

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023**

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SENATE BILL 797

Short Title: Modify the Rate Reduction Triggers. (Public)

Sponsors: Senator Chaudhuri (Primary Sponsor).

Referred to: Rules and Operations of the Senate

May 6, 2024

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE INCOME TAX RATE REDUCTION TRIGGER TO FUND
3 NORTH CAROLINA'S FUTURE.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-153.7 reads as rewritten:

6 "**§ 105-153.7. Individual income tax imposed.**

7 (a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income
8 of every individual. The tax shall be levied, collected, and paid annually. Except as otherwise
9 provided in subsection (a1) of this section, the tax is a percentage of the taxpayer's North Carolina
10 taxable income computed as follows:

Taxable Years Beginning	Tax
In 2022	4.99%
In 2023	4.75%
In 2024	4.5%
In 2025	4.25%
After 2025	3.99% 4%.

17 (a1) Rate Reduction Trigger. – Notwithstanding the tax rates set out in subsection (a) of
18 this section, if ~~total General Fund revenue in a fiscal year set out below exceeds the trigger~~
19 ~~amount indicated for that fiscal year, then the applicable tax rate for the indicated and subsequent~~
20 ~~tax years shall be equal to the greater of (i) the prior taxable year's rate decreased by one half~~
21 ~~percentage point (0.50%) or (ii) two and forty nine hundredths percent (2.49%). For purposes of~~
22 ~~this subsection, total General Fund revenue is the amount stated in the final accounting of total~~
23 ~~General Fund Reverting Net Tax and Non-Tax Revenues for the fiscal year, as reported by the~~
24 ~~Office of State Controller in August following the end of the fiscal year during a fiscal year the~~
25 ~~recommended Savings Reserve Balance under G.S. 143C-4-2(f) has been met, and if both the~~
26 ~~revenue adequacy trigger and the recession indicator trigger under G.S. 143C-4-12 have been~~
27 ~~met, then the applicable tax rate for that tax year and subsequent tax years shall be equal to the~~
28 ~~greater of (i) the prior taxable year's rate decreased by one-quarter percentage point (0.25%) or~~
29 ~~(ii) two and forty-nine hundredths percent (2.49%).~~

Fiscal Year	Trigger Amount	Taxable Year Beginning
FY 2025-2026	\$33,042,000,000	In 2027
FY 2026-2027	\$34,100,000,000	In 2028
FY 2027-2028	\$34,760,000,000	In 2029
FY 2028-2029	\$35,750,000,000	In 2030
FY 2029-2030	\$36,510,000,000	In 2031
FY 2030-2031	\$38,000,000,000	In 2032



1	FY 2031-2032	\$38,500,000,000	In 2033
2	FY 2032-2033	\$39,000,000,000	In 2034

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4 (c) Report on the Calculation of the Rate Reduction Trigger. – Annually, the Office of
5 State Budget and Management (OSBM) and the Fiscal Research Division (FRD) of the General
6 Assembly shall jointly calculate the conditions necessary to trigger a rate reduction under
7 subsection (a1) of this section. OSBM and FRD shall report the results of the calculations
8 required by this subsection to the Department of Revenue and the chairs of the House and Senate
9 Finance Committees no later than October 1 of each year."

10 **SECTION 2.** Article 4 of Chapter 143C of the General Statutes is amended by adding
11 a new section to read:

12 **"§ 143C-4-12. Revenue adequacy and recession indicator triggers.**

13 (a) Revenue Adequacy Trigger. – The revenue adequacy trigger shall be met if the result
14 obtained from the calculation outlined in subdivision (1) of this subsection is more than the result
15 obtained from the calculation outlined in subdivision (2) of this subsection. The revenue
16 adequacy trigger calculations are:

17 (1) Estimated revenue if the tax rate in effect for the current fiscal year was
18 reduced because of a rate reduction trigger pursuant to G.S. 105-153.7.

19 (2) Estimated revenue based upon the certified net General Fund appropriation
20 for the current fiscal year, increased by (i) the consensus calculation for
21 inflation of state government costs using the State and Local Government
22 Consumption Price Index (SLG-PI), (ii) population growth based on a
23 combination of populations under age 23, and ages 23 and above, weighted to
24 share of budget (sixty percent (60%) and forty percent (40%) respectively), as
25 estimated by the State Demographer of the Office of Budget and Management,
26 and (iii) funding increases or decreases necessary to comply with court orders,
27 statutory appropriations, or anticipated cost savings. For any year in which the
28 State is operating under a budget continuation pursuant to G.S. 143C-5-4, the
29 revenue calculation under this subdivision shall be based on the certified net
30 General Fund appropriation for the prior fiscal year.

31 (b) Recession Indicator Trigger. – The recession indicator trigger shall be met if the result
32 obtained from the calculation outlined in subdivision (1) of this subsection is less than one-half
33 percent (0.5%) higher than the result obtained from the calculation outlined in subdivision (2) of
34 this subsection. The recession indicator trigger calculations are:

35 (1) The combined average unemployment rate of the United States and North
36 Carolina for the period from June to August of the current year, as published
37 by the Bureau of Labor Statistics of the United States Department of Labor
38 (BLS).

39 (2) The combined average lowest quarterly unemployment rate for the United
40 States and North Carolina for the prior fiscal year, as published by BLS."

41 **SECTION 3.** This act is effective for taxable years beginning on or after January 1,
42 2025.