

June 13, 2002

H 1656. TEMP. REVENUE INCREASE TO PROTECT CHILDREN. *TO PROTECT OUR CHILDREN BY INSTITUTING TEMPORARY REVENUE INCREASES BY TRANSFERRING FUNDS TO THE GENERAL FUND FROM THE TOBACCO SETTLEMENT FUNDS, BY ELIMINATING BILL LEE ACT CREDITS IN TIERS FOUR AND FIVE, BY REINSTATING THE CORPORATE INCOME TAX TO PREVIOUS LEVELS, BY ENACTING A SURTAX ON HIGHER-INCOME INDIVIDUALS, AND BY TRANSFERRING MONEY FROM THE HIGHWAY TRUST FUND.*

Tobacco settlement funds. Provides that all funds credited to Tobacco Trust Account and the Health Trust Account from the Master Settlement Agreement and 50% of annual installment payment assigned to the Golden L.E.A.F., Inc., for 2002-2003 must be transferred to support General Fund appropriations for 2002-2003. Effective when act becomes law.

Bill Lee tax credits. Amends several sections of Art. 3A of GS Ch. 105 (tax incentives for new and expanding businesses) to limit tax incentives to development zones that have an enterprise tier designation of one, two, or three (eliminating credits for tiers four and five). Effective for taxable years beginning on or after Jan. 1, 2003.

Corporate tax rate. Amends GS 105.130.3 to set income tax rate for C corporations at 7.75% of taxpayer's state net income. Effective for taxable years beginning on or after Jan. 1, 2002, and expires for taxable years beginning on or after Jan. 1, 2005.

Tax rate on higher-income individual taxpayers. Amends GS 105-134.2 to increase income tax rates for the top income bracket from 8.25% to 9.25% and for the second highest bracket from 7.75% to 9.25%. Effective for taxable years beginning on or after Jan. 1, 2002, and expires for taxable years beginning on or after Jan. 1, 2005. Changes expiration date of Sec. 34.18(b) of SL 2001-424 (tax bracket for income over \$200,000) from Jan. 1, 2004, to Jan. 1, 2005. Effective when act becomes law.

Transfer from Highway Trust Fund. Transfers from Highway Trust Fund to General Fund \$200 million for 2002-2003 year. States intent of General Assembly that funds be transferred from General Fund to Highway Trust Fund over five years beginning with 2005-2006 in amount of \$200 million plus interest. Effective July 1, 2002.

Intro. by Michaux.

Ref. to Finance	GS 105, APPROP
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