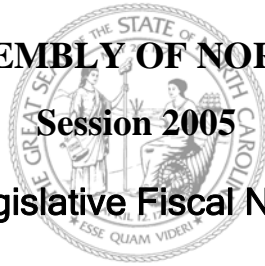


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 1552 (First Edition)

**SHORT TITLE:** Additional Personal Income Tax Filing Option.

**SPONSOR(S):** Senator Webster

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<u><b>FY 2006-07</b></u>	<u><b>FY 2007-08</b></u>	<u><b>FY 2008-09</b></u>	<u><b>FY 2009-10</b></u>	<u><b>FY 2010-11</b></u>
<b>REVENUES:</b>	<b>Potential minimal loss</b>				
<b>EXPENDITURES:</b>					
<b>POSITIONS</b> (cumulative):					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> North Carolina Department of Revenue.					
<b>EFFECTIVE DATE:</b> Effective for taxable years beginning on or after January 1, 2006.					

**BILL SUMMARY:** Under North Carolina law, a married couple that files a joint federal return must also file a joint state return, if both are residents of the State or have North Carolina income. This bill does not change that requirement. However, under current law, if one spouse is a not a resident of North Carolina and has no North Carolina income, the other spouse must file a separate return with the State and is prohibited from filing a joint North Carolina tax return. The proposed legislation would allow such a couple the option of filing a joint North Carolina tax return. The bill is a recommendation of the North Carolina Department of Revenue and the Revenue Laws Study Committee.

**ASSUMPTIONS AND METHODOLOGY:** Currently no data is available from the Department of Revenue or other sources concerning the number of returns this change would impact, or the likely amount of revenue affected. However, the North Carolina Department of Revenue believes the number of taxpayers involved would be small. There are potentially a very limited number of situations where a taxpayer could benefit financially by filing a joint tax return. Because this legislation gives a couple the option of choosing to file joint or separate returns, it would be

reasonable to assume that there will be some taxpayers who will file jointly to limit their North Carolina tax liability. As such, there is a potential revenue loss. The Department of Revenue indicates that the potential dollar amount involved is likely to be very small.

**SOURCES OF DATA:** North Carolina Department of Revenue.

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** May 26, 2006

**Signed Copy Located in the NCGA Principal Clerk's Offices**