property taxes paid on real estate (not to exceed \$20,000)</li> </ul>
<b>Deduction: Retirement income</b> <i>(\$4,000 government; \$2,000 private)</i>	No change	Eliminate	Eliminate
<b>Deduction: Severance wages</b> <i>UI benefits taxable</i>	Eliminate <b>Same in all three versions</b>		

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<b>Deduction: \$50,000 business income</b>	Eliminate, 2013	Eliminate, 2014	Eliminate, 2014
<b>Child credit \$100 for AGI up to \$100,000 (MFJ)</b>	AGI ≤ \$100K = \$250 (MFJ) AGI > \$100K = \$100 (MFJ)	No change	AGI ≤ \$40,000 = \$125 (MFJ) \$40,000 > AGI < \$100,000 = \$100 (AGI)
<b>Credits scheduled to sunset 2014</b>	No change; credits will sunset in 2014 as scheduled <b>Same in all three versions</b> <i>Premiums paid on long-term care insurance, earned income refundable tax credit, adoption expenses</i>		
<b>Credits with no sunset</b>	Retain all credits except the non-itemizer charitable contribution credit	Eliminate all credits except child credit	Eliminate all but the child credit <i>Credits for child care, permanent and total disability, property taxes paid on farm machinery, education expenses, non-itemizer charitable contributions</i>
<b>CORPORATE INCOME TAX CHANGES</b>			
<b>Effective Date</b>			Taxable years beginning on or after January 1, 2014
<b>Rate 6.9%</b>	2014 – 6.5% 2015 – 6.35% 2016 – 6.2% 2017 – 5.6% Thereafter – 5.4%	2014 – 6.4% 2015 – 5% 2016 – 4% 2017 – 2% 2018 – Eliminate	2014 – 6% 2015 – 5% 2016 and 2017 – trigger tax rate, possible reduction in 2016 to 4% and possible reduction in 2017 to 3% if target reached both years; if target reached one year, rate would be 4%; if target not reached each year, rate would remain at 5%
<b>Credit – low- income housing Scheduled to sunset 2015</b>	Limit to tier 1 and 2 Remove sunset	Limit to tier 1 and 2 Phase it down 25% a year until it is eliminated in 2018	No change Revenue Laws Study Committee

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<b>CIT &amp; PIT credits without a sunset</b>	No change	Eliminate, 2014	Eliminate <i>Credits for construction of dwelling units for handicapped, certain real property donations, conservation tillage equipment, gleaned crop, construction of poultry composting facility</i>
<b>Remaining CIT &amp; PIT credits with sunsets</b>	No change Allow to sunset as scheduled	No change Allow to sunset as scheduled	Extend R&D credit for 2 years (2016) Allow all others to sunset as scheduled <ul style="list-style-type: none"> <li>• <i>2014 – Credits for NC State Ports Authority charges, recycling oyster shells, constructing renewable fuel facilities, biodiesel producers, WOTC, interactive digital media, Article 3</i></li> <li>• <i>2015 – Credits for film production, low-income housing, historic rehabilitation, mill rehabilitation</i></li> <li>• <i>2016 – Investing in renewable energy, donating money to a nonprofit or governmental entity to invest in renewable energy</i></li> <li>• <i>2018 – Manufacturing cigarettes for exportation</i></li> <li>• <i>2038 – Intermodal RR facilities</i></li> </ul>
<b>CIT credits without a sunset</b>	No change	CIT eliminated in 2018	Eliminate 2 credits: <i>Certain telephone subscriber fees and savings and loan supervisory fee</i> No change to credit for investing in major recycling facility

