

May 11, 2005

H 1630. FINANCE LAWS 1. AFFECTING STATE FINANCE LAWS. Delays by one day the repeal of the additional half-cent state sales tax in GS 105-164.4(a).

Intro. by Luebke.

Ref. to Finance

GS 105

June 7, 2005

H 1630. 2005 CONTINUING BUDGET AUTHORITY/REVENUE (NEW). Intro. 5/11/05. House committee substitute makes the following changes to 1st edition. Deletes all provisions of first edition and replaces it with *AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT THE LEVEL IN EFFECT ON JUNE 30, 2005; EXTENDING THE FINAL MATURITY OF CERTAIN GLOBAL TRANSPARK DEBT FROM JULY 1, 2005, UNTIL JULY 31, 2005; UPDATING THE REFERENCE DATE TO THE INTERNAL REVENUE CODE WITHOUT CONFORMING TO THE DEDUCTION FOR DOMESTIC PRODUCTION ACTIVITIES, STATE AND LOCAL SALES AND USE TAXES, AND CERTAIN INTERNATIONAL SHIPPING ACTIVITIES; EXTENDING THE EIGHT AND ONE-QUARTER PERCENT UPPER INDIVIDUAL INCOME TAX BRACKET AS ENACTED IN 2001 FOR THE 2006 AND 2007 TAXABLE YEARS; EXTENDING THE ESTATE TAX UNTIL JANUARY 1, 2010; EXTENDING THE ADDITIONAL ONE-HALF CENT STATE SALES AND USE TAX UNTIL JULY 1, 2007; MAKING SALES TAX CHANGES REQUIRED BY THE STREAMLINED SALES TAX AGREEMENT; RETAINING THE USE TAX LINE ON THE INDIVIDUAL INCOME TAX RETURN UNTIL 2010; AND APPLYING THE SALES TAX TO CANDY, WARRANTY SERVICE AGREEMENTS, CABLE SERVICES, VOICE MAIL, AND SATELLITE RADIO.*

CONTINUING BUDGET AUTHORITY

Makes the following changes effective June 30, 2005, and expiring 30 days after they become law. (1) Authorizes the Director of the Budget to continue to allot funds at a level not to exceed the level of recurring expenditures authorized in SL 2004-124 until the Current Operations and Capital Improvements Appropriations Act of 2005 ("2005 Act") becomes law, at which time the Director must adjust allotments to make the 2005 Act effective from July 1, 2005. Provides that Director must not allocate funds for purposes set out in budget reductions contained in S 622, 4th edition, and S 622, as it passes the House of Representatives, that are not in controversy. Freezes hiring for vacant positions subject to proposed reductions. (2) Authorizes continued appropriation and allocation of federal block grants. (3) Suspends certain automatic statutory salary increases until authorized by General Assembly. (4) Maintains State's employer contribution rates for retirement and related benefits, for 2005-06, at June 30, 2005 levels, unless modified by the 2005 Act. (5) Provides that, if either S 622, 4th edition, or S 622, as it passes the House of Representatives, or both, direct that funds not revert, the funds do not revert on June 30, 2005, and that unless those funds are encumbered on or before June 30, 2005, they must not be expended after June 30, 2005, except pursuant to a law enacted after that date. (6) Provides that, for 2004-05, funds will not be reserved to the Repairs and Renovations Reserve or Savings Reserve Account and that the State Controller must not transfer funds from the unreserved credit balance to those accounts on June 30, 2005.

Amends GS 147-69.2(b)(11) to extend the maximum maturity date for certain debt of the Global TransPark Authority from July 1, 2005, until July 31, 2005.

INCOME TAX CHANGES

Like the Senate budget, S 622, 4th edition, the act (1) conforms the definition of the Internal Revenue Code to federal changes made from May 1, 2004, to January 1, 2005, except it does not conform to the qualified production activities deduction; (2) conforms to the federal provision allowing a 2004 deduction for certain charitable contributions made in January 1, 2005; (3) does not conform to the federal tonnage tax in lieu of income tax on qualified shipping activities or to the federal deduction for state sales taxes in lieu of state income taxes; (4) delays until January 1, 2005, conformity to any federal changes that would increase NC taxable income for the 2004 tax year.

