# NORTH CAROLINA GENERAL ASSEMBLY

## LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 19 (First Edition)

**SHORT TITLE**: Expand Corporate Charitable Deduction

**SPONSOR(S)**: Representative McMahan

### FISCAL IMPACT

Yes (X) No () No Estimate Available ()

### <u>FY 1997-98</u> <u>FY 1998-99</u> <u>FY 1999-00</u> <u>FY 2000-01</u> <u>FY 2001-02</u>

REVENUES

General Fund

\$3.42 million to \$4.85 million / annual loss

### PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue

EFFECTIVE DATE: Effective for tax years beginning on and after January 1, 1998

**BILL SUMMARY**: The bill increases the allowable annual deduction from the corporate income tax for charitable contributions from 5% to 10% and provides for a five-year carry forward for deductions in excess of 10%.

**ASSUMPTIONS AND METHODOLOGY**: In reviewing this issue in the 1996 Session, the Tax Research Division of the Department of Revenue estimated the General Fund revenue lost due to this act would range from \$3.1 million to \$4.4 million for tax year 1996. The estimate was based on an analysis of data from taxable North Carolina corporate income tax returns for income year 1990 and projected to income year 1996 at a 10% annual growth rate derived from federal return data. Since the Department does not have more recent data, this fiscal note utilizes the 1996 range and inflates it 5% for tax years 1997 and 1998. This note assumes corporations will not change their quarterly estimated payments in FY 1997-98 and thus the first revenue loss from this act will be in FY 1998-99 when final returns are filed.

#### FISCAL RESEARCH DIVISION

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