



SENATE BILL 1080: Lower Taxes for All NC.

2025-2026 General Assembly

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| Committee: Senate Rules and Operations of the Senate | Date: May 19, 2026 |
| Introduced by: Sens. Lee, Sawrey, Barnes | Prepared by: Nicholas Giddings |
| Analysis of: First Edition | Staff Attorney |

OVERVIEW: Senate Bill 1080 would propose an amendment to the North Carolina Constitution to cap the tax rate on both personal and corporate incomes at 3.5% for taxable years beginning on or after January 1, 2027, and places that amendment on the ballot in the 2026 general election.

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%.² The corporate tax rate is scheduled to fall to 1% for taxable years beginning on or after January 1, 2028, and then again to 0% for taxable years beginning on or after January 1, 2030.

The current tax rate on personal income is 3.99%.³ Up to three additional personal income tax 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:

| Fiscal Year | Trigger Amount (millions) | Tax Year for New Rate | Tax Rate under G.S. 105-153.7(a1) |
|-------------|---------------------------|-----------------------|--|
| FY 2025-26 | \$33,042 | 2027 | 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: Senate Bill 1080 would submit 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

¹ North Carolina amended the Constitution in 1920 to cap taxation of incomes at 6%. In 1936, 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%.

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 3.99%.

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7% to 3.5%. The ballot question would be considered at the statewide general election in November 2026, and the ballot question would read:

" Constitutional amendment to keep the State income tax rate from being raised higher than three and one-half percent (3.5%)."

If approved by a majority of the voters, the amendment would limit the maximum allowable tax rate on both personal and corporate incomes to 3.5% for taxable years beginning on or after January 1, 2027. The limit, if approved, would not reduce the current corporate income tax rate since it is below 3.5%. The personal income tax rate may also be below 3.5% for the taxable year beginning on January 1, 2027, if the first rate reduction trigger is met. Therefore, if the trigger is met and the amendment is approved, the limit would not reduce the personal income tax rate.⁴

EFFECTIVE DATE: If approved by a majority of the voters in the State at the statewide general election in November 2026, the constitutional amendment would become effective upon certification and apply to taxable years beginning on or after January 1, 2027.

⁴ The May 2026 Consensus Revenue Forecast anticipates exceeding the rate reduction triggers in each of FY 2025-2026 and FY 2026-2027. If the rate reduction triggers are met as forecasted, the personal income tax rate would be lowered to 3.49% for the taxable year beginning on January 1, 2027, and to 2.99% for taxable years beginning on or after January 1, 2028.