

**House Tax Package**  
**HB 356 – Tax Rate Reduction Act of 2017**  
**March 15, 2017**

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**Personal Income Tax Changes**

- **Increases the standard deduction**, effective 1/1/18
  - From \$17,500 to \$18,500 (MFJ)
  - Full-year impact will reduce revenues by \$127.5M

**Business Tax Changes**

- **Exempts mill machinery from tax**, effective 7/1/17
  - The vast majority of states exempt manufacturing machinery & equipment from tax
  - Only 4 states (incl. NC) tax at a reduced rate and 4 states + D.C. tax at standard sales tax rate.
  - Bill directs Revenue Laws to study during the 2017 interim the best way to update and clarify the exemption and to incorporate DOR's current administrative interpretations into the statute.
  - Full-year impact will reduce revenues by approximately \$53 million.
- **Simplify and reduce franchise tax**, effective 1/1/19 and applicable to calculation of franchise tax on 2018 returns.
  - Last year, the calculation of the net worth base was simplified and the phase-in of single-sales factor apportionment was implemented.
  - This bill would further simplify the calculation of franchise tax by eliminating 2 of the 3 bases, leaving net worth as the sole taxable base.
    - Franchise tax is determined by applying the rate to the greatest of the three bases: net worth; appraised value of all property; and actual investment in tangible personal property.
    - The elimination of the 2 bases will reduce revenues in FY 18-19 by \$85M.