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<b>BUSINESS PRIVILEGE TAX (NEW)</b>			
<b>New in Senate Version</b>	N/A	Impose flat tax on business entities in lieu of franchise tax	Not included
<b>FRANCHISE TAX CHANGES</b>			
<b>Rate \$1.50 per \$1000</b>	Lowers rate to \$1.35 per \$1,000, effective 2015	Reduce rate over three years to \$0.75	No change to current law Revenue Laws Study Committee
<b>Gross receipts franchise tax on electricity</b>	Eliminate, include it in the sales tax base July 1, 2014 <b>Same in all three versions</b>		
<b>Annual report fee</b>	No change	Eliminate, 2015	No change; do not eliminate
<b>PRIVILEGE TAX CHANGES</b>			
<b>Amusements, movies</b>	Eliminate, include in the sales tax base <b>Same in all three versions</b>		
<b>SALES TAX CHANGES</b>			
<b>State Rate = 4.75%</b>	No change <b>Same in all three plans</b>		
<b>Local Rate = 2% Optional ¼ cent</b>	No change <b>Same in all three versions</b>		
<b>Tax rate: manufactured home 2%, \$300 maximum</b>	No change	State general rate; not in local base July 1, 2014	State general rate; not in local base January 1, 2014
<b>Tax rate: modular homes 2.5%</b>	No change	State general rate; not in local base July 1, 2014	State general rate; not in local base January 1, 2014
<b>Tax rate: Electricity</b> <ul style="list-style-type: none"> <li>• 3%</li> <li>• Plus 3% GR franchise tax</li> </ul>	Repeal 3% franchise tax on electricity; require Utilities Commission to adjust rate accordingly Tax electricity at the combined general rate of 7% July 1, 2014 Retain current exemptions for farmers, eligible internet datacenter, and manufacturing <b>Same in all three versions</b>		

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<b>Add – service contracts</b>	Yes <b>Same in all three versions (changed effective date from July 1, 2014)</b> January 1, 2014 Exempt if item for which service contract provided is exempt (except motor vehicles); exempt items used to fulfill service contract		
<b>Add – alteration, repair, maintenance, installation</b>	Yes July 1, 2014 Exempt if to an item exempt from tax	No	No
<b>Add - amusements from privilege gross receipts franchise tax</b>	Yes <b>Same in all three versions (changed effective date from October 1, 2013)</b> January 1, 2014		
<b>Add – attractions for which admission charged</b>	Yes October 1, 2013	Yes July 1, 2014	Yes January 1, 2014
<b>Amusement exemptions</b>	14	5	5
<b>Add – piped natural gas</b> <i>Propane taxed at State and local sales tax rate</i>	Repeal excise tax on piped natural gas Tax piped natural gas at combined general rate of 7% July 1, 2014 <b>Same in all three versions</b>		
<b>Exemptions Eliminated</b>	Nutritional supplements sold by chiropractors; sales tax holiday for energy star products	Nutritional supplements sold by chiropractors; newspapers; penny vending machine sales; 50% of sales from vending machines; meals sold in higher educational institutions; certain bakery items; both sales tax holidays	January 1, 2014 – <i>nutritional supplements sold by chiropractors, meals sold in higher educational facilities, newspapers</i> July 1, 2014 – <i>certain bakery items, sales tax holidays for school items and energy star products</i>

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<b>Farm Exemptions</b>	No change	Annual gross income requirement of \$10,000 July 1, 2014	Annual gross income requirement of \$10,000 July 1, 2014
<b>Refunds: Local governments</b>	No change	Eliminate	No change
<b>Refunds: Nonprofits</b>	No change	Cap 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)	Cap refund at \$45 million (State and local)  Revenue Laws Study Committee
<b>Refunds: Various</b>	No change	Phased elimination over four years	No change Revenue Laws Study Committee
<b>Refunds – existing sunset of 2014</b>	No change	No change, except as follows: <ul style="list-style-type: none"> <li>• Passenger air carrier moved to phased elimination of refund</li> <li>• Motorsports extended 6 months, until July 1, 2014</li> </ul>	No change, except as follows: <ul style="list-style-type: none"> <li>• Two-year extension of passenger air carrier (2016)</li> <li>• Two-year extension of motorsports (2016)</li> </ul> Revenue Laws Study Committee
<b>EXCISE TAX CHANGES</b>			
<b>Excise tax on piped natural gas</b>	Eliminate, include in the sales tax base July 1, 2014 <b>Same in all three versions</b>		
<b>Excise tax on motor fuel</b> <i>Tax rate rose from 37.5 cents/gallon on July 1, 2013, to 37.6 cents</i>	N/A	Cap for two years at 38.5 cents, beginning September 1, 2013 – until June 30, 2015	Cap for two years at 37.5 cents, beginning October 1, 2013 – until June 30, 2015

