

Impact of Tax Reform 2011 - 2017

January 2011		January 2017		TAX SAVINGS
Death Tax	\$ 45 Million	Death Tax - Repealed ⁽¹⁾	\$0.00	\$47 Million per year
State Sales Tax Rate	5.75%	State Sales Tax Rate - (17% Reduction) ⁽²⁾	4.75%	\$1.1 Billion per year
State Corporate Tax Rate (CIT)	6.90%	State Corporate Tax Rate (CIT) - Reduced ⁽³⁾ Implemented Single Sales Factor	3.00%	\$527 Million per year
Personal Income Tax Rate (PIT) Included a Wealth Income Surcharge Bracket at 8.25%	7.75% / 7.0% / 6.0%	Personal Income Tax Rate (PIT) - Reduced ⁽⁴⁾ Flat Rate	5.499%	} \$1.425 Billion per year
Standard Deduction - (Zero Bracket) Married Filing Jointly Complicated Depression Era Income Tax Based System Income Tax Based System = Volatile Revenue Source	\$11,600	Standard Deduction - (Zero Bracket) Married Filing Jointly ⁽⁵⁾ Simpler Consumption Goods + Services Tax Based System Broadened the Base and Lowered Rates Eliminated many Exemptions, Deductions, and Tax Credits	\$17,500	
Budget Deficit	(\$2.5 Billion)	Budget Surplus	\$425 Million	
Insolvent Unemployment Insurance (UI) Fund	(\$2.83 Billion) Debt	Financially Sound Unemployment Insurance (UI) Fund ⁽⁶⁾ Significant Reserve in place for the next Recession.	\$2.1 Billion Reserve	
High FUTA & SUTA Business Taxes	FUTA \$126 per Employee	FUTA & SUTA Business Taxes - Reduced	FUTA \$42 per Employee	\$ 84 per Employee
Unfair Local Business Privilege Tax	\$66 Million	Local Business Privilege Tax - Repealed ⁽⁷⁾	\$0.00	\$66 Million per year
State Business Tax Ranking	44th	State Business Tax Ranking - (Historical Change)	11th	
Unemployment Rate	10.40%	Unemployment Rate - (Below US Average)	4.60%	
Recession Jobs Lost	(250,000)	Jobs Created since 2011	441,600	
North Carolina's Gross Domestic Product (GDP)	\$417.38 Billion	North Carolina's Gross Domestic Product (GDP) NC's GDP growth rate was above the US Average in 2013, 2014, and 2015	\$499.45 Billion	\$82.07 Billion gain
State Savings Reserve Balance	\$0.00	State Savings Reserve Balance	\$1.7 Billion	

Footnotes

- (1) The Death Tax was repealed by (SL 2013-316).
- (2) The temporary sales tax increase was allowed to sunset so there is no direct legislation tied to it. However, the 2011 budget (SL 2011-145) was the bill that was passed over Gov. Perdue's veto that declined to extend the sunset.
- (3) The CIT rate changes were originally made by (SL 2013-316) and the trigger dates were removed in last year's budget (SL 2015-241).
- (4) The personal income tax rate was decreased originally by (SL 2013-316) and further decreased by (SL 2015-241).
- (5) The standard deduction was increased initially by (SL 2013-316) and subsequently increased by (SL 2015-241) and (SL 2016-94).
- (6) UI changes were made by (SL 2013-2).
- (7) Local business privilege taxes were repealed by (SL 2014-3).

Economic Metrics as a Result of Tax & Economic Policy Reform

Goal = Competitive Economy + Job Creation

Per Capita Income (PCI) ^[1]: Beginning 2014, North Carolina's total PCI growth rate (4%) exceeded the total US PCI growth rate (3.7%) for the last eleven quarters. North Carolina's Comparative PCI growth has not achieved similar growth since 1996.

Median Household Income (MHI) ^[2]: North Carolina recorded the highest MHI growth for the past three years.
 During 2013-2015 North Carolina's MHI grew 22.25% vs. the US MHI of 10.78%.
 In 2012 North Carolina's MHI ranking was 46th at \$41,533 per household.
 In 2015 North Carolina's MHI ranking was 37th at \$50,797 per household.
 A net increase of \$9,264 per household from 2012 to 2015.

Gross Domestic Product (GDP) ^[3]: North Carolina's GDP growth rate exceeded the US GDP growth rate in 2013, 2014, and 2015.

Year	NC GDP	US GDP	NC GDP Growth	US GDP Growth
2011	428.73	15517.93	2.7%	3.7%
2012	439.33	16155.25	2.5%	4.1%
2013	454.45	16691.5	3.4%	3.3%
2014	474.36	17393.1	4.4%	4.2%
2015	499.45	18036.65	5.3%	3.7%

Source: US Bureau of Economic Analysis

Job Creation ^[4]: From January 2011 to present, North Carolina created 441,600 new jobs.
 In 2011, total employment was 3,887,000.
 Current total employment is 4,327,000. (11.4% growth)

Poverty Rate ^[5]: North Carolina's poverty rate declined.
 2013 - 18.6%
 2014 - 17.1%
 2015 - 15.3%

NC Taxpayers Removed from the Tax Rolls Due to the Standard Deduction Changes^[6]: Since 2011, between 125,000 to 150,000 taxpayers have been removed from the state's tax rolls.

References

^[1] Information reported to the Legislative EDGE Committee (2016) by Brent Lane.

US Census/USBEA Per Capita Income/ Current Population Survey, October, 2016.

^[2] Information reported to the Legislative EDGE Committee (2016) by Brent Lane.

US Census/USBEA Median Household Income/ Current Population Survey, October, 2016.

^{[3],[4],[5],[6]} Information provided by NCGA fiscal staff (2016).