OVERVIEW: Section 42.2 of S.L. 2021-180 eliminates the corporate income tax over a period of six years, beginning with the 2025 tax year. This section is effective for taxable years beginning on or after January 1, 2025.

CURRENT LAW: The current corporate income tax rate is 2.5%. North Carolina began reducing the corporate income tax rate in 2014 when it decreased the rate from 6.9% to 6%. The rate was last reduced from 3% to 2.5% in 2019.

BILL ANALYSIS: Section 42.2 of S.L. 2021-180 eliminates the corporate income tax over six years, beginning with the 2025 tax year. For taxable years beginning on or after 2025, the rate will be 2.25%; 2% in 2026; 1% in 2028; and 0%, beginning with the 2030 tax year.

EFFECTIVE DATE: This section is effective for taxable years beginning on or after January 1, 2025.