

TABLE 21. CORPORATION INCOME TAX COLLECTIONS

[§ 105 ARTICLE 4, PART 1.]

[The Tax Simplification and Reduction Act of 2013 enacts significant changes to the corporation income tax structure effective with tax year 2014.]

Fiscal year	Corporate Income Tax Gross Collections by Type			Refunds	Net collections before state aid/transfer deductions	Corporate Income Tax Net Collections Before & After Reimbursements, Transfers										Net collections to General Fund	Year-over-year % change			
	Type of payment		Total gross collections			State aid/reimbursements paid to local governments to replace revenue lost due to law changes			Intergovernmental and inter-fund transfers					Income tax gross 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 cost of fines/forfeitures	Collection fees on overdue tax debts	OSBM Civil Penalty Forfeiture Fund							
	[\$]	[\$]																	[\$]	[\$]
2001-02.	705,907,394	193,243,109	899,150,503	230,798,827	668,351,676	190,174,088	-	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%		
2005-06.	1,166,928,576	279,307,293	1,446,235,869	137,992,380	1,308,243,489	-	-	-	98,198,520	-	-	221,499	5,720,530	1,204,102,940	2.18%	-3.66%	2.84%	0.89%		
2006-07.	1,216,393,456	533,684,069	1,750,077,525	184,386,550	1,565,690,975	-	-	-	109,167,598	-	20,657	146,701	4,956,822	1,451,399,198	21.01%	33.62%	19.68%	20.54%		
2007-08.	1,198,794,920	283,677,374	1,482,472,294	275,844,781	1,206,627,514	-	-	-	87,201,879	-	30,693	215,449	7,510,641	1,111,668,852	-15.29%	49.60%	-22.93%	-23.41%		
2008-09.	1,001,342,157	175,586,702	1,176,928,859	275,365,185	901,563,674	-	-	-	56,236,424	-	40,493	118,458	9,623,786	835,544,512	-20.61%	-0.17%	-25.28%	-24.84%		
2009-10.	1,134,856,009	381,083,060	1,515,939,069	221,132,886	1,294,806,183	-	-	-	93,834,701	-	14,264	493,596	2,598,199	1,197,865,423	28.80%	-19.69%	43.62%	43.36%		
2010-11.	1,110,751,387	186,545,202	1,297,296,589	204,994,094	1,092,302,495	-	-	-	75,181,766	-	40,568	224,332	3,309,395	1,013,546,433	-14.42%	-7.30%	-15.64%	-15.39%		
2011-12.	1,196,124,315	164,719,867	1,360,844,182	140,585,423	1,220,258,759	-	-	-	83,894,927	-	56,883	186,337	3,249,448	1,132,871,164	4.90%	-31.42%	11.71%	11.77%		
2012-13.	1,368,985,314	197,268,726	1,566,254,040	280,140,029	1,286,114,011	-	-	-	89,196,686	-	(9,639)	207,342	4,989,118	1,191,730,504	15.09%	99.27%	5.40%	5.20%		
2013-14.	1,450,164,189	103,418,956	1,553,583,145	192,648,649	1,360,934,496	-	-	-	-	-	51,356	306,857	3,720,077	1,356,856,207	-0.81%	-31.23%	5.82%	13.86%		
2014-15.	1,487,339,349	81,078,855	1,568,418,204	237,987,277	1,330,430,926	-	-	-	-	-	10,392	208,182	2,524,225	1,327,688,128	0.95%	23.53%	-2.24%	-2.15%		
2015-16.	1,373,706,807	48,439,253	1,422,146,060	355,350,529	1,066,795,531	-	-	-	-	-	34,841	284,560	8,260,692	1,058,215,438	-9.33%	49.31%	-19.82%	-20.30%		

The Tax Simplification and Reduction Act of 2013 reduces the corporate income tax rate from 6.9% to 6% for tax year 2014 (5% for tax year 2015), either eliminates or allows to sunset all tax credits applicable to the corporate income tax, and extends the current sunset on the tax credit for expenses related to research and development from tax year 2014 to tax year 2016. SL 2015-241 reduces the rate from 5% to 4% for taxable years beginning on or after January 1, 2016 and amends provisions to the corporation income tax rate trigger (originally adopted during the 2013 Session) to reduce the rate to 3% for the taxable year after the next rate reduction trigger is met (the rate reduction trigger is met when the amount of net General Fund tax collections in a fiscal year exceeds \$20.975 billion): the corporate income tax rate is reduced to 3% for taxable years beginning on or after January 1, 2017.

Corporate income tax: An income tax is levied on the portion of net income allocable to the State [see rate schedule]. 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 taxpayer operations.

Rates: Effective year of tax:

William S. Lee Fees [§ 105-129.6 ARTICLE 3A]; Fees and reports [§ 105 -129.85(a)ARTICLE 3J] allocations:

Effective for tax years beginning on or after January 1, 2002, a taxpayer is assessed a fee of \$500 for each type of credit the taxpayer claims or intends to claim with respect to an establishment. § 105-129.6 related fees supported the Article 3A tax credit administration and auditing processes incurred by DOR and DOC; § 105 -129.85(a) Article 3J related tax credit fees are credited to the General Fund.

Fiscal year	DOR	DOC	Fiscal year	DOR	DOC	Gen Fund†
2002-03	\$40,875	\$13,625	2008-09	\$100,500	\$33,500	\$96,500
2003-04	\$191,250	\$63,750	2009-10	\$36,750	\$12,250	\$155,000
2004-05	\$171,375	\$57,125	2010-11	\$9,375	\$3,125	\$148,000
2005-06	\$197,625	\$65,875	2011-12	\$8,625	\$2,875	\$146,500
2006-07	\$194,250	\$64,750	2012-13	\$1,500	\$500	\$236,500
2007-08	\$131,625	\$43,875	2013-14	\$38,263	\$12,754	\$259,000
			2014-15	\$375	\$125	\$184,500
			2015-16	\$750	\$250	\$3,824,970

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. The 2015 General Assembly enacted provisions to phase in a one hundred percent (100%) sales factor for purposes of apportioning a corporation's net income apportionable to the State: effective for taxable years beginning on or after January 1, 2016, the sales factor is triple-weighted; effective for taxable years beginning on or after January 1, 2017, the sales factor is quadruple-weighted; and effective for taxable years beginning on or after January 1, 2018, all apportionable income of a corporation must be apportioned to the State using only the sales factor with concurrent repeal of the various special apportionment formulas.

Intergovernmental, inter-fund transfers

2001-02 Other transfers includes a local government reimbursement allocation of \$7,890,752 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.

2013-14 SL 2013-316, s. 2.4(a)(b) eliminates the statutory authorization that provided for the quarterly transfer of corporation income tax collections to support the Public School Building Capital Fund.

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.

2006-07 Settlement Initiative- Collections include \$101,488,902 attributable to a Settlement Initiative launched during 2006 focused on corporate and individual taxpayers who had improperly utilized certain tax strategies which minimized the taxpayer's North Carolina tax burden.

2009-10 Corporate Resolution Initiative-A corporate resolution initiative launched during 2009 focused on corporate taxpayers with significant outstanding tax bills. Corporation income tax collections include \$381,812,968 generated by the program.