

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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HOUSE BILL 1989

Short Title: Reduce Tax Burden on Small Businesses. (Public)

Sponsors: Representatives Blackwell; Current, Dollar, Gillespie, Hilton, Hurley, Johnson, Justice, McElraft, McGee, Moore, Randleman, Starnes, and Steen.

Referred to: Finance.

May 26, 2010

1 A BILL TO BE ENTITLED
2 AN ACT TO REDUCE THE TAX BURDEN ON SMALL BUSINESSES BY CAPPING THE
3 TAX RATE ON SMALL BUSINESSES, REGARDLESS OF ENTITY TYPE, AT SIX
4 AND EIGHT-TENTHS PERCENT.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 105-134.2 reads as rewritten:

7 **"§ 105-134.2. Individual income tax imposed.**

8 (a) Tax Rate. – A tax is imposed upon the North Carolina taxable income of every
9 individual. The tax shall be levied, collected, and paid ~~annually and shall annually.~~ Except as
10 otherwise provided in this section, the tax shall be computed at the following percentages of the
11 taxpayer's North Carolina taxable income.

12 (1) For married individuals who file a joint return under G.S. 105-152 and for
13 surviving spouses, as defined in section 2(a) of the Code:

Over	Up To	Rate
0	\$21,250	6%
\$21,250	\$100,000	7%
\$100,000	NA	7.75%

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20 (2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
0	\$17,000	6%
\$17,000	\$80,000	7%
\$80,000	NA	7.75%

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27 (3) For unmarried individuals other than surviving spouses and heads of
28 households:

Over	Up To	Rate
0	\$12,750	6%
\$12,750	\$60,000	7%
\$60,000	NA	7.75%

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35 (4) For married individuals who do not file a joint return under G.S. 105-152:
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	Over	Up To	Rate
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2	0	\$10,625	6%
3	\$10,625	\$50,000	7%
4	\$50,000	NA	7.75%
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(b) Tax Tables. – In lieu of the tax imposed by subsection (a) of this section, there is imposed for each taxable year upon the North Carolina taxable income of every individual a tax determined under tables, applicable to the taxable year, which may be prescribed by the Secretary. The amounts of the tax determined under the tables shall be computed on the basis of the rates prescribed by subsection (a) of this section. This subsection does not apply to an individual making a return under section 443(a)(1) of the Code for a period of less than 12 months on account of a change in the individual's annual accounting period, or to an estate or trust. The tax imposed by this subsection shall be treated as the tax imposed by subsection (a) of this section.

(c) Small Business Income. – The tax rate imposed on the net business income of a taxpayer who receives income from a small business, as defined in G.S. 105-130.3(c), for a taxable year may not exceed the rate imposed on a Small C Corporation under G.S. 105-130.3(c). Additionally, the net business income of the small business shall be subtracted from the taxpayer's taxable income for purposes of determining the taxpayer's tax rate under subsection (a) of this section. For purposes of this subsection, the term small business income does not include income that is considered passive income under the Code."

SECTION 2. G.S. 105-130.3 reads as rewritten:

"**§ 105-130.3. Corporations.**~~Corporations; large and small.~~

(a) Tax Imposed. – A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. ~~The~~

(b) Large C Corporations. – If the taxpayer is not a small business under subsection (c) of this section, the tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999	6.9%.

(c) Small C Corporations. – A taxpayer that is a small business shall be subject to a tax at a rate of six and eight-tenths percent (6.8%) of the taxpayer's State income. A small business is a business whose cumulative gross receipts from all business activity in a taxable year does not exceed eight hundred fifty thousand dollars (\$850,000)."

SECTION 3. This act is effective for taxable years beginning on or after January 1, 2010.