

TABLE 21. CORPORATION INCOME TAX COLLECTIONS

[G.S. 105 ARTICLE 4, PART 1]

Fiscal year	Corporate Income Tax Gross Collections by Type		Total gross collections	Refunds	Corporate Income Tax Net Collections Before & After Reimbursements, Transfers									Year-over-year % change				
	Type of payment				Net collections before state aid/ transfer deductions	State aid/reimbursements paid to local governments to replace revenue lost due to law changes			Intergovernmental and inter-fund transfers				Net collections to General Fund	Income tax collections	Income tax refunds	Net collections before transfers	Amount to General Fund	
	Estimated	Final				Exclusion of inventories	Homestead Exemption for elderly/ disabled	Food stamp purchases	Public School Building Capital Fund	Critical School Facility Needs Fund	Other	Collection fees on overdue tax debts						
	[\$]	[\$]																[\$]
1990-91..	452,879,093	121,418,040	574,297,133	72,836,700	501,460,433	-	-	-	-	-	-	-	-	501,460,433	-18.20%	-16.68%	-18.42%	-11.57%
1991-92..	572,135,598	136,398,389	708,533,987	64,669,141	643,864,846	-	-	-	27,669,428	10,000,000	-	-	-	606,195,418	23.37%	-11.21%	28.40%	20.89%
1992-93..	621,417,691	144,558,506	765,976,197	55,318,669	710,657,528	190,174,078	7,890,753	6,406,639	32,340,599	10,000,000	33,996,932	-	-	429,848,526	8.11%	-14.46%	10.37%	-29.09%
1993-94..	653,642,876	147,015,128	800,658,004	63,397,997	737,260,007	190,174,078	7,890,753	6,406,639	34,972,492	10,000,000	19,385	-	-	487,796,660	4.53%	14.61%	3.74%	13.48%
1994-95..	761,727,732	201,485,093	963,212,825	57,202,958	906,009,866	190,174,078	7,890,753	6,406,639	42,146,058	10,000,000	2,500	-	-	649,389,838	20.30%	-9.77%	22.89%	33.13%
1995-96..	761,517,294	226,295,943	987,813,237	48,534,528	939,278,709	190,174,078	7,890,753	6,406,639	50,966,964	10,000,000	2,500	-	-	673,837,774	2.55%	-15.15%	3.67%	3.76%
1996-97..	878,015,906	207,128,713	1,085,144,619	104,072,444	981,072,175	190,174,088	7,890,753	6,406,639	48,850,120	10,000,000	-	-	-	717,750,574	9.85%	114.43%	4.45%	6.52%
1997-98..	892,867,397	176,629,904	1,069,497,301	99,356,000	970,141,301	190,174,088	10,637,640	6,406,639	56,584,377	10,000,000	-	-	-	696,338,557	-1.44%	-4.53%	-1.11%	-2.98%
1998-99..	973,701,900	250,091,221	1,223,793,121	95,209,963	1,128,583,158	190,174,088	10,628,279	6,406,639	62,864,482	10,000,000	-	-	-	848,509,669	14.43%	-4.17%	16.33%	21.85%
1999-00..	1,028,634,542	247,902,830	1,276,537,372	171,375,542	1,105,161,830	190,174,088	7,890,753	6,406,639	79,448,377	10,000,000	(92,000,000)	-	-	903,241,974	4.31%	80.00%	-2.08%	6.45%
2000-01..	864,206,947	165,320,475	1,029,527,422	213,892,230	815,635,192	95,087,044	7,890,753	6,406,639	48,848,625	10,000,000	187,087,044	-	-	460,315,086	-19.35%	24.81%	-26.20%	-49.04%
2001-02..	705,907,394	193,243,109	899,150,503	230,798,827	668,351,676	190,174,088	see note	6,406,639	44,330,291	10,000,000	7,890,752	227,363	-	409,322,540	-12.66%	7.90%	-18.06%	-11.08%
2002-03..	836,870,149	201,623,125	1,038,493,274	139,974,050	898,519,224	-	-	-	-	-	57,869,430	149,970	-	840,499,824	15.50%	-39.35%	34.44%	105.34%
2003-04..	795,950,527	228,453,041	1,024,403,568	187,050,344	837,353,223	-	-	-	57,620,230	2,500,000	-	268,146	-	776,964,847	-1.36%	33.63%	-6.81%	-7.56%
2004-05..	938,893,681	476,478,614	1,415,372,295	143,239,923	1,272,132,373	-	-	-	78,355,706	-	100,000	147,502	-	1,193,529,164	38.17%	-23.42%	51.92%	53.61%

Detail may not add to totals due to rounding.

