

TABLE 21. CORPORATION INCOME TAX COLLECTIONS  
[§ 105 ARTICLE 4, PART L.]

| 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 |                              |                                 |                         |                                  |                        |      |
|             | [\$]   | [\$]        |                         |             |  |   |  |                      |  |                                     |  |                                      |                                    |                              |                                 |                         |                                  |                        | [\$] |
| 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%                 |      |
| 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                              | 4,989,117                          | 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           | 136,093,499 | 1,360,934,496  | -   | -  | -                    | 192,648,629                                | -                                   | 51,356                                     | 306,857                              | 3,720,078                          | 1,356,856,207                | -0.81%                          | -31.23%                 | 5.82%                            | 13.86%                 |      |

The Tax Simplification and Reduction Act of 2013 reduces the corporate income tax rate from 6.9% to 6% for tax year 2014, 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; these changes potentially affected estimated tax payments remitted during the latter portion of fiscal year 2014.

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.

**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 taxpayer operations.

**Rates: Effective year of tax:**

7% Tax years 1987 - 1990  
7.75% Tax years 1991 - 1996

Plus an additional surtax (% of tax liability) as follows:

Tax year 1991 surtax: 4% Tax year 1993 surtax: 2%  
Tax year 1992 surtax: 3% Tax year 1994 surtax: 1%

7.5% Tax year 1997

7.25% Tax year 1998

7% Tax year 1999

6.9% Tax years 2000 - 2013

Plus an additional surtax (% of tax liability) for tax years 2009, 2010: 3%

6% Tax year 2014

**William S. Lee Fees [§ 105-129.6 ARTICLE 3A] and \*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 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      | 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 |

**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.

**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.

**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. Corporate income tax collections include \$381,812,968 generated by the program.