

# History of State and Local Taxes in North Carolina - Changes in Sources and Burdens

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# Background

- Tax system largely set in place in the 1920s and 1930s
- Basic structure has remained the same over the last 70+ years



# Individual Income Tax

- In place since 1921
- In 1989, the state piggybacked the federal income tax
  - Unusual in that North Carolina starts with federal taxable income, not adjusted gross income
- In the early years, rates ranged from 3% to 7%
- Today, rates range from 6% to 8.25%



# Sales Tax

- North Carolina was the second state in the nation to enact a retail sales tax (in 1933)
  
- In 1933, the state levied a 3% state-level tax
  - Increased to 4% in 1991
  - Temporary increase of .5% in 2001
  
- Added a local-level tax of 1% in 1971
  - Increased by .5% in 1983
  - Increased by .5% in 1986
  - Increased by .5% in 2002



# Property Tax

- Before 1921, the largest source of state tax revenue
- Strictly a local-level tax since that time
- In 1972, the property tax accounted for over 90% of total local-level taxes collected in North Carolina
- Still the primary source of local government revenue but now accounts for only 77% of total tax revenue



# Changes in Sources of Revenue

- In 1942, 90% of state and local government own-source revenue was from taxes
- Today, only 66% of own-source revenue comes from taxes



# Changes in Sources of Tax Revenue

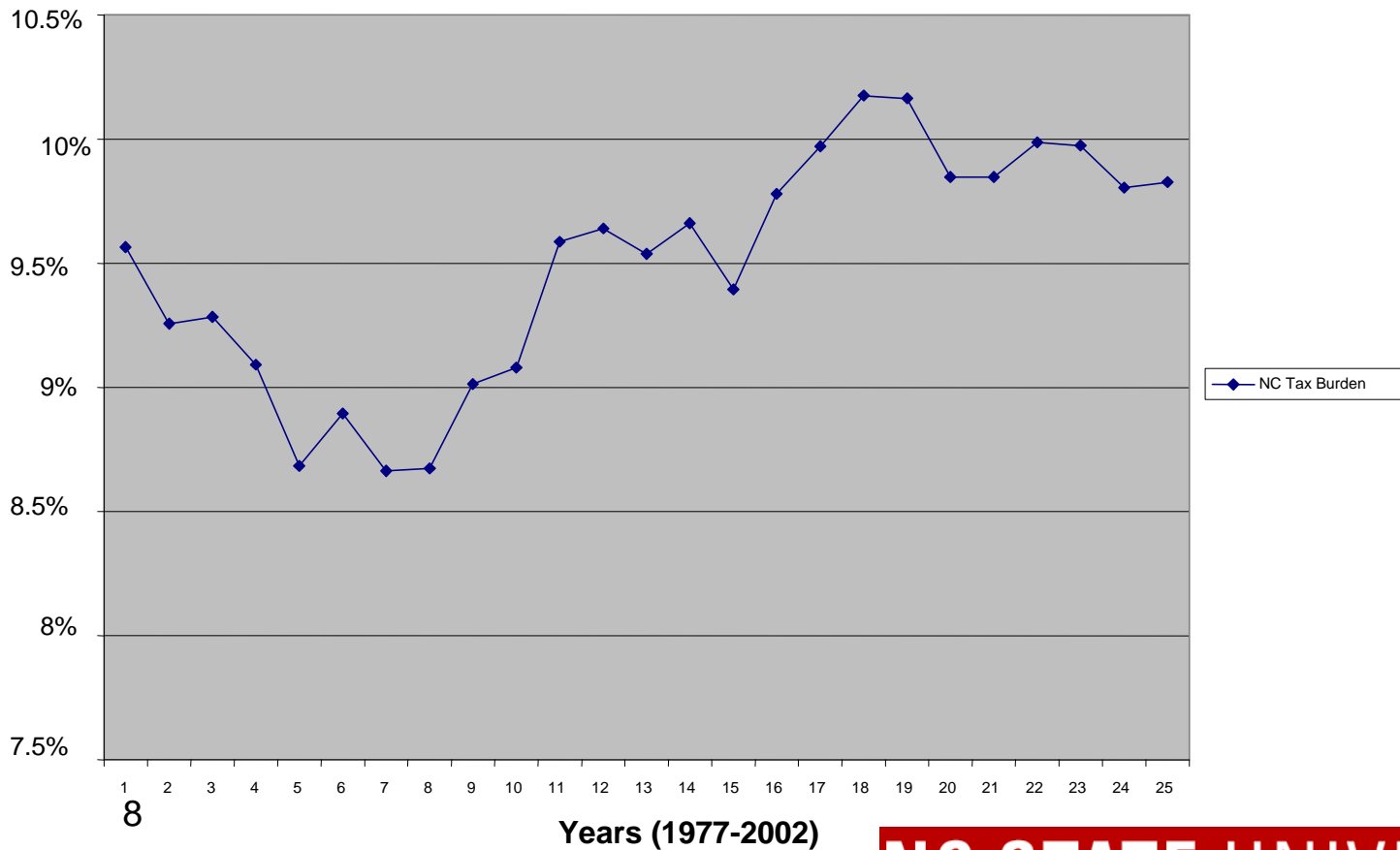
**Percent of Total NC State and Local Tax Revenue from Various Sources**

