

# ALERTS

## North Carolina Legislative Report - June 14, 2013

June 8 - 14, 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*

- **S 9 Utilities/Design/Survey Location Services.**  
06/13/2013 Ratified
- **S 76 Domestic Energy Jobs Act.**  
06/12/2013 Senate Failed Concur In House Committee Substitute
- **S 402 Appropriations Act of 2013.**  
06/13/2013 House Passed 3rd Reading, Ordered Engrossed, Senate Received To Concur House Committee Substitute, Senate Placed On Calendar For 06/17/2013
- **S 571 Authorize Various Special Plates.**  
06/13/2013 House Received From Senate
- **S 634 Increase Penalties/Utilities Theft.**  
06/12/2013 Signed by Governor
- **H 390 State IT Governance Changes.-AB**  
06/13/2013 House Placed On Calendar For 06/17/2013
- **H 480 Environmental Permitting Reform.**  
06/12/2013 Signed by Governor
- **H 817 Strategic Transportation Investments.**  
06/13/2013 Senate Passed 2nd Reading
- **H 892 No Fiscal Note for Rule Repeal.**  
06/14/2013 Presented To Governor
- **H 998 Tax Simplification and Reduction Act.**  
06/13/2013 Senate Passed 2nd Reading, Placed On Calendar For 06/18/2013

### *Committee Meetings*

#### **Senate Agriculture/Environment/Natural Resources Committee**

The Senate Agriculture/Environment/Natural Resources Committee met on Tuesday and passed six bills out of committee. H 548, Marine Fisheries Rulebook Production, seeks to modify the means of providing access to rules of the Division of Marine Fisheries. H 614, NC Agriculture and Forestry Act, seeks to provide that

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agricultural and forestry operations are not nuisances under certain circumstances. It also seeks to provide for the award of costs and attorneys' fees to a prevailing defendant. H 686, NC Seafood Park/Name Change, would rename the NC Seafood Industrial Park Authority to reflect its broader mission and to make other modifications to the authority's enabling legislation. H 686 has been re-referred to the Senate Judiciary I Committee. H 936, Wildlife Poacher Reward Fund, seeks to establish a Wildlife Poacher Reward Fund to pay rewards to persons who give information to law enforcement authorities that result in the arrest and conviction of persons who commit serious wildlife violations. It also seeks to authorize the use of compensation paid to the Wildlife Resources Commission as conditions of offenders' probation as assets of the fund. H 936 has been re-referred to the Senate Finance Committee. H 396, Enact Private Well Water Education Act, seeks to enact the Private Well Water Education Act at the request of DENR. H 628, Protect/Promote Locally Sourced Bldg. Materials, seeks to require net savings in association with major facility construction and renovation projects. It also seeks to protect the use of North Carolina products in major facility construction and renovation projects under the Sustainable Energy-Efficient Buildings program. During committee debate, Senator Tucker (R-Union) offered an amendment that would allow localities and the state to pursue LEED certification if the local or state agency can show that it would save money over the first 10 years in operating costs or construction.

**Senate Education Committee**

The Senate Education Committee met Wednesday to take up two House bills. H 57, Child Nutrition Program Solvency and Support, prohibits local school administrative units from assessing indirect costs to child nutrition programs unless the program has a minimum of one month's operating balance. In addition, it directs the NC Procurement Alliance to promote optimal pricing for child nutrition program food and supplies. H 868, Residential School Changes, repeals unnecessary statutes, makes clarifying statute changes and clarifies operation and oversight of certain residential schools formerly governed by the Department of Health and Human Services. Schools affected by this legislation include the Governor Morehead School for the Blind, the Eastern NC School for the Deaf and the NC School for the Deaf. Both bills received favorable reports in committee have been calendared for June 17.

**Senate Commerce Committee**

The Senate Commerce Committee met on Tuesday, June 11 and heard two bills. H 120, Building Codes: Local Consistency/Exempt Cable, would prohibit counties and cities from enacting ordinances that would allow more frequent inspections of one- or two-family homes than that required under the building code, would limit updates to the building code with respect to one- or two-family homes to once every six years, and would exempt cable television equipment installation from building code requirements. The committee approved H 120 and the bill has since been ratified. The committee heard discussion on H 201, Reinstate 2009 Energy Conservation Codes, but took no action with respect to the bill. That bill would repeal the 2012 State Building Code Energy Conservation Code and replace it with provisions identical to the 2009 State Building Code Energy Conservation Code.

**House Commerce Committee**

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The Subcommittee on Military and Agriculture of the House Commerce Committee met on Wednesday, June 12 and approved one bill. H 525, Amend Real Estate Appraisers' Laws/Fees, would increase the educational requirements to become a real estate appraiser, allow the electronic payment of fees, require an appraisal management company to post a surety bond, and require criminal background checks in order to obtain certain licenses. That bill has been re-referred to the House Finance Committee.

