

ALERTS

North Carolina Legislative Report - May 31, 2013

May 17 - 31, 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

- **H 980 Medicaid/2012-2013 Additional Appropriations.**
Signed into law by Governor McCrory, 5/30/13
- **H 1006 Utilities Commission Confirmation.**
Senate Referred To Committee On Rules and Operations, 5/29/13
- **H 1007 Confirm Ayers as ED of Public Staff/NCUC.**
Passed third Senate reading and ordered enrolled, 5/30/13
- **H 10 Remove Route Restriction for NC 540 Loop.**
House Postponed to May 3rd, 5/30/13

Committee Meetings

Senate Agriculture/Environment/Natural Resources Committee

The Senate Agriculture/Environment/Natural Resources Committee passed four bills this week. H 368, Bd. Of Agriculture Forestry/Nursery Appointments, seeks to provide representation of forestry and nursery interests on the Board of Agriculture. H 279, Transfer Environmental Permits, seeks to authorize DENR to transfer certain environmental permits associated with property development when the original property owner is unwilling or unable to agree to the permit transfer. H 383, Amend Grain Dealer Licensing Laws, seeks to amend the Grain Dealer Licensing Act to increase the bonding amount that must accompany license applications and to specify additional grounds for license refusal or revocation. H 517, Rockingham/No Right-of-Way Spotlighting, seeks to regulate hunting with artificial light in Rockingham County.

Senate Finance Committee

The Senate Finance Committee met twice this week - on Wednesday, May 29th, and Thursday, May 30th. On Thursday, the committee dealt with tax reform (discussed below). On Wednesday, the committee heard and approved eight bills. Three local bills were approved without much debate - H 252, Asheville Transfers; H 545, Modify Henderson County Occupancy Tax; and H 671, Mills River Dennexation. H 710, Water Utility Recovery, would allow the Utilities Commission to establishment a mechanism for water and sewer systems to

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recover costs related to third-party provider costs and system improvements. H 60, Transfer of Indian Cultural Center Property, would provide a process for terminating a lease and transferring some property related to the Indian Cultural Center in Lumberton and an area intended to be developed as a golf course. H 32, Increase Year's Allowance, would increase the allowance from an estate for a surviving spouse from \$20,000 to \$30,000. H 449, State Contracts/Furniture, would automatically qualify a manufacturer that was approved for federal government furniture contracts for state government furniture contracts. H788, Water/Sewer Authority/Rate Flexibility, allows water/sewer authorities to set rates with respect to water storage. This has most impact on the coast where water may be stored in times of low demand to ensure supply in times of higher demand.

Senate Education Committee

The Senate Education Committee met Wednesday to take up a number of House bills. H 146, Back to Basics, requires the State Board of Education to include cursive and memorization of multiplication tables as part of the basic education program for North Carolina students. H 146 received a favorable report in committee and passed on the floor 46-3. H 317, Improve Education for Children Who are Deaf, directs the State Board of Education to develop certain procedures and protocols related to students' Individualized Education Program. H 317 received a favorable report and was calendared for Tuesday, June 4. H 537, Edenton-Chowan School Board Terms, changes the length of State Board of Education terms from six to four years and changes the schedule for one district seat. H 537 received a favorable report and was referred to the Committee on State and Local Government. H 591, Reporting and Terms for Longitudinal Data Board, specifies terms for members of the board, designates the State Chief Information Officer as chair and specifies the meeting schedule. H 591 received a favorable report in committee and passed unanimously on the Senate floor. H 903, UNC and Community College Credit Transfers, directs the universities in the UNC system to adhere to the articulation agreement regarding the transfer of courses and academic credits from the NC Community College system. It also requires biannual reports to the Joint Legislative Education Oversight Committee. H 903 received a favorable report and placed on the Senate calendar for June 4.

House Banking Committee

The House Committee on Banking met Thursday to confirm the new Commissioner of Banks, Ray Grace. The committee also heard S 489, Consumer Finance Act Amendments, from lead sponsor Senator Rick Gunn (R-Alamance). The bill raises borrowing limits from \$10,000 to \$15,000 and increases interest rates on installment loans, a measure which the state attorney general has criticized. The industry rates have not been adjusted in over 30 years, and as a result many companies in the state continue to lose money and cut jobs to recuperate their losses. The committee heard from several members of the public and industry speaking for and against the bill. Three of the speakers included representatives from the North Carolina Justice Center, the Center for Responsible Lending, and the North Carolina Commanders Council, all of which informed the committee that their organizations would remain neutral on the bill. The committee unanimously passed S 489 as amended.

