

TABLE 23. INDIVIDUAL INCOME TAX COLLECTIONS

[G.S.105 ARTICLE 4, PART 2.]

| Fiscal year | Total gross individual income tax collections [\$] | Refunds [\$] | Individual Income Tax Net Collections Before & After Reimbursements, Transfers | | | | | | | Year-over-year % change | | | |
|--------------|---|-----------------|--|---|---|---|--|--|---|---|-------------------------------|----------------------------------|------------------------|
| | | | Net collections before reimbursements/transfers [\$] | (-) Reserves/transfers for administrative costs [\$] | (-) Reimbursements to local governments [\$] | (-) Inter-governmental inter-fund transfers [\$] | (-) Collection fees on overdue tax debts [\$] | (-) OSBM Civil Penalty & Forfeiture Fund [\$] | (-) Collections to General Fund [\$] | Individual income tax gross collections | Individual income tax refunds | Net collections before transfers | Amount to General Fund |
| | | | | | | | | | | | | | |
| 1991-92..... | 4,209,151,297 | 625,667,495 | 3,583,483,801 | - | - | 466,126 | - | - | 3,583,017,675 | 2.71% | 21.25% | 0.04% | 1.37% |
| 1992-93..... | 4,581,131,864 | 588,701,807 | 3,992,430,056 | - | - | 413,664 | - | - | 3,992,016,392 | 8.84% | -5.91% | 11.41% | 11.41% |
| 1993-94..... | 4,927,359,602 | 638,832,419 | 4,288,527,184 | - | 33,640,575 | 380,059 | - | - | 4,254,506,549 | 7.56% | 8.52% | 7.42% | 6.58% |
| 1994-95..... | 5,359,677,624 | 660,235,043 | 4,699,442,582 | - | 33,640,575 | 327,273 | - | - | 4,665,474,733 | 8.77% | 3.35% | 9.58% | 9.66% |
| 1995-96..... | 5,764,599,183 | 834,653,369 | 4,929,945,814 | 584,383 | 128,972,502 | 353,980 | - | - | 4,800,034,948 | 7.55% | 26.42% | 4.90% | 2.88% |
| 1996-97..... | 6,353,560,136 | 894,387,246 | 5,459,172,888 | - | 128,972,502 | 210,126 | - | - | 5,329,990,261 | 10.22% | 7.16% | 10.73% | 11.04% |
| 1997-98..... | 7,126,627,746 | 968,646,494 | 6,157,981,252 | - | 128,972,502 | 138,533 | - | - | 6,028,870,217 | 12.17% | 8.30% | 12.80% | 13.11% |
| 1998-99..... | 7,794,920,222 | 1,059,036,097 | 6,735,884,126 | - | 128,972,502 | 411,344 | - | - | 6,606,500,278 | 9.38% | 9.33% | 9.38% | 9.58% |
| 1999-00..... | 8,316,517,056 | 1,106,846,589 | 7,209,670,466 | 282,489 | 128,972,502 | 309,298 | - | - | 7,080,106,177 | 6.69% | 4.51% | 7.03% | 7.17% |
| 2000-01..... | 8,885,680,514 | 1,341,199,373 | 7,544,481,141 | 937,057 | 128,972,502 | 23,229,059 | - | - | 7,391,342,524 | 6.84% | 21.17% | 4.64% | 4.40% |
| 2001-02..... | 8,624,387,711 | 1,372,786,018 | 7,251,601,693 | 1,174,706 | 128,972,502 | (17,735,003) | 4,559,656 | - | 7,134,629,832 | -2.94% | 2.36% | -3.88% | -3.47% |
| 2002-03..... | 8,533,920,978 | 1,436,462,191 | 7,097,458,787 | 122,146 | - | 493,278 | 8,316,491 | - | 7,088,526,873 | -1.05% | 4.64% | -2.13% | -0.65% |
| 2003-04..... | 8,984,966,504 | 1,465,348,511 | 7,519,617,993 | 122,628 | - | 957,050 | 8,640,230 | - | 7,509,898,086 | 5.29% | 2.01% | 5.95% | 5.94% |
| 2004-05..... | 9,953,546,252 | 1,515,212,939 | 8,438,333,313 | 137,226 | - | 18,127,226 | 10,780,243 | - | 8,409,288,618 | 10.78% | 3.40% | 12.22% | 11.98% |
| 2005-06..... | 11,061,259,057 | 1,580,905,583 | 9,480,353,474 | 142,322 | - | 34,200,111 | 13,075,045 | 32,768,025 | 9,400,167,970 | 11.13% | 4.34% | 12.35% | 11.78% |

Detail may not add to totals due to rounding.

Individual income tax: Effective for tax years beginning on or after January 1, 1989, the starting point in determining North Carolina taxable income is taxable income for federal income tax purposes, subject to certain additions, deductions, and transitional adjustments. Both the North Carolina standard deduction and personal exemption allowance amounts differ from those for federal purposes.

Personal exemption amounts: The personal exemption for North Carolina purposes is \$2,500 for a taxpayer whose federal adjusted gross income is less than the amount shown for his filing status in the chart below; a taxpayer with federal adjusted gross income equal to or more than the threshold amount is allowed a personal exemption amount of \$2,000.

[For tax years 1989 through 1994, the personal exemption amount was \$2,000 regardless of AGI amount; for tax year 1995, the amount increased to \$2,250 subject to the AGI amount; and for tax years 1996 forward, the amount increased to \$2,500 subject to the AGI amount.]

