

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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SENATE BILL DRS15156-SVf-13

Short Title: Tax Relief and Recovery Act. (Public)

Sponsors: Senators Newton, Daniel, and Rabon (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO REDUCE STATE INDIVIDUAL INCOME TAX AND FRANCHISE TAX.  
3 The General Assembly of North Carolina enacts:  
4

5 **PART I. INDIVIDUAL INCOME TAX**

6 **SECTION 1.1.(a)** G.S. 105-153.7(a) reads as rewritten:

7 "(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income  
8 of every individual. The tax shall be levied, collected, and paid annually. The tax is ~~five and~~  
9 ~~one-quarter percent (5.25%)~~ four and ninety-nine hundredths percent (4.99%) of the taxpayer's  
10 North Carolina taxable income."

11 **SECTION 1.1.(b)** G.S. 105-153.5(a)(1) reads as rewritten:

12 "(1) Standard deduction amount. – The standard deduction amount is zero for a  
13 person who is not eligible for a standard deduction under section 63 of the  
14 Code. For all other taxpayers, the standard deduction amount is equal to the  
15 amount listed in the table below based on the taxpayer's filing status:

| <b>Filing Status</b>                     | <b>Standard Deduction</b>           |
|------------------------------------------|-------------------------------------|
| Married, filing jointly/surviving spouse | <del>\$21,500</del> <u>\$25,500</u> |
| Head of Household                        | <del>16,125</del> <u>19,125</u>     |
| Single                                   | <del>10,750</del> <u>12,750</u>     |
| Married, filing separately               | <del>10,750</del> <u>12,750.</u> "  |

21 **SECTION 1.1.(c)** G.S. 105-153.5(a1) reads as rewritten:

22 "(a1) Child Deduction Amount. – A taxpayer who is allowed a federal child tax credit under  
23 section 24 of the Code for the taxable year is allowed a deduction under this subsection for each  
24 qualifying child for whom the taxpayer is allowed the federal tax credit. The amount of the  
25 deduction is equal to the amount listed in the table below based on the taxpayer's adjusted gross  
26 income, as calculated under the Code:

| <b>Filing Status</b>                         | <b>AGI</b>      | <b>Deduction Amount</b>              |
|----------------------------------------------|-----------------|--------------------------------------|
| Married, filing jointly/<br>surviving spouse | Up to \$40,000  | <del>\$2,500.00</del> <u>\$3,000</u> |
|                                              | Over \$40,000   | <del>2,000.00</del> <u>2,500</u>     |
|                                              | Up to \$60,000  | <del>1,500.00</del> <u>2,000</u>     |
|                                              | Over \$60,000   | <del>1,000.00</del> <u>1,500</u>     |
|                                              | Up to \$80,000  | <del>1,000.00</del> <u>1,500</u>     |
|                                              | Over \$80,000   | <del>500.00</del> <u>1,000</u>       |
|                                              | Up to \$100,000 | <del>500.00</del> <u>1,000</u>       |
|                                              | Over \$100,000  | <del>500.00</del> <u>1,000</u>       |
|                                              | Up to \$120,000 | <del>500.00</del> <u>1,000</u>       |



|    |                            |                        |                                      |
|----|----------------------------|------------------------|--------------------------------------|
| 1  |                            | Over \$120,000         | 0                                    |
| 2  |                            | <u>Up to \$140,000</u> | <u>500.00</u>                        |
| 3  |                            | <u>Over \$140,000</u>  | <u>0</u>                             |
| 4  |                            |                        |                                      |
| 5  | Head of Household          | Up to \$30,000         | <del>\$2,500.00</del> <u>\$3,000</u> |
| 6  |                            | Over \$30,000          |                                      |
| 7  |                            | Up to \$45,000         | <del>2,000.00</del> <u>2,500</u>     |
| 8  |                            | Over \$45,000          |                                      |
| 9  |                            | Up to \$60,000         | <del>1,500.00</del> <u>2,000</u>     |
| 10 |                            | Over \$60,000          |                                      |
| 11 |                            | Up to \$75,000         | <del>1,000.00</del> <u>1,500</u>     |
| 12 |                            | Over \$75,000          |                                      |
| 13 |                            | Up to \$90,000         | <del>500.00</del> <u>1,000</u>       |
| 14 |                            | Over \$90,000          | 0                                    |
| 15 |                            | <u>Up to \$105,000</u> | <u>500.00</u>                        |
| 16 |                            | <u>Over \$105,000</u>  | <u>0</u>                             |
| 17 |                            |                        |                                      |
| 18 | Single                     | Up to \$20,000         | <del>\$2,500.00</del> <u>\$3,000</u> |
| 19 |                            | Over \$20,000          |                                      |
| 20 |                            | Up to \$30,000         | <del>2,000.00</del> <u>2,500</u>     |
| 21 |                            | Over \$30,000          |                                      |
| 22 |                            | Up to \$40,000         | <del>1,500.00</del> <u>2,000</u>     |
| 23 |                            | Over \$40,000          |                                      |
| 24 |                            | Up to \$50,000         | <del>1,000.00</del> <u>1,500</u>     |
| 25 |                            | Over \$50,000          |                                      |
| 26 |                            | Up to \$60,000         | <del>500.00</del> <u>1,000</u>       |
| 27 |                            | Over \$60,000          | 0                                    |
| 28 |                            | <u>Up to \$70,000</u>  | <u>500.00</u>                        |
| 29 |                            | <u>Over \$70,000</u>   | <u>0</u>                             |
| 30 |                            |                        |                                      |
| 31 | Married, filing separately | Up to \$20,000         | <del>\$2,500.00</del> <u>\$3,000</u> |
| 32 |                            | Over \$20,000          |                                      |
| 33 |                            | Up to \$30,000         | <del>2,000.00</del> <u>2,500</u>     |
| 34 |                            | Over \$30,000          |                                      |
| 35 |                            | Up to \$40,000         | <del>1,500.00</del> <u>2,000</u>     |
| 36 |                            | Over \$40,000          |                                      |
| 37 |                            | Up to \$50,000         | <del>1,000.00</del> <u>1,500</u>     |
| 38 |                            | Over \$50,000          |                                      |
| 39 |                            | Up to \$60,000         | <del>500.00</del> <u>1,000</u>       |
| 40 |                            | Over \$60,000          | 0.                                   |
| 41 |                            | <u>Up to \$70,000</u>  | <u>500.00</u>                        |
| 42 |                            | <u>Over \$70,000</u>   | <u>0."</u>                           |