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<b>LOCAL GOVERNMENT DISTRIBUTIONS</b>			
<b>CIT earmark for Public School Fund</b>	Eliminate <b>Same in all three versions</b> ( <i>No funds applied since 2008</i> )		
<b>Gross receipts tax on electricity distributed to cities</b>	Formula to preserve local distribution Re-calculate formula every 5 years, beginning 2020	Formula to preserve local distribution; Does not provide for re-calculation every 5 years	Formula to preserve local distribution Re-calculate formula every 5 years, beginning 2020
<b>Excise tax on piped natural gas distributed to cities</b>	Formula to preserve local distribution <b>Same in all three versions</b>		
<b>Earmarking 20% of sales tax from modular homes to counties</b>	No change	Eliminate	Eliminate
<b>ESTATE TAX</b>			
<b>Tax Levy</b>	Eliminate, 2013 <b>Same in both Senate versions, and in HB 101</b>		
<b>TOBACCO DISCOUNTS</b>			
<b>2% discount to taxpayers of cigarettes and OTP</b>	No change	Eliminate	No change
<b>REVENUE LAWS STUDY (NEW)</b>			
<b>Revenue Law Study</b>	<ul style="list-style-type: none"> <li>• The 1%/\$80 privilege tax that applies to mill machinery and on other machinery and equipment purchased by certain industries and companies.</li> <li>• The feasibility of a preferential tax rate on diesel fuel sold to railroads, fuel sold to passenger air carriers, and fuel sold to motorsports.</li> <li>• The authority of cities and counties to impose a privilege tax on businesses and the various State privilege license taxes.</li> <li>• The impact of the elimination of the State and local sales and use tax refund on nonprofit entities and their</li> </ul>		

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	ability to fulfill their stated mission. <ul style="list-style-type: none"> <li>• The benefits of allowing corporations to deduct NOLs instead of NELs.</li> <li>• The simplification of the franchise tax base calculation and the elimination of the franchise tax.</li> <li>• The feasibility of expanding the sales tax base to additional services.</li> <li>• Application of corporate income tax rate trigger</li> <li>• Low-income housing tax credit</li> </ul>				
<b>TOTAL PLAN</b>					
	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18
<b>Total GF Revenues Forecast (\$ billions)</b>	<b>20.47</b>	<b>21.39</b>	<b>22.31</b>	<b>23.27</b>	<b>24.27</b>
<b>House Version 3rd Edition</b>	<b>20.46</b>	<b>21.03</b>	<b>21.92</b>	<b>22.80</b>	<b>23.69</b>
Difference from Forecast (\$ millions) <sup>1</sup>	(4.7)	(353.4)	(383.2)	(461.1)	(570.9)
<b>Senate Version 6th Edition</b>	<b>20.29</b>	<b>20.90</b>	<b>21.55</b>	<b>22.28</b>	<b>23.31</b>
Difference from Forecast (\$ millions)	(174.1)	(492.8)	(759.6)	(988.8)	(955.5)
<b><i>Proposed Conference Committee Substitute</i></b>	<b>20.38</b>	<b>20.95</b>	<b>21.66</b>	<b>22.64</b>	<b>23.62</b>
Difference from Forecast (\$ millions)	(86.6)	(437.8)	(644.6)	(623.5)	(649.8)

<sup>1</sup> This item includes the estate tax repeal in HB 101.



07/15/2013 11:53 AM