

Estimated Fiscal Impact of Conformity to Federal Tax Changes (\$ in Millions)

	FY18	FY19	FY20	FY21	FY22
Temporarily reduce threshold for deductibility of medical expenses from 10% to 7.5% of income for the 2017 and 2018 tax years, limit deductions for mortgage interest, and repeal other miscellaneous deductions and income exclusions allowed in determining adjusted gross income	-	(25)	3	3	3
Simplify small business accounting methods (businesses with less than \$25M per year in gross receipts)	-	(35)	(31)	(16)	(10)
Limit interest expense deduction for businesses with average yearly gross receipts of more than \$25M; allow carryforward of unused deduction	-	10	12	14	16
Disallow deductions for business losses in excess of taxable income of \$500k (MFJ) and (\$250k) for others; Allow unlimited loss carryforward deduction of up to 80% of income per year. Repeal two year loss carryback for most taxpayers.	-	80	63	66	69
Repeal like kind exchanges except for real property	-	4	6	8	11
Repeal deductions for various fringe benefits	-	14	9	10	10
Repeal deduction for FDIC premiums	-	8	6	6	6
Reduce corporate dividends received deduction percentages	-	3	3	3	3
Provide tax incentives for investments in qualified opportunity zones	-	(13)	(8)	(9)	(9)
Allow income exclusion for forgiveness of debt on primary residence *	-	(7)	-	-	-
Treat mortgage insurance premium as mortgage interest for purposes of tax deduction*	-	(3)	-	-	-
Provide deduction for tuition and related expenses*	-	(1)	-	-	-
Total Impact	-	35	63	85	99

**These are one year federal extensions for 2018 of provisions NC has not conformed to in previous years.*

This table lists provisions from the federal Tax Cuts and Jobs Act (TJCA) and Bipartisan Budget Act (BBA) that are expected to have a significant impact on NC tax collections. There are a couple of international tax provisions pertaining to foreign-source intangible income that may impact NC's corporate tax calculation. However, any increase in revenue is limited by potentially lower apportionment percentages and the application of separate entity filing. Consequently, to take a cautious approach regarding future revenue availability, no revenue increase is noted with respect to these provisions.