43 **SECTION 1.1.(d)** This section is effective for taxable years beginning on or after  
 44 January 1, 2022.

45  
 46 **PART II. FRANCHISE TAX**

47 **SECTION 2.1.(a)** G.S. 105-122(d) reads as rewritten:

48 "(d) Tax Base. – A corporation's tax base is the ~~greatest of the following:~~

- 49 (1) ~~The~~ proportion of its net worth as set out in subsection (c1) of this section.
- 50 (2) ~~Fifty five percent (55%) of the corporation's appraised value as determined~~
- 51 ~~for ad valorem taxation of all the real and tangible personal property in this~~

1 State. For purposes of this subdivision, the appraised value of tangible  
2 property, including real estate, is the ad valorem valuation for the calendar  
3 year next preceding the due date of the franchise tax return.

- 4 (3) ~~(Effective for taxable years beginning on or after January 1, 2020, and  
5 applicable to the calculation of franchise tax reported on the 2019 and later  
6 corporate income tax returns) The corporation's total actual investment in  
7 tangible property in this State. For purposes of this subdivision, the total actual  
8 investment in tangible property in this State is the total original purchase price  
9 or consideration to the reporting taxpayer of its tangible properties, including  
10 real estate, in this State plus additions and improvements thereto less (i)  
11 reserve for depreciation as permitted for income tax purposes and (ii) any  
12 indebtedness specifically incurred and existing solely for and as the result of  
13 the purchase of any real estate and any permanent improvements made on the  
14 real estate."~~

15 **SECTION 2.1.(b)** G.S. 105-114.1(b) reads as rewritten:

16 "(b) Controlled Companies. – If a corporation or an affiliated group of corporations owns  
17 more than fifty percent (50%) of the capital interests in a noncorporate limited liability company,  
18 the corporation or group of corporations must include in its ~~three tax bases~~ base pursuant to  
19 G.S. 105-122 the same percentage of ~~(i) the noncorporate limited liability company's net worth;~~  
20 ~~(ii) fifty five percent (55%) of the noncorporate limited liability company's appraised ad valorem~~  
21 ~~tax value of property; and (iii) the noncorporate limited liability company's actual investment in~~  
22 ~~tangible property in this State, as appropriate.~~ worth."

23 **SECTION 2.1.(c)** G.S. 105-120.2(b) reads as rewritten:

24 "(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the  
25 Secretary of Revenue, at the time the return is due, ~~the greater of the following:~~

- 26 ~~(1) A~~ a franchise or privilege tax at the rate of one dollar and fifty cents (\$1.50)  
27 per one thousand dollars (\$1,000) of the amount determined under subsection  
28 (a) of this section, but in no case shall the tax be more than one hundred fifty  
29 thousand dollars (\$150,000) nor less than two hundred dollars (\$200.00).  
30 ~~(2) If the tax calculated under this subdivision exceeds the tax calculated under~~  
31 ~~subdivision (1) of this subsection, then the tax is levied at the rate of one dollar~~  
32 ~~and fifty cents (\$1.50) per one thousand dollars (\$1,000) on the greater of the~~  
33 ~~following:~~  
34 a: ~~Fifty five percent (55%) of the appraised value as determined for ad~~  
35 ~~valorem taxation of all the real and tangible personal property in this~~  
36 ~~State of each such corporation plus the total appraised value of~~  
37 ~~intangible property returned for taxation of intangible personal~~  
38 ~~property as computed under G.S. 105-122(d).~~  
39 b: ~~The total actual investment in tangible property in this State of such~~  
40 ~~corporation as computed under G.S. 105-122(d)."~~

41 **SECTION 2.1.(d)** This section is effective for taxable years beginning on or after  
42 January 1, 2023, and applicable to the calculation of franchise tax reported on the 2022 and later  
43 corporate income tax return.

### 44 **PART III. EFFECTIVE DATE**

45 **SECTION 3.1.** Except as otherwise provided, this act is effective when it becomes  
46 law.  
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