

ALERTS

North Carolina Legislative Report - July 19, 2013

July 13 - 19, 2013

The MVA Public Affairs Legislative Report on North Carolina will be distributed weekly to keep you up to date on the latest legislative issues facing the state while the North Carolina Legislature is in session.

On the Floor

Tax Reform

This week saw the culmination of the General Assembly's work on tax reform during the 2013 Regular Session. On Monday, legislative leaders and the Governor held a joint press conference to announce that a deal had been reached with respect to tax reform. Later that night, a conference committee substitute that contained the agreed upon provisions was submitted in both the House and Senate. The bill received preliminary approval in both chambers on Tuesday. On Wednesday, the bill received final approval in both chambers, was ratified, and was presented to the Governor. As of Friday morning, the Governor had not yet signed the bill into law though his approval is expected.

Key components of H 998, Tax Simplification and Reduction Act, include the following:

- Individual income tax:
 - The elimination of tax brackets with progressively higher rates in favor of a single, flat rate.
 - The reduction of the tax rate to 5.8% in 2014 and 5.75% thereafter.
 - The elimination of personal exemptions.
 - An increase in the standard deduction to \$15,000 for a married couple filing a joint return, \$12,000 for a head of household, and \$7,500 for a single individual or a married individual filing separately.
 - A limitation on itemized deductions. A taxpayer would be allowed itemized deductions for 100% of the federal deduction for charitable contributions and for up to \$20,000 (combined) for mortgage interest expense and real property taxes.
 - An elimination of the deduction for retirement income - other than Social Security benefits, benefits under the Railroad Retirement Act of 1937, or benefits that are tax-exempt under the *Bailey* line of cases (retirement benefits for certain government retirees).
 - An elimination of the deduction for severance wages, the deduction for compensation received as a result of erroneous conviction, and the deduction for net business income.
 - An increase in the child tax credit for lower-income taxpayers.
 - The elimination of numerous tax credits.

NORTH CAROLINA LEGISLATIVE REPORT - JULY 19, 2013

- Corporate income tax:
 - A reduction of the tax rate to 6% in 2014 and 5% beginning in 2015. Further permanent reductions are possible in 2016 and 2017 if certain General Fund revenue targets are met.
 - An extension of the sunset for the research and development tax credit.
 - The elimination of numerous tax credits.
 - The elimination of the earmarking of a portion of corporate income tax receipts for public school construction purposes.
- Sales and use tax:
 - An increase in the rate of tax on sales of modular homes and manufactured homes to the State general rate (currently 4.75%). No local rate would apply.
 - An increase in the rate of tax on sales of electricity to the combined general rate (currently 7%) and the repeal of a special franchise tax on electric power companies.
 - The imposition of the sales tax on sales of piped natural gas at the combined general rate (currently 7%) and the repeal of the piped natural gas excise tax.
 - The imposition of State and local sales taxes (currently ranging from a total of 6.75% to 7.5% depending on the county) on admission charges for live performances, movies, and other attractions such as museums, gardens, exhibits, or show. The privilege taxes on admissions for live performances and movies are repealed.
 - The imposition of State and local sales taxes (currently ranging from a total of 6.75% to 7.5% depending on the county) on service contracts
 - The elimination of sales tax exemptions for nutritional supplements sold by chiropractors, meals sold in higher educational facilities, newspapers sold by street vendors or door-to-door delivery, and certain bakery items.
 - The elimination of the "Back to School" and "Energy Star" sales tax holidays.
 - The limitation of the exemptions for certain items sold to farmers so that the exemptions apply only when the farmer had gross income of at least \$10,000 from farming operations in the previous year.
 - A limitation of \$45 million on the amount of an annual sales and use tax refund to individual nonprofit entities.
 - The extension of economic development sales tax refund provisions for large passenger air carriers and motorsports teams and sanctioning bodies.
- Estate tax:
 - The repeal of the State estate tax.
- Motor fuels tax:
 - A cap on the motor fuels tax at the rate of 37.5 cents per gallon until July 1, 2015.
- Corporate franchise tax:

- Despite numerous proposals to revamp the corporate franchise tax, no changes were made to this tax.