**House Finance Committee**

On Wednesday, June 12, the House Finance Committee met and approved several bills. The largest item on the agenda was S 402, Appropriations Act of 2013. The budget bill was in the Finance Committee for discussion of the various fees included in the bill. The bill was approved by the committee and has now been approved by the full House. Four other bills were also approved on Wednesday. H 493, Robbinsville Occupancy Tax, and S 177, Hookerton/Maysville Satellite Annexations, are local bills and were easily approved. S 25, Hunting & Fishing/Active Duty Military, provides that members of the Armed Forces serving on active duty outside of North Carolina shall be treated as residents of the state for purposes of obtaining certain hunting and fishing licenses. This has the impact of reducing fees for those licenses. H 951, Eliminate Designation for Political Party, would eliminate the space on the individual income tax return where a taxpayer may devote \$1 of tax to a specific political party.

**House Appropriations Committee**

The House Appropriations Committee held a meeting Tuesday to take up the chamber's spending plan for the next two years. The meeting spanned nine hours with dozens of amendments and drawing lengthy debate from both sides of the aisle. The chairs of each subcommittee presented their portions of the budget and explained significant changes and priorities. After subcommittee presentations, members were given the opportunity to offer amendments. Drawing the most discussion were amendments to eliminate the funding for the payments to eugenics victims and private school vouchers for low-income students. The bill was passed out of committee by a voice vote and sent to the House floor for further debate.

**Tax Reform**

Tax reform efforts kicked into high gear this week at the General Assembly. On Monday, the House gave final approval to the 3<sup>rd</sup> Edition of H 998, Tax Simplification and Reduction Act. On Tuesday, the Senate Finance Committee began hearings on the same bill. At 1 p.m. on Tuesday, the Senate Finance Committee heard from a panel of North Carolina experts on academic opinion related to tax policy, tax reform, and economic development. At 4 p.m. that same day, the Senate Finance Committee had before it a proposed committee substitute (PCS) for H 998 for discussion purposes only. That PCS was vastly different than the 3<sup>rd</sup> Edition of the bill that had passed the night before. On Wednesday, the Senate Finance Committee had a slightly different version of the PCS before it. Two amendments were approved in committee before the bill was approved and sent to the full Senate. On Thursday, the 4<sup>th</sup> Edition of H 998 was debated for over two hours by the Senate. One amendment was offered, but it was not approved. The Senate approved the bill on second reading by a vote of 30-17, largely along party lines. The 4<sup>th</sup> Edition of H 998 is scheduled for final approval in the Senate on Tuesday, June 18. Should H 998 be approved in the Senate, the bill will return to the House for approval. Key provisions of the two versions of the bill are as follows:

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Third Edition (final approval by the House on Monday, June 10)

- Reduction of personal income tax rate to 5.9%. Rates currently range from 6% to 7.75%
- An increase in the standard deduction amount coupled with elimination of personal exemptions for personal income tax.
- An increase in the child tax credit.
- Itemized deductions would be allowed for a) mortgage interest expenses and property taxes on real estate up to \$25,000 for a married couple filing a joint return (lower thresholds for other filing statuses) and b) the full amount of charitable contributions.
- Reduction of the corporate income tax rate from 6.9% to 5.4% over 5 years.
- Reduction of the corporate franchise tax rate from 0.15% to 0.135%.
- Extension of the sales and use tax to movies and entertainment; service contracts; and alteration, maintenance, repair, cleaning, and installation of tangible personal property.
- Elimination of special taxes on electricity and piped natural gas and the imposition of a State sales tax on these items at the rate of 7%.

Fourth Edition (preliminary approval by the Senate on Thursday, June 13)

- Reduction of personal income tax rate to 5.4% in 2014, and 5.25% thereafter. Rates currently range from 6% to 7.75%
- The elimination of most deductions, exemptions, and credits for personal income taxes.
- Creation of a zero-tax bracket exempting the first \$15,000 of income from taxation for a married couple filing a joint return (this is functionally equivalent to a standard deduction).
- Reduction and elimination of the corporate income tax over 4 years.
- Reduction and elimination of the corporate franchise tax over 4 years.
- Elimination of current State and local business privilege taxes.
- Creation of a new State business privilege tax imposed at a flat rate of \$5,000 annually for C corporations and \$750 annually for other limited liability entities.
- Extension of the sales and use tax to movies and entertainment.
- Elimination of special taxes on electricity and piped natural gas and the imposition of a State sales tax on these items at the rate of 7%.
- Elimination of some sales tax exemptions and the sales tax holidays.
- Phased-in cap on sales and use tax refunds allowed to nonprofit entities.
- Elimination of the current local sales and use tax on food with an option for counties to reimpose the tax.
- Elimination of the estate tax.
- Elimination of the earmarking of the State portion of proceeds from the deed stamp tax and the scrap tire disposal tax.

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- Elimination of the discount allowed to payers of the cigarette and other tobacco products excise taxes.