Delays the sunset of the 8.25% individual upper income tax bracket for two years, from January 1, 2006, to January 1, 2008.

ESTATE TAX CHANGES

Like the Senate budget, S 622, 4th edition, repeals the July 1, 2005, sunset on the NC estate tax, so that the amount of the NC estate tax remains as the amount of the federal state death tax credit that was allowed under the Code in 2001. The NC estate tax is then automatically repealed in 2010, when the federal estate tax is repealed.

SALES TAX CHANGES

Extends until July 1, 2007, the current July 1, 2005, sunset on the additional half-cent state sales tax.

Similar to the Senate budget, S 622, 4th edition, makes numerous technical and conforming changes related to the Streamlined Sales Tax Agreement and makes the following substantive changes. (1) Defines the terms "computer supply" and "school supply" for purposes of the sales tax holiday in GS 105-164.13C and includes computer supplies worth up to \$250 within the scope of the holiday effective January 1, 2006. (2) Taxes telecommunications service at the combined general rate of 7% (was, 6%), effective September 1, 2005. (3) Taxes satellite television at the combined general rate of 7% (was, 5%), effective September 1, 2005. (4) Taxes spirituous liquor at the combined general rate of 7% (was, 6%), effective September 1, 2005. (5) Exempts items sold to farmers for use by the farmer; central office equipment sold to telephone companies; broadcasting equipment sold to radio or television stations; sales of fuel and machinery sold to commercial laundries; and certain sales to an interstate air courier for use at its hub, effective January 1, 2006. (6) Taxes railway cars and locomotives (but allows refunds), effective September 1, 2005. (7) Imposes a privilege tax of 1% on manufacturing fuel and recycling equipment, effective September 1, 2005, in lieu of differential sales tax rate. (8) Exempts funeral services and taxes tangible personal property, effective September 1, 2005. (8) Provides an amnesty provision, as required by the Streamlined Agreement, for sellers who register with the State within 12 months after the State becomes a member of the Agreement, effective September 1, 2005. (9) Retains the use tax line item on the individual income tax return for an additional five years, until 2010.

Similar to the Senate budget, S 622, 4th edition, provides that cable service and satellite digital audio radio service are taxed the same as direct to home satellite service, at the combined general rate of 7%, effective September 1, 2005. Cable providers are allowed a credit for any local franchise tax paid.

Subjects to state and local sales taxes personal property repair service contracts effective September 1, 2005. Similar to the Senate budget, S 622, 4th edition, effective September 1, 2005, provides that voicemail is telecommunications service for sales tax purposes and subjects candy to state and local sales tax.

Makes technical and conforming changes.

June 23, 2005

H 1630. 2005 CONTINUING BUDGET AUTHORITY/REVENUE. Intro. 5/11/05. Senate committee substitute makes the following changes to 2nd edition.

CONTINUING BUDGET AUTHORITY

Makes existing provisions effective July 1, 2005, with an expiration date of July 15, 2005 (was, effective June 30 and expired 30 days after became law).

Adds provision effective June 30, 2005, entitled *Conform retiree return to teaching benefit to IRS guidelines/clarify definition of retirement*, similar to provisions in House budget (7th edition of S 622) and Senate budget (4th edition of S 622): (1) amends various Session Laws to change expiration dates from June 30, 2005, to June 30, 2007; (2) amends GS 135-3(8)c. and 115C-325(a)(5a) to delete provision allowing beneficiary to teach in a substitute or part-time capacity within six months before reemployment as a public school teacher and still qualify for exclusion of reemployment earnings from computation of the cap on postretirement earnings; (3) amends GS

135-3(8)c. to limit excluded reemployment earnings to permanent, full-time teaching; (4) requires that school districts pay to the Teachers' and State Employees' Retirement System a Reemployed Teacher Contribution Rate of 11.7% of the percentage that retired teachers are being paid; and (5), except for members who retired before July 1, 2005, or for UNC phased retirement participants through June 30, 2007, amends GS 135-1(20) to provide that retirement is not effective if the member renders any type of service during the six months following the effective date of retirement.

INCOME TAX CHANGES

Same as 2nd edition except deletes provision that would have delayed the sunset of the 8.25% individual upper income tax bracket for two years, from January 1, 2006, to January 1, 2008.