House Public Utilities Committee

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The House Public Utilities Committee met Wednesday to take up two bills dealing with Governor McCrory's appointments to the Utilities Commission. HJR 1006, nominates current House Representative Jerry Dockham, a twelve term member from Denton and James Patterson, a Greensboro businessman, to serve on the Commission. HJR 1007, nominates Raleigh attorney, Chris Ayers to head the Public Staff of the Commission. Both bills received favorable reports in committee. HJR 1007 passed out of the House by a vote of 112-4 and unanimously in the Senate. Ayers term will start on July 1, 2013 and run through June 30, 2019.

House Education Committee

The House Education Committee met Tuesday to resume discussion on H 944, Opportunity Scholarship Act, and to take up four additional bills. H 944, creates scholarship grants of \$4,200 per year for eligible students to attend nonpublic schools. After hours of debate over two committee meetings, H 944 passed out of committee by a vote of 27-21. H 291, Start-up Funds for New Charter Schools, was defeated in committee after lengthy discussion. H 291 would have established a revolving loan fund to provide funds for new charter schools and allow for pre-authorization if necessary to raise capital. H 965, H 831 and H 997 were held over until the next meeting.

House Finance Committee

The House Finance Committee met twice this week - on Tuesday, May 28th and Thursday, May 30th. On Tuesday, the committee first received a report from the Occupancy Tax Subcommittee. The Occupancy Tax Subcommittee announced that it had approved a change in the guidelines it would apply when evaluating occupancy tax bills. Previously, the subcommittee would approve bills in coastal counties when no more than one-third of the proceeds of the tax were allocated to beach nourishment. Under the new guidelines, the subcommittee will approve bills in coastal counties when no more than one-half of the proceeds are allocated to beach nourishment. The change was made in response to decreases in federal funding. After this change was announced, the committee approved H 553 Amend Carteret County Occupancy Tax. The committee also approved another local bill, S 269 Salisbury/Deannex Rowan Cty Airport Property, that removes some property from the City of Salisbury. In addition, the committee approved three bills with respect to occupational licensing. H 371, Chiropractic Assistant Certification/Fee.-AB, was requested by the Board of Chiropractic Examiners and would put in place standards for chiropractic assistants. H 616, Transitional Mortgage Loan Originator, would provide for a temporary transitional license for a trained mortgage loan originator who was transitioning from a position at a depository institution (where no licensure is required) to a non-depository institution (where licensure is required) in order to give the individual an adequate amount of time to obtain permanent licensure. H 828, Update Physical Therapy Practice Act, would put in place procedures with respect to the licensing of physical therapists, background checks, and disciplinary investigations and hearings.

On Thursday, the main focus of the committee was tax reform (discussed below). However, the committee also heard and approved two bills. S 129, Limit State Facilities Finance Act Debt, would limit the amount of non-general obligation debt supported by General Fund revenues that the state could issue in the future. Under this bill, non-general obligation, General Fund-supported debt could not exceed 25% of the total amount of General Fund-supported debt H 536, Ignition Interlock Req'd/All DWIs, would require the use of ignition interlock devices on all vehicles driven by an individual after that individual had been convicted of a

DWI.

House Agriculture Committee

The House Agriculture Committee passed two bills this week. S 25, Hunting & Fishing/Active Duty Military, seeks to provide that members of the Armed Forces who are serving on active military duty shall be considered residents for purposes of obtaining hunting and fishing licenses. This bill has been re-referred to the House Finance Committee. S 505, Clarify Agricultural Zoning, seeks to clarify that the exemption from zoning for a bona fide farm includes grain storage facilities. This bill has been re-referred to the House Government Committee.

Tax Reform

On Thursday, both the House and Senate Finance Committees addressed the issue of tax reform. There were a total of three proposals discussed between the two committees. The House Finance Committee discussed a proposed committee substitute to H 998, Tax Simplification and Reduction Act. The Senate Finance Committee discussed PCSs to S 394, Lower Tax Rates for a Stronger NC Economy; and S 677, NC Fair Tax Act. Key provisions of each of the proposals are highlighted below.

