

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 1417

Short Title: Earned Income Tax Credit/Increase Upper Rates. (Public)

Sponsors: Representatives Insko and Luebke (Primary Sponsors).

Referred to: Finance.

April 26, 2001

A BILL TO BE ENTITLED

1 AN ACT TO CREATE A STATE-EARNED INCOME TAX CREDIT AND OFFSET
2 THE COSTS OF THAT CREDIT BY INCREASING THE MARGINAL TAX
3 RATE ON THE HIGHEST INDIVIDUAL INCOMES.
4

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Part 2 of Article 4 of Chapter 105 of the General Statutes is
7 amended by adding a new section to read:

8 "**§ 105-151.29. Earned income tax credit.**

9 (a) Credit. – An individual who claims for the taxable year an earned income tax
10 credit under section 32 of the Code is allowed a credit against the tax imposed by this
11 Part equal to ten percent (10%) of the amount of credit the individual qualified for under
12 section 32 of the Code. A nonresident or part-year resident who claims the credit
13 allowed by this section must reduce the amount of the credit by multiplying it by the
14 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

15 (b) Credit Refundable. – If the credit allowed by this section exceeds the amount
16 of tax imposed by this Part for the taxable year reduced by the sum of all credits
17 allowable, the Secretary must refund the excess to the taxpayer. The refundable excess
18 is governed by the provisions governing a refund of an overpayment by the taxpayer of
19 the tax imposed in this Part. Section 3507 of the Code, Advance Payment of Earned
20 Income Credit, does not apply to the credit allowed by this section. In computing the
21 amount of tax against which multiple credits are allowed, nonrefundable credits are
22 subtracted before refundable credits."

23 **SECTION 2.** G.S. 105-134.2(a) reads as rewritten:

24 "(a) A tax is imposed upon the North Carolina taxable income of every individual.
25 The tax shall be levied, collected, and paid annually and shall be computed at the
26 following percentages of the taxpayer's North Carolina taxable income.

27 (1) For married individuals who file a joint return under G.S. 105-152 and
28 for surviving spouses, as defined in section 2(a) of the Code:

1 On the North Carolina taxable income up to twenty-one thousand
2 two hundred fifty dollars (\$21,250), six percent (6%).

3 On the amount over twenty-one thousand two hundred fifty dollars
4 (\$21,250) and up to one hundred thousand dollars (\$100,000), seven
5 percent (7%).

6 On the amount over one hundred thousand dollars (\$100,000),
7 ~~seven and seventy five one hundredths percent (7.75%).~~ eight percent
8 (8%).

9 (2) For heads of households, as defined in section 2(b) of the Code:

10 On the North Carolina taxable income up to seventeen thousand
11 dollars (\$17,000), six percent (6%).

12 On the amount over seventeen thousand dollars (\$17,000) and up to
13 eighty thousand dollars (\$80,000), seven percent (7%).

14 On the amount over eighty thousand dollars (\$80,000), ~~seven and~~
15 ~~seventy five one hundredths percent (7.75%).~~ eight percent (8%).

16 (3) For unmarried individuals other than surviving spouses and heads of
17 households:

18 On the North Carolina taxable income up to twelve thousand seven
19 hundred fifty dollars (\$12,750), six percent (6%).

20 On the amount over twelve thousand seven hundred fifty dollars
21 (\$12,750) and up to sixty thousand dollars (\$60,000), seven percent
22 (7%).

23 On the amount over sixty thousand dollars (\$60,000), ~~seven and~~
24 ~~seventy five one hundredths percent (7.75%).~~ eight percent (8%).

25 (4) For married individuals who do not file a joint return under G.S.
26 105-152:

27 On the North Carolina taxable income up to ten thousand six
28 hundred twenty-five dollars (\$10,625), six percent (6%).

29 On the amount over ten thousand six hundred twenty-five dollars
30 (\$10,625) and up to fifty thousand dollars (\$50,000), seven percent
31 (7%).

32 On the amount over fifty thousand dollars (\$50,000), ~~seven and~~
33 ~~seventy five one hundredths percent (7.75%).~~ eight percent (8%)."

34 **SECTION 3.** This act is effective for taxable years beginning on or after

35 January 1, 2002.