



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Fiscal Note

Short Title: Various Finance Law Changes.
Bill Number: Senate Bill 557 (Second Edition)
Sponsor(s):

SUMMARY TABLE

FISCAL IMPACT OF S.B. 557, V.2 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund Revenue					
Personal Income Tax	(79.3)	(179.9)	(178.2)	(179.7)	(181.1)
Corporate Taxes	(1.0)	3.5	3.9	4.4	4.9
Sales and Use Taxes	65.0	135.2	140.6	146.2	152.0
General Fund Impact	(15.3)	(41.2)	(33.7)	(29.1)	(24.2)
NET STATE IMPACT	(\$15.3)	(\$41.2)	(\$33.7)	(\$29.1)	(\$24.2)
Local Revenue					
Sales and Use Taxes	31.1	64.6	67.2	69.9	72.6
NET LOCAL IMPACT	\$31.1	\$64.6	\$67.2	\$69.9	\$72.6

FISCAL IMPACT SUMMARY

- Increases the standard deduction effective 2020 from \$10,000 to \$10,750 for single taxpayers or married taxpayers filing separately; from \$15,000 to \$16,125 for taxpayers filing as head of household; and from \$20,000 to \$21,500 for married taxpayers filing jointly.
- Enacts market-based sourcing and modifies the definition of a holding company.
- Requires marketplace facilitators to collect and remit sales tax under certain circumstances.

FISCAL ANALYSIS

Personal Income Tax

The estimated fiscal impact of the increase in the standard deduction was calculated using NC tax return data, the Fiscal Research Microsimulation Tax Model, and IRS tax data for NC filers. Analysis and modeling inputs took into consideration a standard deduction of \$21,500 for married taxpayers filing jointly, \$16,125 for taxpayers filing as head of household, and \$10,750 for single taxpayers and married taxpayers filing separately.

The maximum reduction in annual personal income tax liability due to the increase in the standard deduction is approximately \$39 per return for single taxpayers or married taxpayers filing separately; \$59 for taxpayers filing as head of household; and \$79 for married taxpayers filing jointly.

Corporate Income and Franchise Tax

The estimated fiscal impact of the market-based apportionment provision was calculated based on informational reports submitted by corporations showing the amount of taxable income and taxable franchise tax base under current law compared to the proposed methodology. Adjustments were made to account for other factors including changes to the calculation of the tax base and changes to the tax rates that occurred subsequent to the filing of the informational reports.

Sales and Use Taxes

The fiscal impact of the marketplace facilitator provision was estimated using multiple data points, including:

- State General Fund revenue increases experienced since the Department of Revenue implemented a requirement that non-marketplace online retailers collect and remit sales taxes under certain conditions, due to the US Supreme Court's June 2018 ruling in *South Dakota v. Wayfair, Inc.*
- Amazon.com, Inc.'s Quarterly Earnings Reports.
- US Census Bureau estimates of United States' ecommerce revenues.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NC Department of Revenue; US Bureau of Economic Analysis; Securities and Exchange Commission; Moody's Analytics; Internal Revenue Statistics of Income Program; Amazon.com, Inc.; US Census Bureau, and proprietary data.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this



analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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