	<b>1957</b>	<b>2002</b>
Sales Taxes	41.4%	34.8%
Property Taxes	26.8%	24.0%
License Taxes	11.0%	4.0%
Individual Income Taxes	10.5%	32.2%
Corporate Income Taxes	9.1%	3.0%
Other Taxes	1.2%	2.0%



# North Carolina's Changing Tax Burden

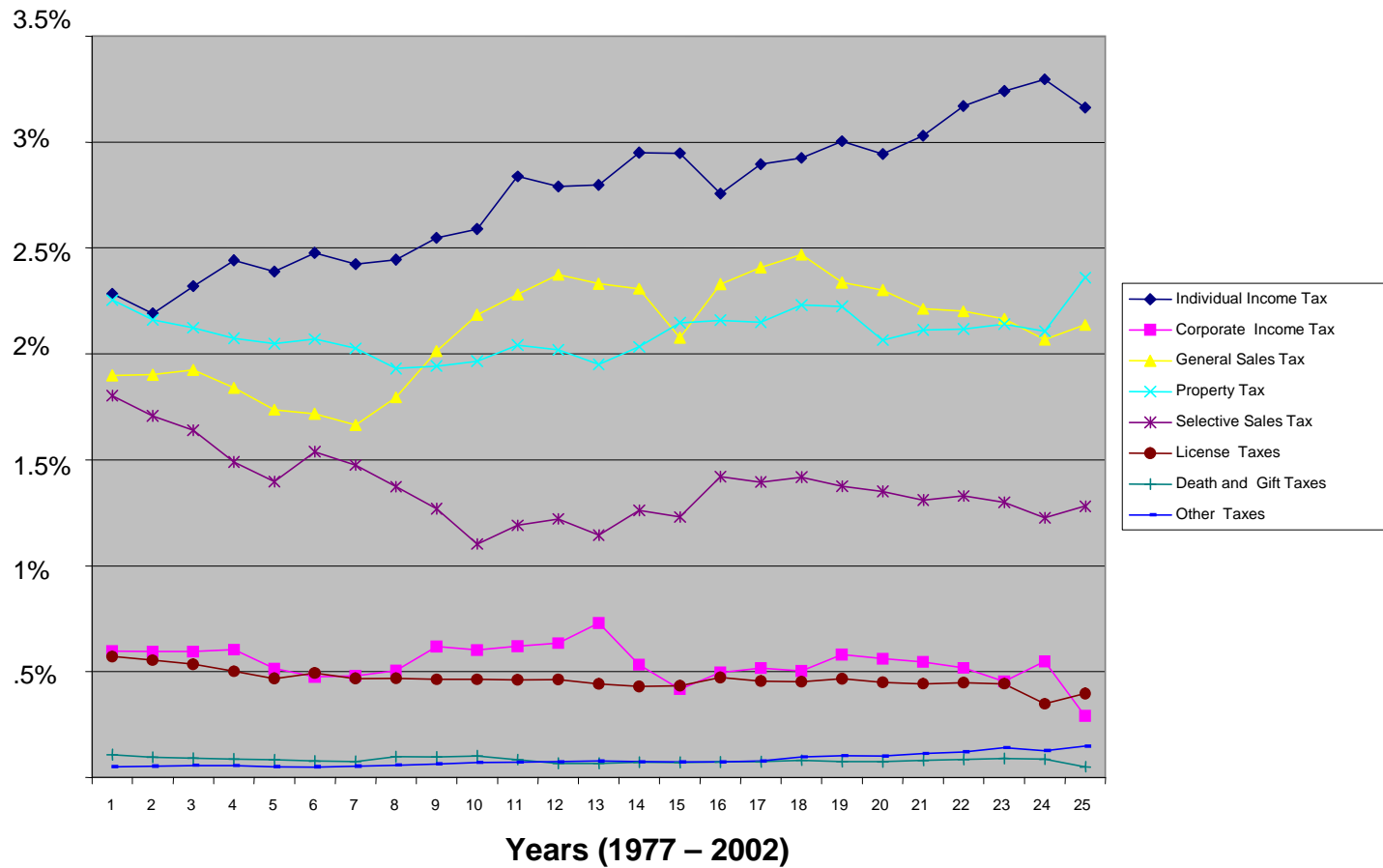
NC State and Local Taxes as a Percent of Personal Income







# North Carolina Tax Burden by Type of Tax





# Total Burden