ESTATE TAX CHANGES

Identical to 2nd edition.

SALES TAX CHANGES

Same as 2nd edition with the following exceptions. (1) Repeals (was, extends two years) the current July 1, 2005, sunset on the additional half-cent state sales tax. (2) Amends GS 105-164.3 to add definition of maintenance agreement. (3) Deletes provisions that would have taxed cable service at the combined general rate of 7% with a credit for any local franchise tax paid and deletes a provision that would have exempted sales of broadcasting equipment to a cable service provider. (4) Amends GS 105-164.6 to clarify that only services subject to sales tax are subject to use tax. (5) Imposes a privilege tax of 1% (with an \$80 cap) on central office equipment and prewritten computer programs sold to telephone companies and on broadcasting equipment sold to radio or television stations, effective October 1, 2005, in lieu of differential sales tax rate (2nd edition exempted telephone company central office equipment and radio/television broadcasting equipment but subjected telephone company prewritten software to tax at the general rate of 7%). (6) Provides that SL 2004-123 (1% local sales tax for beach nourishment) applies only to Dare County. (7) Provides an August 1, 2005, effective date for tax changes affecting candy, voice mail, satellite television, and telecommunications services. Provides an October 1, 2005, effective date for exemptions and for tax changes affecting spirituous liquor, radio/television broadcasting equipment, telephone company central office equipment and prewritten software, satellite radio, maintenance agreements, sales tax holiday, railway cars and locomotives, manufacturing fuel, and recycling equipment,

MISCELLANEOUS

Makes technical and conforming changes.

June 23, 2005

H 1630. 2005 CONTINUING BUDGET AUTHORITY/REVENUE. Intro. 5/11/05. Senate amendment makes the following changes to 3rd edition. Modifies the teacher reemployment provision by (1) changing the name from "*Conform retiree return to teaching benefit to IRS guidelines/clarify definition of retirement*" to "*Extend the sunset on retired teachers returning to the classroom,*" (2) deleting the provision that would have required that school districts pay to the Teachers' and State Employees' Retirement System a Reemployed Teacher Contribution Rate of 11.7% of the percentage that retired teachers are being paid; and (3) deleting the proposed amendments to GS 135-3(8)c., 115C-325(a)(5a), and 135-1(20).

June 30, 2005

H 1630. 2005 CONTINUING BUDGET AUTHORITY/REVENUE. Intro. 5/11/05. Conference report recommends the following changes to 4th edition to reconcile matters in controversy.

Continuing budget authority. Changes expiration date from July 15, 2005, to July 20, 2005.

Income tax changes. Deleted.

Extend sunset on additional one-half cent state sales and use tax rate. Sets the sunset on the additional half-cent state sales tax at the date that S 622, the 2005 Appropriations Act, becomes law, but not later than December 31, 2005 (was, deleted sunset). Deletes all other sales tax provisions of 4th edition.

Miscellaneous. Makes technical and conforming changes.

July 5, 2005

SL 2005-144 (H 1630). 2005 CONTINUING BUDGET AUTHORITY/REVENUE. AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT THE LEVEL IN EFFECT ON JUNE 30, 2005; EXTENDING THE FINAL MATURITY OF CERTAIN GLOBAL TRANSPARK DEBT FROM JULY 1, 2005, UNTIL JULY 31, 2005; EXTENDING THE SUNSET ON RETIRED TEACHERS RETURNING TO THE CLASSROOM UNTIL JULY 31, 2007; CONFORMING THE STATE ESTATE TAX TO THE FEDERAL ESTATE TAX SUNSET; AND EXTENDING THE SUNSET ON THE ADDITIONAL ONE-HALF CENT STATE SALES AND USE TAX FROM JULY 1, 2005, UNTIL THE 2005 APPROPRIATIONS ACT BECOMES LAW. Summarized in *Daily Bulletin* 5/11/05, 6/7/05, 6/23/05, and 6/30/05. Enacted June 30, 2005. Parts 1–4 are effective July 1, 2005, and expire July 20, 2005, except as otherwise provided. The remainder of the act is effective June 30, 2005, except as otherwise provided.