Tax rates: * [The 8.25% rate is reduced to 8.0% effective for tax year 2007, and reduced to 7.75% effective for taxable years beginning on or after January 1, 2008.]

| Filing Status | Federal AGI |
|---|-------------|
| Married filing jointly/qualifying widow(er) | \$100,000 |
| Head of household | \$80,000 |
| Single | \$60,000 |
| Married filing separately | \$50,000 |

| Filing Status | Taxable income | | Applicable tax rate by tax year | | |
|---|----------------|-----------|---------------------------------|-----------|-----------|
| | Over | Up To | 2001-2006 | 1991-2000 | 1989-1990 |
| Married filing jointly/ Qualifying widow(er) | \$0 | \$21,250 | 6% | 6% | 6% |
| | \$21,250 | \$100,000 | 7% | 7% | 7% |
| | \$100,000 | \$200,000 | 7.75% | 7.75% | 7% |
| | \$200,000 | | 8.25% * | 7.75% | 7% |
| Head of household | \$0 | \$17,000 | 6% | 6% | 6% |
| | \$17,000 | \$80,000 | 7% | 7% | 7% |
| | \$80,000 | \$160,000 | 7.75% | 7.75% | 7% |
| | \$160,000 | | 8.25% * | 7.75% | 7% |
| Single | \$0 | \$12,750 | 6% | 6% | 6% |
| | \$12,750 | \$60,000 | 7% | 7% | 7% |
| | \$60,000 | \$120,000 | 7.75% | 7.75% | 7% |
| | \$120,000 | | 8.25% * | 7.75% | 7% |
| Married filing separately | \$0 | \$10,625 | 6% | 6% | 6% |
| | \$10,625 | \$50,000 | 7% | 7% | 7% |
| | \$50,000 | \$100,000 | 7.75% | 7.75% | 7% |
| | \$100,000 | | 8.25% * | 7.75% | 7% |

Standard deduction amounts:

[For most taxpayers]

| Filing Status | Applicable amount by tax year | | |
|---|-------------------------------|---------|-----------|
| | 2004 & after | 2003 | 1989-2002 |
| Married filing jointly | \$6,000 | \$5,500 | \$5,000 |
| Qualifying widow(er) | \$6,000 | \$5,500 | \$5,000 |
| Head of household | \$4,400 | \$4,400 | \$4,400 |
| Single | \$3,000 | \$3,000 | \$3,000 |
| Married filing separately | \$3,000 | \$2,750 | \$2,500 |
| [Additional standard deduction amounts for each taxpayer aged 65 or older or blind] | | | |

| Filing Status | \$ Value |
|---------------------------|----------|
| Married filing jointly | \$600 |
| Qualifying widow(er) | \$600 |
| Head of household | \$750 |
| Single | \$750 |
| Married filing separately | \$600 |

TABLE 23.- Continued

Tax credit for dependent children:

A tax credit is allowed for each dependent child for which the taxpayer is allowed to claim a child tax credit on the federal return provided the taxpayer's federal adjusted gross income is less than the threshold amount for the taxpayer's filing status, as reflected below:

| <u>Filing Status</u> | <u>Federal AGI</u> | |
|---|--------------------|---|
| Married filing jointly/qualifying widow(er) | \$100,000 | [For tax years 1995 through 2002, the tax credit amount for each dependent child was \$60; for tax year 2003, the amount increased to \$75; for tax years 2004 and after, the amount is \$100.] |
| Head of household | \$80,000 | |
| Single | \$60,000 | |
| Married filing separately | \$50,000 | |

Additional first-year depreciation add-back extended (G.S. 105-134.6(c)(8)):

The 2002 General Assembly enacted an add-back provision to delay the impact on North Carolina's budget of the federal 30% bonus depreciation allowance enacted in 2002. The add-back percentage schedule originally set was 100% for taxable year 2002, 70% for taxable year 2003, and 0% for taxable year 2004 and subsequent years. The federal bonus depreciation rate was increased from 30% to 50% in 2003; the add-back percentage for the taxable year 2004 was increased from 0% to 70% to delay the impact of this change on the North Carolina budget. The add-back percentage for taxable year 2005 and subsequent years is 0%. [Any amount of additional first-year depreciation added to federal taxable income on the 2002, 2003, or 2004 State return is deductible in five equal installments beginning with the tax return for 2005.]

Reimbursements to local governments:

Amounts shown were payments made to local governments as reimbursement for taxes lost due to intangibles tax exemptions.

Intergovernmental, inter-fund transfers:

In fiscal year 2000-01, funds were transferred from the individual income tax account to the privilege tax account to make payment of a court-ordered refund; in fiscal year 2001-02, a transfer of \$18.2 million from the privilege tax account reimbursed the individual income tax account. *Gross individual income tax collections* and *Net collections before transfers* columns do not reflect the transfer of funds so as not to alter the reporting of taxpayer remittance levels. The *Intergovernmental inter-fund transfers* and *Collections to General Fund* columns reflect the actual handling of the transfers, reporting the \$18.2 million as an individual income tax account transfer payable to the privilege tax account in 2000-01 and as a transfer receivable from the privilege tax account in 2001-02.

2004-05 Amount shown includes \$16,599,074 transferred to the North Carolina Housing Finance Agency for the State low-income housing credits earned for federal low-income housing tax credits (G.S. 105-129.31).

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. Individual income tax collections include \$51,229,050 attributable to this program.

North Carolina Public Campaign Fund designation (G.S. 105-159.2):

Effective for taxable years beginning on or after January 1, 2003, an individual is provided the opportunity to agree to allocate \$3 of the individual's tax liability to the North Carolina Public Campaign Fund if the individual has an income tax liability of at least \$3. On a joint return, each individual may agree to allocate \$3 to the Fund; agreeing to allocate \$3 to the Fund neither increases the tax nor reduces a refund. (The N.C. Public Campaign Fund was established to provide an alternative means of financing candidates for the N.C. Supreme Court of Appeals who accept fundraising and spending limits.)