H 998, Tax Simplification and Reduction

- Reduces the personal and corporate income tax rates and the corporate franchise tax rate.
- Changes some personal income tax deductions, exemptions, and credits and increasing others.
- Expands the State and local sales tax base to include movies and entertainment and the alteration, repair, maintenance, cleaning and installation of tangible personal property.
- Expands the State sales tax base to include electricity and piped natural gas at the combined rate while eliminating the special franchise tax on electric power companies and the excise tax on piped natural gas.
- Repeals the sales tax holiday in November for Energy Star appliances.

S 394, Lower Tax Rates for a Stronger NC Economy

- Reduces the personal and corporate income tax rates while eliminating or limiting numerous deductions, exemptions, and credits and adding a new personal income tax credit to offset sales tax increases for lower-income taxpayers.
- Expands the franchise tax base and apply it to limited liability entities while reducing the rate
- Increases the weight of the sales factor in the corporate tax apportionment formula.
- Expands the State and local sales tax base to include piped natural gas (while repealing the excise tax on piped natural gas); movies and entertainment; participatory recreation events (like greens fees or gym memberships); and the alteration, repair, maintenance, cleaning and installation of tangible personal property; certain storage services; and certain real property services.
- Expands the State sales tax base to include electricity at the combined rate while eliminating the special franchise tax on electric power companies.

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- Eliminates many current sales tax exemptions, but creates new ones with respect to capital equipment and newly taxed services.
- Repeals State and local business privilege taxes.
- Eliminates or amends many State distributions to local governments.

S 677, NC Fair Tax Act.

- Reduces the personal and corporate income tax rates over 3 years while eliminating or limiting numerous deductions, exemptions, and credits.
- Transitions to a single-factor sales apportionment formula for corporate taxes over 3 years.
- Expands the State and local sales tax base to include electricity and piped natural gas (while repealing separate taxes that apply to these items); movies and entertainment; participatory recreation events (like greens fees or gym memberships); lottery tickets; personal care services; other personal services; health care services; death care services; instructional services; animal care services; travel services; tangible personal property services; real property services; security services; delivery services; information services; transportation services; insurance premiums for property coverage; business services; construction services; special trade services; and site preparation construction services.
- Expands the State sales tax base to include food, prescription drugs (except as covered by insurance), boats, aircraft, and modular and manufactured homes.
- Eliminates many current sales tax exemptions, but creates new ones with respect to capital equipment, business to business transactions involving newly taxed services, and the newly taxed services in general.
- Directs 99.8% of the proceeds of the deed stamp tax to the State's General Fund rather than sharing these proceeds with the counties and directing the State portion to two conservation trust funds.
- Limits the authority of municipalities to impose local business privilege fees.
- Repeals the two sales and use tax holidays.
- Adjusts local distributions of State and local revenues and creates a transitional hold-harmless provision for local governments affected by the revenue changes.

In the News

- AP: House 'unveils' measured tax reform plan
- Charlotte Observer: Senate proposal would require NC hospitals to pay sales taxes
- News&Observer: Thom Tills expected to announce US Senate run
- AP: Feds dump NH firm's bid for Alcoa NC dams license
- AP: Installment loan bill headed to NC House floor
- AP: House, Senate tax reform plans unveiled

- AP: Decker offers more details on Commerce Department reorganization
- AP: NC Legislature approves \$450M for Medicaid fix
- News&Observer: House Lawmakers hash out budget changes in public
- Charlotte Observer: Lawmakers, city look for airport compromise
- AP: Utility lawyer nears confirmation as consumer advocate
- AP: Berry passing on U.S. Senate run
- Carolina Journal: School Voucher Bill Survives House Education Committee Vote
- News&Observer: Grier Martin replacing Deborah Ross in NC House
- AP: Hunter, Greensboro native, to run for N.C. Supreme Court
- Charlotte Observer: Action against city over Panthers deal faces dismissal
- AP: Tills backers form super PAC for possible Senate bid
- Citizen-Times: Conservationists blast pollution reform bill
- News&Observer: Robert Dempsey to take helm at N.C. Democratic Party
- AP: Martin says he'll run for NC chief justice in 2014
- News&Observer: Republican U.S. Senate candidate launches statewide tour

Legislative Calendar

Mon, June 03, 2013

4:00 PM

Ethics (House)

Clarify LEC Procedures/TC. (S156)
Ethics Requirements for MPOs/RPOs. (S411)

544 LOB

7:00 PM

Session Convenes (House)

House

7:00 PM

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Session Convenes (Senate)

