



SENATE BILL 630: Various Constitutional Amendments.

2023-2024 General Assembly

Committee: Senate Finance	Date: June 24, 2024
Introduced by: Sens. B. Newton, Overcash, Daniel	Prepared by: Trina Griffin
Analysis of: Second Edition	Staff Attorney

OVERVIEW: *Senate Bill 630 would place the following proposed amendments to the North Carolina Constitution on the November 5, 2024, ballot:*

- *To revise the language regarding citizenship and eligibility to vote.*
- *To revise the language regarding the requirement to present photo identification prior to voting.*
- *To reduce the cap on the tax rates on both personal and corporate incomes at 5%.*

This analysis summarizes only the finance-related provision in the bill, which is Section 3 of the bill.

CURRENT LAW: The State Constitution may be amended by either a constitutional convention or by legislative action. An amendment proposed by legislative action must be approved by a vote of three-fifths of each house and submitted to the voters of the State. If a majority of the voters of the State approve the amendment, the amendment will become effective either the January following the public vote, or the date provided in the legislative proposal.

The General Assembly is restricted by the Constitution of North Carolina from imposing a tax rate on personal or corporate income that exceeds 7%.¹

The current tax rate on corporate income is 2.5%, and the rate is scheduled to fall to 2% for taxable years beginning on or after January 1, 2026, to 1% for taxable years beginning on or after 2028, and to 0% after 2029.²

The current tax rate on personal income is 4.5%; the rate is scheduled to fall to 4.25% for taxable years beginning on or after January 1, 2025, and to 3.99% for 2026.³ Three additional rate reductions are authorized between 2027 and 2034 if the total General Fund tax and nontax revenue in the preceding fiscal year reaches certain thresholds as set out in the chart below:

¹ North Carolina amended the Constitution in 1920 to cap taxation of incomes at 6%. In 1935, the cap was raised to 10%. In 2018, the cap was reduced to 7%.

² Corporate income has always been taxed at a flat rate. The highest corporate tax rate in North Carolina was 7.75%, from 1991-1996. The lowest rate to date is the current rate of 2.5%.

³ Personal income utilized a bracket system for taxation until 2014, when a flat rate was implemented. The highest marginal personal income tax rate in North Carolina was 8.25%, from 2001-2006. The lowest rate to date is the current rate of 4.5%.

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Fiscal Year	Trigger Amount (millions)	Tax Year	Previously Enacted Tax Rate	Tax Rate under S.L. 2023-134
-	-	2024	4.6%	4.5%
-	-	2025	4.5%	4.25%
-	-	2026	4.25%	3.99%
FY 2025-26	\$33,042	2027	3.99%	Up to 3 rate reductions of 0.5% each, contingent on triggers: 1 st Reduction: 3.99% to 3.49% 2 nd Reduction: 3.49% to 2.99% 3 rd Reduction: 2.99% to 2.49% (minimum rate = 2.49%)
FY 2026-27	\$34,100	2028		
FY 2027-28	\$34,760	2029		
FY 2028-29	\$35,750	2030		
FY 2029-30	\$36,510	2031		
FY 2030-31	\$38,000	2032		
FY 2031-32	\$38,500	2033		
FY 2032-33	\$39,000	2034		

BILL ANALYSIS: Section 3 of the bill would submit to the voters of North Carolina the question of whether to amend the State's Constitution to reduce the maximum allowed tax rate on incomes from 7% to 5%. The ballot question would be considered at the statewide general election to be held on November 5, 2024, and the ballot question would read:

"Reduce the income tax rate in North Carolina to a maximum allowable rate of five percent (5%)."

If enacted by the General Assembly and approved by a majority of the voters, The limit, if enacted, would not reduce the current corporate or personal income tax rates since they are both below 5%.

EFFECTIVE DATE: If the amendment to the North Carolina Constitution is approved by a majority of the voters in the November 2024 election, Section 3 would become effective upon certification of the results and would apply to taxable years beginning on or after January 1, 2025.