### *In the News*

- AP: NC House unveils rest of 2-year budget plan
- News & Observer: House and Senate miles apart on state spending
- News & Observer: NC House Tax Overhaul plan gets tentative OK
- AP: House Oks 'fracking' changes
- News & Observer: Tills assembles his campaign team
- News & Observer: Peacock's race important to state GOP
- Winston-Salem Journal: Grace named state's banking commissioner
- News & Observer: House passes its tax plan; budget up next
- AP: House leaders tout 'realistic' budget plan
- AP: NC Dem's No. 2 official resigning amid conflict
- AP: Installment loan hikes headed to Gov. Pat McCrory
- McClatchy Newspapers: Does 2014 hold another barnburner in North Carolina's 7<sup>th</sup> District race for Congress?
- Charlotte Observer: Pittenger moves to repeal part of financial reform law
- News & Observer: NC Libertarians set their goals
- McClatchy Newspapers: Senate commerce panel approves Foxx as U.S. transportation secretary
- News & Observer: Senate's new tax plan avoids expanding tax on services
- AP: NC House budget panel Oks 2-year spending plan
- News & Observer: NC experts support state's tax reform proposals
- News & Observer: AARP asks McCrory to veto consumer loan bill
- AP: NC House gives initial OK to Republican's Budget
- AP: Senate plan to lower personal income taxes, repeal corporate taxes gets first OK
- Charlotte Observer: Charlotte Chamber 'disappointed' with handling of airport authority push
- State lawmakers rededicating lottery to education

### *Legislative Calendar*

Mon, June 17, 2013

IMMEDIATELY AFTER SESSION

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**Rules, Calendar, and Operations of the -- CORRECTED(House)**

Around Rep. Tim Moore's Chamber desk

4:00 PM

**Joint Legislative Program Evaluation Oversight Committee**

544 LOB

7:00 PM

**Session Convenes (House)**

House

7:00 PM

**Session Convenes (Senate)**

Senate

**Tue, June 18, 2013**

10:00 AM

**Judiciary I -- CORRECTED (Senate)**

Modify Medicaid Subrogation Statute. (H982)

1027/1128 LB

10:00 AM

**Judiciary II (Senate)**

Reward Amt/Arrest of Fugitive From Justice. (H137)

Criminal Contempt/Bail Procedure. (H450)

Allison's Law/Use of GPS Tracking Device/DVPO. (H477)

Foster Care Children's Bill of Rights. (H510)

1124/1224 LB

10:00 AM

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### Education (House)

Ed. Services for Children in PRTFs. (H831)  
Clarify Education Reporting Requirements. (S168)  
Modify Duties/Advisory Council on Indian Educ. (S231)  
Back to Basics. (S243)  
Amend Report Date/NC Pre-K Funding Pilot. (S557)

643 LOB

11:00 AM

### Commerce (Senate)

Amend State Contract Review Laws. (H56)  
Reinstate 2009 Energy Conservation Codes. (H201)  
Omnibus State IT Governance Changes. (H700)

1027/1128 LB

12:00 PM

### State and Local Government -- CORRECTED (Senate)

Public Contracts/Project Labor. (H110)  
City of Lowell / Regulate Utility Vehicles. (H140)  
Cornelius/Extend Use of Design-Build. (H195)  
Rutherford Airport Authority. (H290)  
Authority to Remove Abandoned Vessels. (H294)  
Chapel Hill/Economic Development Projects. (H305)  
Rutherford County Condemnation Consent. (H326)  
Buncombe Cty Sales Tax Use Expansion. (H334)  
2 County Commissioners May Serve/AB Tech. Bd. (H354)  
Camden Local Stormwater Fees. (H404)  
Beaufort/Right-of-Way Safety. (H408)  
Buncombe Culture & Rec. Authority. (H418)  
Lee County Elections. (H490)  
Wilmington Charter/Civil Service Commission. (H544)  
Middlesex/Extend Mayor's Term to Four Years. (H427)

1124/1224 LB

12:00 PM

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### Transportation (House)

Motor Vehicle Safety Inspector Law Change. (S717)  
Suspend Truck Inspection/Severe Weather. (S377)  
CDL Changes. (S461)  
Prohibit Aftermarket HID Headlights. (S493)  
Bioptic Lenses for Drivers License Tests. (S568)  
Allow DOT to set Max. Speed of 75 MPH. (S709)  
ID Card for Homebound Persons. (S712)

643 LOB

1:00 PM

### Agriculture (House)

Landowners/Lessees May Trap Coyotes. (S376)  
Wildlife Resources Comm. Penalty Changes. (S636)  
NC Farm Act of 2013. (S638)  
Bd. of Agriculture Modifications. (S639)

643 LOB

### Wed, June 19, 2013

10:00 AM

### Judiciary (House)

Game Nights/Nonprofit Fundraisers. (H809)

1228/1327 LB

12:00 PM

### Public Utilities and Energy (House)

643 LOB