Senate

Tue, June 04, 2013

8:30 AM

Appropriations Subcommittee on General Government -- CANCELLED(House)

1425 LB

8:30 AM

Finance (House)

Simplify Adjustment to Federal Taxable Income. (H998)
Asheville Deannexation. (H568)
Tobacco Growers Assessment Act. (H816)
Sunset Beach/Canal Dredging/Maintenance Fee. (S268)
Durham Voluntary Annexations. (S315)

544 LOB

10:00 AM

Judiciary II (Senate)

DV Abuser Treatment Program/Notifications. (H24)
Amend Felony Breaking or Entering. (H25)
DV Fatality Review Team/Mecklenburg Co. (H456)
PREA Compliance. (H585)
Bail Bondsman Credentials/Official Shield. (H597)
Amend Certain Bail Bond Procedures. (H762)

1124/1224 LB

10:00 AM

Health and Human Services (House)

NC CARE in Radiologic Imaging. (H742)
Prohibit Co-pay Waiver/Medicaid Providers. (S137)
Pertussis Education & Awareness. (S486)
Drug Testing For LTC Applicants & Employees. (S542)

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544 LOB

11:00 AM

Commerce (Senate)

HOAs/Voluntary Prelitigation Mediation. (H278)
Plastics Labeling Requirements. (H315)
Modify Requirements for In-Stand Beer Sales. (H610)
Building Code Exclusion/Primitive Structures. (H774)
HOAs/Fidelity Bonds. (H793)
Sale of Growlers by Certain ABC Permittees. (H829)
Protect NC Right-To-Work. (H872)

1027/1128 LB

11:00 AM

Agriculture/Environment/Natural Resources (Senate)

Triad Farmers Mkt/Rename for Sen. Bob Shaw. (H821)
Increased Penalty/Seed Law Violations.-AB (H369)
Extend DSWC Animal Waste Inspections. (H505)
Environmental Permitting Reform. (H480)
Ensure Safe Navigation Channels. (H707)
USTs Eligible for Brownfields. (H789)
Trophy Wildlife Sale Permit. (H581)

544 LOB

12:00 PM

State and Local Government (Senate)

Eden Payment in Lieu of Taxes. (H143)
Kannapolis/Deannexation. (H261)
Repeal Kannapolis Annexation. (H302)
Shelby Deannexation. (H409)
Eden/Duke Energy/Annexation Agreement. (H412)
Marshville Deannexation. (H421)
Chadbourn Voluntary Annexation. (H526)

1124/1224 LB

12:00 PM

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Transportation (House)

Charlotte Regional Airport Authority. (S81)
Prevent Pay for Weight Exceeding Allowance. (S433)
Rail Corridor Lease/City of Belmont. (S460)
Clarify Issuance of Plates/Certificates Law. -AB (S603)

643 LOB

1:00 PM

Insurance (House)

Guaranteed Asset Protection Waivers. (S358)

1228/1327 LB

1:00 PM

North Carolina General Statutes Commission

UNC School of Law, Chapel Hill, Room 5003

Wed, June 05, 2013

8:30 AM

Appropriations Subcommittee on General Government (House)

1425 LB

10:00 AM

Judiciary Subcommittee C (House)

Game Nights/Nonprofit Fundraisers. (H809)
Amend Civil No-Contact Laws. (S409)
Amend & Restate NC Limited Liability Co. Act. (S439)
Metal Theft Statute Amendments. (S583)

415 LOB

10:00 AM

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Judiciary Subcommittee B (House)

Shoot Gun Inside/To Incite Fear. (S124)
Limit Appeals to Superior Court. (S182)
Amend Abandoned Firearms Law. (S443)
Amend False Liens Law. (S584)
Evidence & DNA Expunction Laws.-AB (S630)

421 LOB

10:00 AM

Education/Higher Education (Senate)

UNC Tuition Surcharge/Advance Notice. (H255)
OCS/ECS/Exemption From ACT. (H587)
Limit Soldiers CC Tuition. (H691)
Lease Purchase of Real Property/Comm. Coll. (H754)

544 LOB

10:00 AM

Rep. Whitmire - Press Conference

Press Room LB

12:00 PM

Public Utilities and Energy (House)

Utilities/Design/Survey Location Services. (S9)

643 LOB

1:00 PM

Elections (House)

Stanly County Commissioners and Bd. of Ed. (H1005)
Repeal Laws Denied Section 5 Preclearance. (S406)

643 LOB