A BILL TO BE ENTITLED
AN ACT TO AMEND THE CONSTITUTION OF NORTH CAROLINA TO PROVIDE FOR TAXPAYER PROTECTIONS THAT LIMIT THE GROWTH OF STATE SPENDING, ESTABLISH A STATE EMERGENCY SAVINGS RESERVE FUND, AND REDUCE THE MAXIMUM OF THE INCOME TAX RATE TO FIVE PERCENT FROM TEN PERCENT.

The General Assembly of North Carolina enacts:

SECTION 1.(a) The Constitution of North Carolina is amended by adding the following Article:

"ARTICLE V-A
"TAXPAYER PROTECTION

"Sec. 1. Limit on growth of State spending.
(1) Fiscal year spending limit. Except as provided in subsection (2) of this section, the maximum annual percentage increase in State fiscal year spending shall not exceed the average inflation growth for the prior three calendar years plus the average growth in State population for the prior three fiscal years. "Fiscal year spending" means the General Fund appropriations for current operations, excluding appropriations from General Fund receipts. "Inflation growth" means the percentage increase in the Consumer Price Index for All Urban Consumers (excluding Energy and Food), or its successor, for the calendar year directly preceding the fiscal year. "Population" means the number of people residing in the State, excluding Armed Forces stationed overseas, as reported annually by the United States Census Bureau.

(2) Modification by supermajority vote. The General Assembly may vote to increase the spending limit established under this section for a fiscal year. An increase in the spending limit for a fiscal year shall be made by an act passed by two-thirds of all the members of each house.

"Sec. 2. Establishment of Emergency Savings Reserve Fund.
(1) The Emergency Savings Reserve Fund is established in the State Treasury. Interest on money in the Emergency Savings Reserve Fund shall remain in the Fund.

(2) Except as provided in subsection (3) of this section, the General Assembly shall reserve to the Emergency Savings Reserve Fund each fiscal year an amount equal to two percent of the amount appropriated from the General Fund, excluding General Fund receipts, for capital and operating expenses for the prior fiscal year until the Fund contains an amount equal to twelve and one-half percent of the amount appropriated from the General Fund, excluding General Fund receipts, for capital and operating expenses for the prior fiscal year.
The General Assembly may by statute provide for the deposit of additional funds in the Emergency Savings Reserve Fund.

(3) The General Assembly may decline to reserve funds to the Emergency Savings Reserve Fund, provide for the expenditure of funds from the Emergency Savings Reserve Fund, or both. An act declining to reserve funds to the Emergency Savings Reserve Fund, providing for the expenditure of funds in the Emergency Savings Reserve Fund, or both, shall become law only if two-thirds of all the members of each house vote to pass the bill.

(4) No money shall be drawn from the Emergency Savings Reserve Fund but in consequence of appropriations from the Fund made by an act passed by two-thirds of all the members of each house. The constitutional powers of the Governor do not authorize (i) the expenditure of money in the Emergency Savings Reserve Fund without an appropriation by the General Assembly or (ii) the diversion for other purposes of money appropriated from the Emergency Savings Reserve Fund by the General Assembly.

(5) This section shall not be construed to prevent the General Assembly from authorizing by statute the use of money in the Emergency Savings Reserve Fund on a temporary basis to meet the cash flow needs of the State.

"Sec. 3. Income tax rate limited to five percent.

The rate of tax on incomes shall not in any case exceed five percent, and there shall be allowed personal exemptions and deductions so that only net incomes are taxed."

SECTION 1.(b) Section 2 of Article V of the Constitution of North Carolina reads as rewritten:

"Sec. 2. State and local taxation.

..."

(6) Income tax. The rate of tax on incomes shall not in any case exceed five percent, and there shall be allowed personal exemptions and deductions so that only net incomes are taxed. Tax on incomes shall be subject to the provisions of Section 1 of Article V-A of this Constitution."

SECTION 1.(c) Section 22 of Article II of the Constitution of North Carolina is amended by adding two new subdivisions to read:

"(3a) Bills increasing the fiscal year spending limit established under Section 1 of Article V-A of this Constitution. Every bill increasing the fiscal year spending limit and containing no other matter shall be read three times in each house before it becomes law and shall be signed by the presiding officers of both houses.

(3b) Bills declining to reserve funds to the Emergency Savings Reserve Fund, providing for the expenditure of funds from the Emergency Savings Reserve Fund, or both as provided in Section 2 of Article V-A of this Constitution. Every bill declining to reserve funds to the Emergency Savings Reserve Fund, providing for the expenditure of funds from the Emergency Savings Reserve Fund, or both containing no other matter shall be read three times in each house before it becomes law and shall be signed by the presiding officers of both houses."

SECTION 2. The amendments set out in Section 1 of this act shall be submitted to the qualified voters of the State at the time of the election in 2016 when voters of this State are given an opportunity to express their preference for the person to be the presidential candidate of their political party, which election shall be conducted under the laws then governing elections in the State. Ballots, voting systems, or both may be used in accordance with Chapter 163 of the General Statutes. The question to be used in the voting systems and ballots shall be:

"[ ] FOR [ ] AGAINST

Constitutional amendments adding the Taxpayer Protection Act to the North Carolina Constitution that would limit the growth of State spending to inflation plus population growth, establish and require yearly deposits in an Emergency Savings Reserve Fund in the State Treasury, and reduce the maximum allowable income tax rate in North Carolina from ten percent (10%) to five percent (5%)."
SECTION 3. If a majority of votes cast on the question are in favor of the amendments set out in Section 1 of this act, the State Board of Elections shall certify the amendments to the Secretary of State. The constitutional amendments become effective upon such certification and apply as follows:

(1) Section 1 of Article V-A applies to fiscal years beginning on or after July 1, 2017.
(2) Section 2 of Article V-A applies to fiscal years beginning on or after July 1, 2016.
(3) Section 3 of Article V-A applies to taxable years beginning on or after January 1, 2020. The amendment to Section 2 of Article V applies to taxable years beginning on or after January 1, 2020.
(4) Section 22(3a) and Section 22(3b) of Article II apply upon certification by the Secretary of State.

The Secretary of State shall enroll the amendments so certified among the permanent records of that office.

SECTION 4. Except as otherwise provided, this act is effective when it becomes law.