

March 22, 2007

**H 1016. REVISE 529 PLAN DEDUCTION (=S 1040).** Filed 3/22/07. *TO ENHANCE THE TAX BENEFITS OF CONTRIBUTIONS TO THE PARENTAL SAVINGS TRUST FUND OF THE STATE EDUCATION ASSISTANCE AUTHORITY.*

Identical to S 1040, filed 3/20/07.

**Intro. by Dickson.**

GS 105

April 23, 2007

**H 1016. REVISE 529 PLAN DEDUCTION.** Filed 3/22/07. House committee substitute makes the following changes to 1st edition. Reinstates the income thresholds in GS 105-134.6(d)(4).

April 26, 2007

**H 1016. REVISE 529 PLAN DEDUCTION.** Filed 3/22/07. House amendment makes the following changes to 2nd edition. For tax years 2007 through 2011, removes the income thresholds in GS 105-134.6(d)(4).

July 10, 2007

**H 1016. STATE MEDICAID SWAP (NEW).** Filed 3/22/07. Senate committee substitute deletes all provisions of the 3rd edition and replaces it with *AN ACT TO PHASE OUT THE COUNTY SHARE OF THE NONFEDERAL SHARE OF MEDICAID COSTS, TO MAKE CORRESPONDING CHANGES TO STATE AND LOCAL REVENUE STREAMS, TO PROVIDE A NONREFUNDABLE EARNED INCOME TAX CREDIT, AND TO TAX ANNUITIES IN THE SAME MANNER AS OTHER INSURANCE PRODUCTS.*

*Earned income tax credit.* Section 6 of the bill enacts new GS 105-151.31 to give taxpayers who qualify for the federal earned income tax credit a state income tax credit equal to 12% of the federal credit. The amount of the credit may not exceed the amount of income tax due. The new credit is effective beginning with the 2008 tax year and sunsets January 1, 2014. Makes a conforming change to GS 105-160.3(b) (estates and trusts).

*Gross premiums tax on annuities.* Effective beginning with the 2009 tax year, Section 5 of the bill amends GS 105-228.5 to remove the exclusion from the gross premiums tax for premiums and considerations received from annuities. Qualified plans would continue to be excluded. Section 5 allows a deduction from taxable premiums for premiums on a group annuity contract returned because of a change in the group's composition. Makes technical language and punctuation changes.

*County Medicaid share.* Section 1 of the bill provides that the state will bear the following percentages of the county's share of Medicaid costs incurred on or after the indicated dates: 25% beginning October 1, 2007; 50% beginning July 1, 2008; and 100% beginning July 1, 2009. Conforms GS 108A-54. For the 2007-08 fiscal year only, Section 2 of the bill changes the average daily membership distribution from the Public School Building Capital Building Fund in GS 115C-546.2 to reduce the amount of each county's distribution by the lesser of 60% of the distribution or 60% of the amount of the county's Medicaid share paid by the state. Requires counties to use other local funds to make up for the reduction in public school funds.

*Sales tax changes.* Effective October 1, 2008, Section 3 of the bill reduces the third one-half cent local sales tax in Article 44 of GS Chapter 105 to one-fourth cent and increases the state sales tax in GS 105-164.4 (a) by one-fourth cent. Effective October 1, 2009, Section 4 of the bill repeals the remaining one-fourth cent of the local sales tax in Article 44 and increases the state sales tax by an additional one-fourth cent. Sections 3 and 4 make conforming changes to the distribution formulas in GS 105-164.44F and GS 105-164.44I and to the hold-harmless distribution in Article 44 (GS 105-521).

When the local tax in Article 44 is reduced, the per capita portion of the distribution is eliminated. When the remaining portion of the local tax in Article 44 is repealed, the distribution formula for the second one-half cent local sales tax (Article 42) in GS 105-501 is changed from a per capita to a point-of-origin method. Section 4 of the bill also makes technical language changes in GS 105-501.

Sections 3 and 4 of the bill amend GS 105-472 and SL 1967-1096 (first one-cent local sales tax) and enact new GS 105-522 and GS 105-523 (Article 44) to provide that (1) cities will be held harmless by the county for the loss attributable to the phase-out of the Article 44 local sales tax and (2) counties will be compensated for the loss attributable to the phase-out of the Article 44 local sales tax by the state paying the county's Medicaid share. If the amount paid by the state for the county's Medicaid share is less than the county's sales tax loss, then new GS 105-523 provides that the state will pay the difference to the county. These payments will come from state sales tax collections that would otherwise go to the General Fund. New GS 105-523 sunsets July 1, 2017.

July 11, 2007

**H 1016. STATE MEDICAID SWAP.** Filed 3/22/07. Senate amendment makes the following changes to 4th edition. Modifies proposed new GS 105-151.31 as follows. Adds the requirements that an individual file as head of household or married filing jointly and claim an exemption under Section 152 in order to be allowed an earned income tax credit. Reduces the amount of the credit from 12% to 5%. Makes the credit refundable instead of nonrefundable and provides for the administration of the credit. Changes the sunset date for the credit from January 1, 2014, to January 1, 2013. Makes a conforming title change.