Committee Meetings

Regulatory Reform

The Senate unveiled a new version of H 74 this week, combining components of previous reform bills to create the Regulatory Reform Act of 2013. After multiple stops in Senate Rules and lengthy debate on the floor, H 74 was given approval by a vote of 26-7. H 74 now heads to the House for a concurrence vote. It is expected that the House will not concur with the Senate changes, resulting in a conference committee being appointed to iron out the differences between the two chambers.

Senate Finance Committee

The Senate Finance Committee met three times this week. On Tuesday, July 16, the Committee met and approved eight bills. H 191, Grifton Deannexation, and H 493, Robbinsville/Graham Occupancy Tax, were local bills that passed easily. H 191 has now passed both chambers and awaits ratification. H 493 has now passed the full Senate and will be sent back to the House for concurrence. H 14, Rev Laws Technical, Clarifying, & Admin. Chg, does as the title suggests. That bill has now passed the full Senate and has been sent back to the House for concurrence. H 194, Allow PAVE Certification/Veterinary License, would add the Program for the Assessment of Veterinary Education Equivalence (PAVE) as a program that a graduate from a nonaccredited college of veterinary medicine must successfully complete in order to practice veterinary medicine in North Carolina. The bill has now been ratified and awaits action by the Governor. H 399, Amend Laws Pertaining to DHHS.-AB, would make changes to statutes pertaining to child abuse, neglect and dependency, Medicaid, and public health, as requested by the Department of Health and Human Services. The bill has now passed the full Senate and has been sent back to the House for concurrence. H 476, Rewrite Underground Damage Prevention Act, would repeal the State's existing Underground Damage Prevention Act and enact a new Underground Utility Safety and Damage Prevention Act. The bill has now passed the full Senate and has been sent back to the House for concurrence. H 857, Public Contracts/Construction Methods/DB/P3, would authorize public contracts to utilize the design-build method or public-private partnership construction contracts. The bill has been placed on the Senate calendar for Tuesday, July 23. H 936, Wildlife Poacher Reward Fund, would establish a Wildlife Poacher Reward Fund to pay rewards to individuals who report information to law enforcement authorities resulting in the arrest and conviction of persons who commit serious wildlife violations. The bill has now passed the full Senate and has been sent back to the House for concurrence. The Committee also heard S 522, New Markets Jobs Act, but took no action on that bill. S 522 would allow a tax credit equal to 58% of the amount invested through federally-recognized development entities in small businesses with less than 500 employees in high-poverty counties. The statewide total investment that could qualify for the tax credit is \$333 million. No further action is currently scheduled on S 522.

On Wednesday, July 17, the Committee met and approved three bills. H 269, Children w/Disabilities Scholarship Grants, would create the special education scholarship grants for children with disabilities in lieu of a tax credit currently offered. The bill has now passed the full Senate and will be sent back to the House for concurrence. S 538, Result from DOR Inaction on Review Requests, would grant a taxpayer's request for a

NORTH CAROLINA LEGISLATIVE REPORT - JULY 19, 2013

refund or remove a proposed assessment by operation of law, with some exceptions, if the Department of Revenue fails to issue a final determination within the 9-month time limit. The bill has now passed the full Senate and will be sent to the House. H 565, Amend Real Estate Appraisers' Laws/Fees, would amend the real estate appraisers licensing laws by increasing the educational requirements for certification as a residential real estate appraiser and requiring registered appraisal management companies to maintain a \$25,000 surety bond. The bill has now passed the full Senate and will be sent back to the House for concurrence.

On Thursday, July 18, the Committee met and approved one bill. S 581, Establish Historical Boilers Licensing Act, would require individuals that operate historical boilers in public to be licensed, create new certification standards for the operation historical boilers that differ from the standards currently required for all boilers, and remove the certification of historical boilers from the North Carolina Board of Boiler and Pressure Vessels Rules that is part of the Department of Labor and create the new Historical Boilers Licensing Board in the Department of Agriculture. The bill has now passed the full Senate and will be sent to the House.