**Corporate income tax:** An income tax is levied at the rate of 6.9% on the portion of net income allocable to the State. Corporations "doing business" in at least one additional state calculate their North Carolina income through use of the apportionment formula. Nonapportionable income is directly allocated in accordance with applicable revenue statutes. 'Business income' is defined as all income from transactions and activities that are dependent upon or contribute to the operations of a taxpayer.

**Rates: Effective year of tax:**

- 7% Effective for tax years 1987 through 1990
- 7.75% Effective for tax years 1991 through 1996
- \*Plus an additional surtax (% of tax liability) as follows:
- Tax year 1991: 4% Tax year 1993: 2%
- Tax year 1992: 3% Tax year 1994: 1%
- 7.5% Tax year 1997
- 7.25% Tax year 1998
- 7% Tax year 1999
- 6.9% Tax year 2000 forward

**William S. Lee Fees [G.S.105 ARTICLE 3A]**

Effective for tax years beginning on or after January 1, 2002, a taxpayer is assessed a fee of \$500 for each credit the taxpayer claims with respect to a location that is in an enterprise tier 3,4, or 5, subject to a maximum fee of \$1,500 per taxpayer per taxable year. The Department of Revenue retains 75% of the fee for costs of administering and auditing the tax credits allowed under Article 3A; the remaining portion of the fee is credited to the Department of Commerce for costs of administering Article 3A.

Fiscal year	DOR	DOC
2002-03	\$40,875	\$13,625
2003-04	\$191,250	\$63,750
2004-05	\$171,375	\$57,125

**Apportionment formula:** Effective for tax years beginning on or after January 1, 1989, all business income of corporations, except excluded corporations and public utilities, engaged in business activities in North Carolina and at least one other state were required to apportion to this State by use of a formula consisting of the sum of the property factor, the payroll factor, and twice the sales factor divided by four. Excluded corporation means any company engaged in business as a building or construction contractor, a securities dealer, loan company or company which receives more than 50% of its ordinary gross income from intangible property; apportionable income of excluded corporations and public utility companies is apportioned by multiplying apportionable income by the sales factor.

**Estimated tax payments:** Effective for tax years beginning on or after August 1, 1990, corporations expecting to have an income tax liability of \$500 or more for the taxable year were required to remit quarterly payments of the estimated tax. Prior law provided for such payments when the estimated tax was \$5,000 or more.

**1992-93** Amount of \$33,996,932 recorded as Other transfers includes \$33,994,432 reimbursed to local governments for taxes lost due to the exemption of certain classes of intangible property.

**2001-02** Other transfers includes a local government reimbursement allocation of \$7,890,753 for Homestead Exemption for elderly/ disabled that was retained by the State due to the budgetary shortfall.

**2002-03** Other transfers includes a \$57,869,430 payment to the State Public School Fund.

**Intergovernmental, inter-fund transfers**

In fiscal year 1999-00, a \$92 million tax payment intended to satisfy a franchise tax liability was misassigned to the corporate income tax account because the payment was unaccompanied by a tax return identifying the tax type. Upon receipt of the tax return in 2000-01, a \$92 million correcting adjustment transferred the funds from the corporate income tax account into the intended franchise tax account. Gross collection amounts in the above table do not reflect this misassignment so as not to alter taxpayer remittance levels. The *Intergovernmental, inter-fund transfers 'Other'* and *Net collections to General Fund* columns do reflect the misassignment of the \$92 million payment, reporting it as 1999-00 corporate net tax collections deposited into the General Fund and as a \$92 million transfer from the corporate income tax account to the franchise tax account in 2000-01 to correctly assign the remittance. In addition to the 2000-01 \$92 million transfer to the franchise tax account, the *'Other'* column includes the scheduled April 2001 local government reimbursement allocation of \$95,087,044 for replacement of revenues lost due to the exemption of inventories from the property tax base. The State retained the April 2001 allocation to partially offset the budgetary shortfall. The reimbursement provision was repealed effective July 1, 2002.

**2004-05 Voluntary Compliance Program**

Limited amnesty was granted as result of a court case to corporate and individual taxpayers who had engaged either in tax strategies causing income that would otherwise be taxable in North Carolina to be shifted out-of-state, or in other tax shelters eliminating or minimizing their tax burden. Corporation income tax collections include \$214,223,815 attributable to this program.