

ADOPTED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 607

AMENDMENT NO. A1
(to be filled in by
Principal Clerk)

S607-ATD-85 [v.12]

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Amends Title [YES]
Second Edition

Date _____, 2015

Senator B. Jackson

1 moves to amend the bill by rewriting the short title to read: "Taxpayer Protection Act";

2
3 and on page 1, line 2, through page 3, line 30, by rewriting the lines to read:

4 "AN ACT TO AMEND THE CONSTITUTION OF NORTH CAROLINA TO PROVIDE FOR
5 TAXPAYER PROTECTIONS THAT LIMIT THE GROWTH OF STATE SPENDING,
6 ESTABLISH A STATE EMERGENCY SAVINGS RESERVE FUND, AND REDUCE
7 THE MAXIMUM OF THE INCOME TAX RATE TO FIVE PERCENT FROM TEN
8 PERCENT.

9 The General Assembly of North Carolina enacts:

10 **SECTION 1.(a)** The Constitution of North Carolina is amended by adding the
11 following article:

12 "Article V-A
13 "Taxpayer Protections

14 **"Sec. 1. Limit on growth of State spending.**

15 (1) Fiscal year spending limit. Except as provided in subsection (2) of this section, the
16 maximum annual percentage increase in State fiscal year spending shall not exceed the average
17 inflation growth for the prior three calendar years plus the average growth in State population
18 for the prior three fiscal years. "Fiscal year spending" means the General Fund appropriations
19 for current operations, excluding appropriations from General Fund receipts. "Inflation growth"
20 means the percentage increase in the Consumer Price Index for All Urban Consumers
21 (excluding Energy and Food), or its successor, for the calendar year directly preceding the
22 fiscal year. "Population" means the number of people residing in the State, excluding Armed
23 Forces stationed overseas, as reported annually by the United States Census Bureau.

24 (2) Modification by supermajority vote. The General Assembly may vote to increase
25 the spending limit established under this section for a fiscal year. An increase in the spending
26 limit for a fiscal year shall be made by an act passed by two-thirds of all the members of each
27 house.

28 **"Sec. 2. Establishment of Emergency Savings Reserve Fund.**

29 (1) The Emergency Savings Reserve Fund is established in the State Treasury. Interest
30 on money in the Emergency Savings Reserve Fund shall remain in the Fund.

31 (2) Except as provided in subsection (3) of this section, the General Assembly shall
32 reserve to the Emergency Savings Reserve Fund each fiscal year an amount equal to two



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1 percent of the amount appropriated from the General Fund, excluding General Fund receipts,
 2 for capital and operating expenses for the prior fiscal year until the Fund contains an amount
 3 equal to twelve and one-half percent of the amount appropriated from the General Fund,
 4 excluding General Fund receipts, for capital and operating expenses for the prior fiscal year.
 5 The General Assembly may by statute provide for the deposit of additional funds in the
 6 Emergency Savings Reserve Fund.

7 (3) The General Assembly may decline to reserve funds to the Emergency Savings
 8 Reserve Fund, provide for the expenditure of funds from the Emergency Savings Reserve
 9 Fund, or both. An act declining to reserve funds to the Emergency Savings Reserve Fund,
 10 providing for the expenditure of funds in the Emergency Savings Reserve Fund, or both, shall
 11 become law only if two-thirds of all the members of each house vote to pass the bill.

12 (4) No money shall be drawn from the Emergency Savings Reserve Fund but in
 13 consequence of appropriations from the Fund made by an act passed by two-thirds of all the
 14 members of each house. The constitutional powers of the Governor do not authorize (i) the
 15 expenditure of money in the Emergency Savings Reserve Fund without an appropriation by the
 16 General Assembly or (ii) the diversion for other purposes of money appropriated from the
 17 Emergency Savings Reserve Fund by the General Assembly.

18 (5) This section shall not be construed to prevent the General Assembly from
 19 authorizing by statute the use of money in the Emergency Savings Reserve Fund on a
 20 temporary basis to meet the cash flow needs of the State.

21 **"Sec. 3. Income tax rate limited to five percent.**

22 The rate of tax on incomes shall not in any case exceed five percent, and there shall be
 23 allowed personal exemptions and deductions so that only net incomes are taxed."

24 **SECTION 1.(b)** Section 2 of Article V of the Constitution of North Carolina
 25 reads as rewritten:

26 **"Sec. 2. State and local taxation.**

27 ...

28 (6) Income tax. ~~The rate of tax on incomes shall not in any case exceed five percent,~~
 29 ~~and there shall be allowed personal exemptions and deductions so that only net incomes are~~
 30 ~~taxed.~~ Tax on incomes shall be subject to the provisions of Section 1 of Article V-A of this
 31 Constitution."

32 **SECTION 1.(c)** Section 22 of Article II of the Constitution of North Carolina is
 33 amended by adding two new subdivisions to read:

34 "(3a) Bills increasing the fiscal year spending limit established under Section 1 of Article
 35 V-A of this Constitution. Every bill increasing the fiscal year spending limit and containing no
 36 other matter, shall be read three times in each house before it becomes law and shall be signed
 37 by the presiding officers of both houses.

38 (3b) Bills declining to reserve funds to the Emergency Savings Reserve Fund, providing
 39 for the expenditure of funds from the Emergency Savings Reserve Fund, or both as provided in
 40 Section 2 of Article V-A of this Constitution. Every bill declining to reserve funds to the
 41 Emergency Savings Reserve Fund, providing for the expenditure of funds from the Emergency
 42 Savings Reserve Fund, or both and containing no other matter shall be read three times in each
 43 house before it becomes law, and shall be signed by the presiding officers of both houses."

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1 **SECTION 2.** The amendments set out in Section 1 of this act shall be submitted to
2 the qualified voters of the State at the time of the election in 2016 when voters of this State are
3 given an opportunity to express their preference for the person to be the presidential candidate
4 of their political party, which election shall be conducted under the laws then governing
5 elections in the State. Ballots, voting systems, or both may be used in accordance with Chapter
6 163 of the General Statutes. The question to be used in the voting systems and ballots shall be:

7 " FOR AGAINST

8 Constitutional amendments adding the Taxpayer Protection Act to the North
9 Carolina Constitution that would limit the growth of State spending to inflation plus population
10 growth, establish and require yearly deposits in an Emergency Savings Reserve Fund in the
11 State Treasury, and reduce the maximum allowable income tax rate in North Carolina from ten
12 percent (10%) to five percent (5%)."

13 **SECTION 3.** If a majority of votes cast on the question are in favor of the
14 amendments set out in Section 1 of this act, the State Board of Elections shall certify the
15 amendments to the Secretary of State. The constitutional amendments become effective upon
16 such certification and apply as follows:

- 17 (1) Section 1 of Article V-A applies to fiscal years beginning on or after July 1,
18 2017.
- 19 (2) Section 2 of Article V-A applies to fiscal years beginning on or after July 1,
20 2016.
- 21 (3) Section 3 of Article V-A applies to taxable years beginning on or after
22 January 1, 2020. The amendment to Section 2 of Article V applies to taxable
23 years beginning on or after January 1, 2020.
- 24 (4) Section 22(3a) and Section 22(3b) of Article II apply upon certification by
25 the Secretary of State.

26 The Secretary of State shall enroll the amendments so certified among the
27 permanent records of that office.

28 **SECTION 4.** Except as otherwise provided, this act is effective when it becomes
29 law."
30
31
32

SIGNED _____

**The official copy of this document, with signatures
and vote information, is available in the
Senate Principal Clerk's Office**