House Finance Committee

The House Finance Committee met three times this week. On Tuesday, July 16, the Committee approved three bills, heard one bill without taking a vote, and disapproved one bill. S 454, Registration of Petroleum Device Technicians-AB, would clarify the authority of the Gasoline and Oil Inspection Board to regulate petroleum device technicians. The bill has now been ratified and awaits action by the Governor. S 305, DMV Commission Contract Changes, would increase the amounts paid by local governments to motor vehicle registration contractors (tag agents) for services provided by those entities and would set up a governance structure going forward. The bill has now passed both chambers and awaits ratification and action by the Governor. S 485, UNC/Report/E-Commerce/Improvements, would eliminate a duplicative reporting requirement regarding personal service contracts for The University of North Carolina, allow the Board of Governors to provide for the implementation and expansion of e-commerce infrastructure, and clarify the property tax status of certain improvements on University land that are owned by social organizations. The bill has now been ratified and awaits action by the Governor. H 437, Create NC Veterans Fund & Tax Return Checkoff, would create an check-off on the individual income tax return whereby a taxpayer could donate part of his or her income tax refund to a newly created NC Veterans Fund to provide services for veterans. The bill was displaced from the calendar on concerns about the ability of the State to administer the new program. H 880, Roofing Contractors/Consumer Protection, would have required the licensure of roofing contractors. The bill was not approved by the Committee.

On Wednesday, July 17, 2013, the Committee met and approved five bills. H 618, Amend Firearm Restoration Law, would adjust the time periods a person must wait after conviction of certain crimes before petitioning for the restoration of firearm rights. The bill has been placed on the House calendar for Tuesday, July 23. S 379, Exp. of Natural Gas & Propane for Agriculture, would authorize the use of economic development incentive funds to support new and expanded natural gas and propane gas service for agricultural projects. The bill has now passed both chambers and awaits ratification and action by the Governor. S 547, Energy Savings Contracting Amendments, would amend the procedures in place for guaranteed energy savings contracts with government agencies. The bill has been preliminarily approved by the full House and is on the House calendar on Monday, July 22, for final approval. S 558, Treasurer's Investments, would adjust the limitations on certain types of investments held by the State Treasurer. The bill

NORTH CAROLINA LEGISLATIVE REPORT - JULY 19, 2013

has been placed on the House calendar for Tuesday, July 23. S 18, Amend Locksmith License Act/Raise Fee Ceiling, would put in place more strict requirements with respect to licensed locksmiths and would increase fees that may be charged by the licensing board. The bill has been placed on the House calendar for Monday, July 22.

On Thursday, July 18, 2013, the Committee met and approved one bill. S 420, UI Laws Administrative Changes, makes numerous technical, clarifying, and administrative changes to the unemployment insurance laws related to the changes made earlier in the session. The bill has now been passed by the full House and is currently on the Senate calendar for concurrence on Tuesday, July 23.

In the News

- News&Observer: Legislature to adjourn next week
- News&Observer: Senate GOP debuts new, more restrictive voter ID bill
- News&Observer: McCrory administration freezes N.C. Rural Center money
- News&Observer: Rural Center leader Billy Ray Hall resigns
- News&Observer: NC tax bill closes some loopholes, preserves others
- Charlotte Observer: Airport bill passes, but judge halts authority switch
- McClatchy: Senate banking committee approves Watt's nomination to head housing finance agency
- News&Observer: Thom Tillis gets the tracker treatment
- News&Observer: Lawmakers give tax bill final approval, send it to McCrory
- WRAL: New regulatory reform bill covers 'fracking,' smoking rules, more
- Charlotte Observer: McCrory meets with economic development team, which has a Charlotte flavor
- News&Observer: Berger raises record haul
- TBJ: Industry group seeks fracking families in N.C.
- AP: New NC Rep. Younts takes seat at legislature
- News&Observer: Ellmers raises only a congressional-level money
- News&Observer: NC legislators to tweak unemployment law to follow federal rules
- Charlotte Observer: US Airways shareholders approve merger plan

Legislative Calendar

Sun, July 21, 2013

2:00 PM

Session Convenes (House)

House

NORTH CAROLINA LEGISLATIVE REPORT - JULY 19, 2013

Mon, July 22, 2013

2:00 PM

Session Convenes (Senate)

Senate

4:00 PM

Joint Legislative Program Evaluation Oversight Committee -- CANCELLED

544 LOB