

March 27, 2007

**S 1547. INCOME TAX MODERNIZATION.** Filed 3/27/07. *TO IMPLEMENT A RECOMMENDATION OF THE STATE AND LOCAL FISCAL MODERNIZATION STUDY COMMISSION TO LOWER INDIVIDUAL INCOME TAX RATES BY USING ADJUSTED GROSS INCOME RATHER THAN FEDERAL TAXABLE INCOME AS THE STARTING POINT FOR CALCULATING STATE INCOME TAX LIABILITY.*

Amends GS 105-134.2(a) to reduce individual income taxes by (1) reducing the tax rates that apply to the three income brackets from 6%, 7%, and 7.75% to 4.5%, 5.5%, and 7%, respectively, and (2) changing the threshold for the middle income bracket from \$21,250 to \$40,000 (married filing jointly) and for the top income bracket from \$100,000 to \$80,000 (married filing jointly). For single taxpayers and married taxpayers filing separately, the middle bracket threshold is changed to \$20,000 and the top bracket threshold is changed to \$40,000. For heads of households, the middle bracket threshold is changed to \$30,000 and the top bracket threshold is changed to \$60,000.

Amends GS 105-134.5 to provide that adjusted gross income is the starting point for calculating North Carolina taxable income. Enacts new GS 105-134.5A to provide a \$2,000 personal exemption for taxpayers in the lowest income bracket, \$1,200 for the middle income bracket, and \$500 for the top income bracket. Makes conforming changes to GS 105-134.1 (definitions) and GS 105-159 (federal corrections).

Directs the Revenue Laws Study Committee to study issues relating to changing the starting point for calculating NC taxable income from federal taxable income to adjusted gross income and report to the 2008 session of the General Assembly.

The tax changes become effective beginning with the 2009 tax year.

**Intro. by Hoyle.**

GS 105, STUDY