

May 25, 2010

H 1989. REDUCE TAX BURDEN ON SMALL BUSINESSES. Filed 5/25/10. *TO REDUCE THE TAX BURDEN ON SMALL BUSINESSES BY CAPPING THE TAX RATE ON SMALL BUSINESSES, REGARDLESS OF ENTITY TYPE, AT SIX AND EIGHT-TENTHS PERCENT.*

Enacts new GS 105-130.3(c), distinguishing *Small C Corporations* and providing that a small business taxpayer will be subject to a tax rate of 6.8% of that taxpayer's state income, and defines a *small business* as a business whose cumulative gross receipts in a taxable year do not exceed \$850,000. Also makes a separate category for *Large C Corporations*, taxed at 6.9% (current law) in years after 1999, and makes other technical and conforming changes. Amends GS 105-134.2, providing that the tax rate imposed on the net business income of a taxpayer who receives income from a small business (as defined in GS 105-130.3(c)) may not exceed 6.8%. Also subtracts the net business income of the small business from the taxpayer's taxable income when determining the taxpayer's individual income tax rate, and exempts passive income from the term *small business income* for the purposes of the subsection. Makes other technical and conforming changes. Effective for taxable years beginning on or after January 1, 2010.

Intro. by Blackwell.

GS 105