

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 886 (First Edition)

SHORT TITLE: Increase Charitable Contribution Deduction.

SPONSOR(S): Representatives Setzer, Stam, Brawley, and Moffitt

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES: (\$Millions)	0	-1.1	-2.5	-2.5	-2.5
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: Taxable years beginning on or after January 1, 2013					

BILL SUMMARY: House Bill 886 increases the limit on corporate income tax deductions for charitable contributions made to qualified organizations other than to the State and its subdivisions from 5% to 10% of a corporation's net income (contributions made to the State and its subdivisions are fully deductible). The bill also establishes a 5-year carryforward provision for contributions in excess of the cap. Currently, carryforward of contributions in excess of the cap is not permitted.

ASSUMPTIONS AND METHODOLOGY: The estimated fiscal impact is based on a query of 2007 and 2008 corporate tax returns. The query identified all corporations taking the deduction for charitable contributions, and the corporations whose deduction equaled the 5% cap. Using this data, the estimated tax year impact of House Bill 886 was calculated by doubling the deduction for the corporations whose contributions equaled the 5% cap, and averaging the impact for the two years queried. The tax year impact was adjusted to align with the State's fiscal year. Since the bill is effective for taxable years beginning on or after January 1, 2013, there is no fiscal impact for FY 11-12, and a partial year impact for FY 12-13.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

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