

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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SENATE BILL 717

Short Title: Taxpayer Bill of Rights. (Public)

Sponsors: Senators Newton, Daniel, and Rabon (Primary Sponsors).

Referred to: Rules and Operations of the Senate

April 19, 2021

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE NORTH CAROLINA CONSTITUTION TO PROVIDE FOR
3 TAXPAYER PROTECTIONS THAT LIMIT THE GROWTH OF STATE SPENDING TO
4 INFLATION PLUS POPULATION GROWTH, REQUIRE YEARLY DEPOSITS IN A
5 SAVINGS RESERVE OR UNFUNDED LIABILITY RESERVE, RETURN EXCESS
6 REVENUE TO TAXPAYERS, AND SUBMIT TAX INCREASES TO A VOTE OF THE
7 PEOPLE.

8 The General Assembly of North Carolina enacts:

9 SECTION 1.(a) The North Carolina Constitution is amended by adding a new
10 Article to read:

11 "ARTICLE V-A

12 "TAXPAYER PROTECTIONS

13 "**Section 1. Limit on growth of State spending.**

14 (1) Spending limit. Except as provided in subsection (2) of this section, the maximum
15 annual percentage increase in allowed State fiscal year spending shall not exceed the average
16 inflation growth for the prior three calendar years plus the average growth in State population for
17 the prior three calendar years before the fiscal year start. "Fiscal year spending" applies to total
18 expenditures in the Certified Budget, net appropriations from the Highway Fund and Highway
19 Trust Fund, and net appropriations for current operations and capital from the General Fund.
20 "Inflation growth" means the percentage increase in implicit price deflator for gross domestic
21 product as reported by the United States Bureau of Economic Analysis or its successor.
22 "Population" means the number of people residing in the State, excluding Armed Forces stationed
23 overseas, as reported annually by the United States Census Bureau. "Allowed State fiscal year
24 spending" means the amount permitted under this formula if spending followed the formula every
25 year since the State fiscal year that began July 1, 2018.

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

29 "**Sec. 2. Uses of revenue collected in excess of spending limit.**

30 (1) Each budget enacted by the General Assembly shall include a transfer to the Savings
31 Reserve of fifteen percent of each fiscal year's estimated growth in State tax revenues that are
32 deposited in the General Fund, except that if that transfer would cause the balance of the Reserve
33 to exceed fifteen percent of the amount appropriated from the General Fund, excluding General
34 Fund receipts, for capital and operating expenses for the prior fiscal year, then the amount
35 transferred pursuant to this subsection shall be reduced accordingly. The General Assembly may
36 by statute provide for the deposit of additional funds in the Savings Reserve.



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

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

11 (4) Any amount up to fifteen percent of each fiscal year's estimated growth in State tax
12 revenues that are deposited in the General Fund that would cause the Savings Reserve to exceed
13 fifteen percent of the amount appropriated from the General Fund, excluding General Fund
14 receipts, for capital and operating expenses for the prior fiscal year shall be transferred to the
15 Unfunded Liability Solvency Reserve unless the State has no unfunded liability.

16 (5) Any amount of revenue collected in excess of the spending limit established in
17 Section 1 of this Article and the reserves established in this Section shall be returned equally to
18 every individual who filed a return for the tax year prior to the start of the fiscal year. For this
19 purpose, spouses filing a joint return count as one individual."

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

22 "(1) Power of taxation. The power of taxation shall be exercised in a just and equitable
23 manner, for public purposes only, and shall never be surrendered, suspended, or contracted away.
24 No law shall be enacted to impose or increase any tax, or to allow the counties, cities, or towns
25 to do so, unless approved by a majority of the qualified voters of the jurisdiction to which the tax
26 or increase pertains."

27 **SECTION 1.(c)** Section 22(5) of Article II of the North Carolina Constitution reads
28 as rewritten:

29 "(5) Other exceptions. Every bill:

- 30 (a) In which the General Assembly makes an appointment or appointments to
31 public office and which contains no other matter;
32 (b) Revising the senate districts and the apportionment of Senators among those
33 districts and containing no other matter;
34 (c) Revising the representative districts and the apportionment of Representatives
35 among those districts and containing no other matter;~~or~~
36 (d) Revising the districts for the election of members of the House of
37 Representatives of the Congress of the United States and the apportionment
38 of Representatives among those districts and containing no other matter;
39 (e) Increasing the fiscal year spending limit established under Section 1 of Article
40 V-A of this Constitution and containing no other matter;
41 (f) Declining to reserve funds to the Emergency Savings Reserve Fund, providing
42 for the expenditure of funds from the Emergency Savings Reserve Fund, or
43 both, as provided in Section 2 of Article V-A of this Constitution and
44 containing no other matter,

45 shall be read three times in each house before it becomes law and shall be signed by the presiding
46 officers of both houses."

47 **SECTION 2.** The amendment set out in Section 1 of this act shall be submitted to
48 the qualified voters of the State at the general election in 2022, which election shall be conducted
49 under the laws then governing elections in the State. Ballots, voting systems, or both may be used
50 in accordance with Chapter 163 of the General Statutes. The question to be used in the voting
51 systems and ballots shall be:

"[] FOR [] AGAINST

Constitutional amendment adding the Taxpayer Protection Act to the North Carolina Constitution that would limit the growth of State spending to inflation plus population growth, require yearly deposits in a Savings Reserve or Unfunded Liability Reserve, return excess revenue to taxpayers, and submit tax increases to a vote of the people."

SECTION 3. If a majority of votes cast on the question are in favor of the amendment set out in Section 1 of this act, the State Board of Elections shall certify the amendment to the Secretary of State. The Secretary of State shall enroll the amendment so certified among the permanent records of that office. The amendment set out in Section 1 of this act becomes effective upon certification and applies to takings after that date.

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