NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Sen. McInnis, Sen. Craven, and Sen. B. Newton
Analyst(s): Nick Clerkin, Kaleigh Mullins
RE: S1080v1-Lower Taxes for All NC

SUMMARY TABLE

FISCAL IMPACT OF S.B. 1080, V.1 ($ in billions)

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact			**No Fiscal Impact**		

NET STATE IMPACT	**No Fiscal Impact**

FISCAL IMPACT SUMMARY

The bill would require a referendum to be held on a Constitutional Amendment that would decrease the maximum allowable income tax rate, including both personal income tax and corporate income tax, from 7% to 3.5%, beginning on January 1, 2027.

This bill is estimated to have no fiscal impact for the following reasons:

- The outcome of the ballot measure is unknown.
- The personal income tax rate is expected to be below the maximum allowable rate due to the projected impact of exceeding statutory revenue triggers.
- The statutory corporate income tax rate is and will be below the maximum allowable rate.
- Additional costs associated with administering the election for the referendum are anticipated to be minimal.

FISCAL ANALYSIS

Senate Bill 1080 would put to the voters of the State the question of whether to amend the State's Constitution to reduce the maximum allowable State tax rate on income from 7% to 3.5%. The ballot question would be considered at the statewide general election in November 2026. If approved by a majority of the voters, the amendment would limit the maximum allowable tax rate on both personal and corporate incomes to 3.5% for taxable years beginning on or after January 1, 2027.

FRD estimates this bill has no fiscal impact because 1) the rates on applicable taxes are anticipated to be under the 3.5% cap in 2027 and after, and 2) FRD anticipates any additional costs of placing a second statewide referendum on the same ballot would be minimal and could be absorbed using existing local board of elections resources.

1a) Personal Income Tax

Current Law and Triggers: S.L. 2023-134 reduced the personal income tax rate to 3.99% in 2026 and authorized up to 3 additional rate reductions between 2027 and 2034, provided that total General Fund net revenue in the preceding fiscal year reaches certain thresholds. Whenever General Fund revenue in a given fiscal year exceeds the threshold ("trigger") amount specified for that fiscal year, the personal income tax rate drops by one-half percentage point (0.50%) beginning January 1st of the following tax year.

Table 1 provides the trigger amounts for fiscal years 2025-26 through 2032-33. The May 2026 Consensus Revenue Forecast anticipates exceeding the triggers in each of FY 2025-26 and FY 2026-27, lowering the personal income tax rate to 3.49% in 2027 and 2.99% in 2028 and after.

Table 1: Trigger Amounts, General Fund Forecast, and Expected Personal Income Tax Rates
$ in millions and rounded to the nearest million

Fiscal Year	Trigger Amount	May 2026 General Fund Forecast	Tax Year	Personal Income Tax Rate
-	-	-	2026	3.99%
2025-26	$33,042	$35,688	2027	3.49% (Trigger hit, 1st rate reduction)
2026-27	$34,100	$35,433	2028	2.99% (Trigger hit, 2nd rate reduction)
2027-28	$34,760		2029	2.99% Up to 1 additional rate reduction of 0.5% contingent on triggers: 3rd reduction: 2.99% to 2.49% (minimum rate = 2.49%)
2028-29	$35,750		2030	
2029-30	$36,510		2031	
2030-31	$38,000		2032	
2031-32	$38,500		2033	
2032-33	$39,000		2034	

Fiscal Impact: Since the rate is anticipated to fall to 3.49% in 2027 and 2.99% in 2028 and after, FRD estimates that the constitutional cap would have no fiscal impact as 3.5% is 0.01% and 0.51% higher than the respective projected personal income tax rates. The constitutional cap would not affect the 2026 tax rate of 3.99% because it does not apply until January 1, 2027.

1b) Corporate Income Tax

Current Law: S.L. 2021-180 reduced the corporate income tax rate to 2% in 2026 and 2027, 1% in 2028 and 2029, and 0% in 2030 and after.

Fiscal Impact: FRD estimates that the constitutional cap would have no fiscal impact as 3.5% is 1.5%, 2.5%, and 3.5% higher than the respective statutory corporate income tax rates.

2) Referendum Costs

In addition to the traditional races appearing on a ballot in a midterm election (e.g., NC House of Representatives and Senate, U.S. House of Representatives, etc.), November 2026 election ballots will already contain one referendum for a Constitutional Amendment, which relates to requiring photo identification for voting. S.B. 1080 would add a second referendum to this ballot, but this is estimated to be of minimal additional cost because it is not creating fundamental changes (e.g., entirely separate election day, separate ballot, etc.). While the State and local boards of elections may incur additional administrative costs for a second referendum (e.g., ink for printing, extra ballot pages because of spacing, etc.), FRD estimates these costs would be minimal and could be absorbed within additional resources.

TECHNICAL CONSIDERATIONS

The estimates in this document are in part based on forecasted net General Fund revenue. Under current law, if net General Fund revenue totaled less than the trigger amount of $33,042 million for FY 2025-26, the tax rate of 3.99% would apply in 2027 and after unless a trigger was exceeded in a future fiscal year. In this case, the 3.5% maximum allowable income tax rate would become binding and require a reduction to the personal income tax rate.

DATA SOURCES

May 2026 Consensus Revenue Forecast. NC State Board of Elections.

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.