



# HOUSE BILL 592: Check-Off Clean Water Mgmt Tr. Fund.

2019-2020 General Assembly

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|-----------------------|----------------------------------------------------|---------------------|----------------|
| <b>Committee:</b>     | House Rules, Calendar, and Operations of the House | <b>Date:</b>        | April 16, 2019 |
| <b>Introduced by:</b> | Reps. Richardson, McGrady, Autry, Ager             | <b>Prepared by:</b> | Wendy Ray      |
| <b>Analysis of:</b>   | Second Edition                                     |                     | Staff Attorney |

**OVERVIEW:** House Bill 592 would allow an individual taxpayer to contribute all or part of an income tax refund to the Clean Water Management Trust Fund, which is administered by the Department of Natural and Cultural Resources and provides funding for projects to clean up or prevent surface water pollution and for land preservation.

**CURRENT LAW:** North Carolinians calculate State individual income tax on a [two-page form](#) that allows taxpayers to specify an amount they would like to donate for certain purposes. Currently, there are only three purposes for which a taxpayer may make a donation. The authorizing statutes specify whether the donation may be sourced from an income tax refund or whether the taxpayer may make a contribution regardless of whether the taxpayer is owed a refund. The three eligible recipient entities are:

- The Wildlife Conservation Account to be used for the management, protection, and preservation of wildlife.<sup>1</sup> This provision applies to both corporate and individual taxpayers who are entitled to a refund.
- The NC Education Endowment Fund<sup>2</sup> to be appropriated by the General Assembly for the North Carolina Teaching Fellows Program. Specifically, the funds may be used for (i) forgivable loans, (ii) mentoring and coaching support to the Program's forgivable loan recipients, and (iii) administration of the Program. This provision applies to both corporate and individual taxpayers who may donate from an income tax refund or through a contribution.
- The Cancer Prevention and Control Branch of the Division of Public Health of the Department of Health and Human Services<sup>3</sup> to be used for the early detection of breast and cervical cancer only. This provision applies only to individual taxpayers entitled to a refund and expires on January 1, 2021.

Each additional program eligible for voluntary contributions would require one additional line on the tax form. Currently, the two-page form is at capacity so adding an additional line for this checkoff program would require an additional page to the tax return, or an additional form, depending on how the Department chooses to implement the addition.

**BILL ANALYSIS:** House Bill 592 would allow an individual taxpayer to make an irrevocable election to direct all or part of a tax refund to the Clean Water Management Trust Fund (Fund). The Fund is

<sup>1</sup> G.S. 105-269.5.  
<sup>2</sup> G.S. 105-269.7.  
<sup>3</sup> G.S. 105-269.8.

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administered by the Department of Natural and Cultural Resources to finance projects to clean up or prevent surface water pollution and for land preservation.

Among the purposes for which money in the Fund may be used include acquiring land for riparian buffers or conservation easements, protecting and improving water quality and stormwater management, conserving surface waters and enhancing drinking water supplies, providing buffers around military bases, and acquiring land that contributes to the development of a balanced State program of historic properties and that represents the ecological diversity of North Carolina.

The bill would also require the Department of Revenue (DOR) to provide appropriate language and space on the individual income tax form to make the election and to include in the income tax instructions an explanation that any donations will be used for the Clean Water Management Trust Fund. The DOR would be required to transmit the check-off donations to the State Treasurer, and the State Treasurer must distribute the donations to the Clean Water Management Trust Fund.

**BACKGROUND:** Every state with a broad-based income tax has at least one program eligible for voluntary contributions from taxpayers. For all states, the voluntary contributions are donations from a taxpayer's refund, except checkoffs for political campaigns which are often made from a taxpayer's liability. In 2018, a total of 30 states and the District of Columbia offered anywhere from one to 15 checkoffs on their income tax returns, and 11 states offered more than 15.

New Jersey and Oregon had the most income tax checkoffs available for taxpayers in 2018, offering more than 30 programs that taxpayers could choose from. Virginia taxpayers have 21 choices, but three of those options allow taxpayers to select a specific local foundation to donate to for public libraries, communities and public schools; taxpayers could choose from 29 to 78 foundations, depending on the category. Nebraska and West Virginia had the fewest amounts in the country, with only one checkoff choice.<sup>4</sup>

The growth in popularity of state income tax checkoff contributions has resulted in some administrative challenges. A large number of checkoff programs increases tax processing times and costs, as well as the possibility for errors. Twelve states now use a separate form dedicated to checkoffs. In response to the growth, states are developing processes to manage the number of programs that appear on their income tax forms, such as requiring a minimum amount of total contributions to remain on the income tax form, setting a maximum number of programs that can be listed on the tax return, or setting a sunset on the legislation that added the program to the list of eligible programs.

**EFFECTIVE DATE:** This bill would become effective for taxable years beginning on or after January 1, 2019.

*Trina Griffin, counsel to the House Finance Committee, substantially contributed to this summary.*

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<sup>4</sup> *State Income Tax Checkoff Programs*, NCSL LegisBrief, Vol. 27. No. 13, April 2019.