



SENATE BILL 75: Const. Amd. - Max. Income Tax Rate of 7.0%.

2017-2018 General Assembly

Committee:		Date:	July 5, 2018
Introduced by:		Prepared by:	Nicholas Giddings Staff Attorney
Analysis of:	S.L. 2018-119		

OVERVIEW: *S.L. 2018-119 proposes an amendment to the North Carolina Constitution to cap the tax rate on both personal and corporate incomes at 7% for taxable years beginning on or after January 1, 2019, and places that amendment on the ballot in the 2018 general election. The cap is currently 10%.*

Except as otherwise provided, the act became effective June 28, 2018.

CURRENT LAW: The General Assembly is restricted by the Constitution of North Carolina from imposing a tax rate on personal or corporate income that exceeds 10%.¹

The current tax rate on corporate income is 3%, and the rate is scheduled to fall to 2.5% for taxable years beginning on or after January 1, 2019.² The current tax rate on personal income is 5.499%, and the rate is scheduled to fall to 5.25% for taxable years beginning on or after January 1, 2019.³

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.

BILL ANALYSIS: S.L. 2018-119 submits to the voters of North Carolina the question of whether to amend the State's Constitution to reduce the maximum allowable tax rate on incomes from 10% to 7%. The ballot question will be considered at the statewide general election in November 2018, and the ballot question will read:

"Constitutional amendment to reduce the income tax rate in North Carolina to a maximum allowable rate of seven percent (7%)."

If approved by a majority of the voters, the amendment would limit the maximum allowable tax rate on both personal and corporate incomes to 7% for taxable years beginning on or after January 1, 2019. The limit, if approved, would not reduce the current personal and corporate income tax rates since they are below 7%.

EFFECTIVE DATE: The constitutional amendment would become effective upon certification, if approved by a majority of the voters in the State at the statewide general election in November 2018, and

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

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 is 3%.

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 is 5.499%.

Karen Cochrane-Brown
Director



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apply to taxable years beginning on or after January 1, 2019. Except as otherwise provided, the act became effective June 28, 2018.