

The effective tax rate derived from NC Taxable Income (NCTI) is the tax rate (percentage) as applied to NCTI that generates the amount of net tax liability as current tax provisions. The effective tax rate metric basically averages the effect of tax credits and may approach but will not exceed the 5.8% tax rate. The effective tax rates derived from NCTI for standard deduction and itemized deduction returns converge in relation to the portion of gross tax reduced by tax credits. SL 2013-316, (HB998), *An Act to Simplify the NC Tax Structure and to Reduce Individual and Business Tax Rates* (enacted July 23, 2013) increases the allowable child tax credit for certain taxpayers and either eliminates or allows to sunset other tax credits applicable to the personal income tax. The relatively high effective tax rates derived from positive NC Taxable Income reflect the reduction in the availability of tax credits allowable to be claimed for personal income tax.

