



SENATE BILL 75: Const. Amd. - Max. Income Tax Rate of 5.5%.

2017-2018 General Assembly

Committee:	Senate Rules and Operations of the Senate	Date:	March 9, 2017
Introduced by:	Sens. Tucker, Brock, Tillman	Prepared by:	Nicholas Giddings Staff Attorney
Analysis of:	First Edition		

OVERVIEW: *Senate Bill 75 would propose amending the North Carolina Constitution to cap the tax on both personal and corporate incomes at 5.5%. The cap is currently 10%.*

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.

BILL ANALYSIS: If enacted by the General Assembly, and approved by a majority of the voters, this bill would limit the tax on both personal and corporate incomes to 5.5% for taxable years beginning on or after January 1, 2019. Section 2 of Article V of the North Carolina Constitution currently provides the tax rate imposed on incomes cannot exceed 10%. The current tax rate on corporate income is 3%. The current tax rate on personal income is 5.499%.

The ballot question would be considered at the statewide general election to be held on November 6, 2018.

EFFECTIVE DATE: The bill is effective when it becomes law.

BACKGROUND: North Carolina amended the State Constitution in 1920 to cap taxation of incomes at 6%. In 1935, the cap was raised to 10%, where it stands today. Personal income utilized a bracket system for taxation until 2014, wherein a flat tax rate was implemented. The highest maximum personal income tax rate in North Carolina was 8.25%, from 2001-2006, while the lowest maximum personal income tax rate is 5.499%, where it stands today. Corporate income has always been taxed via a flat rate system. The highest maximum corporate tax rate in North Carolina was 7.75%, from 1991-1996, while the lowest maximum corporate tax rate is 3%, where it stands today.¹

¹ The corporate tax rate was also 3% prior to 1939.

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