

TABLE 23. INDIVIDUAL INCOME TAX COLLECTIONS
[§ 105 ARTICLE 4, PART 2]

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

Fiscal year	Total gross individual income tax collections [S]	Refunds [S]	Individual Income Tax Net Collections Before & After Reimbursements, Transfers										Collections to General Fund [S]	Year-over-year % change			
			Net collections before reimbursements/transfers [S]	Reserves for administrative costs [S]	Reimbursements to local governments [S]	NC Housing Finance Agency [§ 105-129.42] [S]	NC Political Parties Financing Fund [§ 105-159.1] [S]	NC Public Campaign Fund [§ 105-159.2] [S]	Special Education Related Services [§ 105-151 33(h)] [S]	Inter-governmental inter-fund transfers† [S]	Collection fees on overdue tax debts [S]	OSBM Civil Penalty & Forfeiture Fund [S]		Individual income tax:			
														Gross collections	Refunds	Net collections before transfers	Amount to General Fund
2001-02	8,624,387,711	1,372,786,018	7,251,601,693	1,174,706	128,972,502	-	441,622	-	-	(18,176,625)	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	-	-	479,521	-	-	13,757	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	-	-	508,301	448,749	-	-	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	-	16,599,074	497,240	1,030,912	-	-	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	-	32,475,651	589,253	1,135,207	-	-	13,075,045	32,768,025	9,400,167,970	11.13%	4.34%	12.35%	11.78%
2006-07	12,244,865,726	1,641,132,291	10,603,733,434	334,549	-	31,410,399	516,306	1,565,474	-	-	14,782,775	47,157,401	10,507,966,531	10.70%	3.81%	11.85%	11.78%
2007-08	12,865,534,486	1,855,384,169	11,010,150,317	394,377	-	27,837,817	2,035,382	1,325,199	-	-	16,223,018	60,035,333	10,902,299,190	5.07%	13.06%	3.83%	3.75%
2008-09	11,687,026,714	2,111,640,441	9,575,386,273	382,330	-	31,104,801	1,524,117	1,259,255	-	-	15,033,735	55,909,151	9,470,172,885	-9.16%	13.81%	-13.03%	-13.14%
2009-10	11,259,839,831	2,108,917,484	9,150,922,346	627,094	-	28,508,611	1,391,725	1,124,882	-	-	17,233,725	54,430,901	9,047,605,408	-3.66%	-0.13%	-4.43%	-4.46%
2010-11	11,902,031,563	2,005,937,056	9,896,094,507	35,639,996	-	38,968,004	1,243,139	1,068,584	-	-	26,602,815	57,703,933	9,734,868,036	5.70%	-4.88%	8.14%	7.60%
2011-12	12,382,572,263	1,973,453,774	10,409,118,489	15,710,176	-	30,725,986	1,165,149	999,972	-	-	25,322,043	63,058,781	10,272,136,381	4.04%	-1.62%	5.18%	5.52%
2012-13	13,170,072,709	2,071,058,674	11,099,014,036	16,234,199	-	31,975,556	1,145,467	915,022	2,994,000	-	27,853,934	64,755,037	10,953,140,820	6.36%	4.95%	6.63%	6.63%
2013-14	12,417,964,513	1,999,852,222	10,418,112,291	9,138,984	-	37,100,867	491,336	67,005	3,018,000	-	27,592,165	68,345,106	10,272,358,828	-5.71%	-3.44%	-6.13%	-6.22%
2014-15	12,302,270,205	1,077,995,161	11,224,275,044	393,759	-	47,645,312	-	-	424,000	-	26,624,597	70,664,944	11,078,522,431	-0.93%	-46.10%	7.74%	7.85%
2015-16	13,138,056,769	1,062,469,619	12,075,587,149	460,627	-	51,841,838	-	-	28,000	-	32,630,411	85,468,531	11,905,157,743	6.79%	-1.44%	7.58%	7.46%

Effective with tax year 2012, the starting point in determining North Carolina taxable income is federal adjusted gross income (FAGI) subject to certain statutory modifications; effective for tax years 1989 through 2011, the starting point was taxable income for federal income tax purposes (FTI), subject to certain additions, deductions, and transitional adjustments.

The Tax Simplification and Reduction Act (TSRA) of 2013 [SL 2013-316] substitutes a flat rate structure [5.8% for tax year 2014; 5.75% for tax years thereafter] in replacement of the multitiered bracket system (utilized marginal tax rates of 6%, 7%, and 7.75% with breaking points delineated according to filing status and taxable income level). Estimated tax payments and withholding tax payments remitted by employers and pension and annuity payers during fiscal year 2014 for tax year 2014 are affected resultant of the rate reduction coupled with additional changes to the tax structure. The 2015 Appropriations Act [SL 2015-241] reduces the rate from 5.75% to 5.499% effective with taxable year 2017, and increases the withholding tax rate on or after January 1, 2016 to equal the statutory rate plus 0.1% [withholding tax rate for taxable year 2016=5.85% (5.75%+0.1%)].

The TSRA of 2013 increases the North Carolina standard deduction amount for all filing statuses, limits allowable itemized deductions, and eliminates the personal exemption allowance provision:

SL 2013-316 increases the standard deduction allowances effective for tax years beginning on or after January 1, 2014; SL 2015-241 increases the standard deduction allowances effective for tax years beginning on or after

Filing status	Standard deduction allowances			January 1, 2016; SL 2016-94 amends SL 2015-241, supplanting alternative increased standard deduction allowances effective for tax years beginning on or after January 1, 2016; and further increases standard deduction allowances effective for tax years beginning on or after January 1, 2017 [refer to standard deduction allowances chart].
	TY2017	TY2016	TY2014-2015	
S	\$8,750	\$8,250	\$7,500	North Carolina's itemized deductions are limited to charitable contributions as allowed under the Code, mortgage interest paid or accrued on a qualified residence, property taxes paid or accrued on real estate, and repayment of claim of right income and are no longer identical to the itemized deductions allowable for federal purposes. [The allowable combined
MFJ/SS	\$17,500	\$16,500	\$15,000	itemized deduction for mortgage interest and property taxes on real estate cannot exceed \$20,000.] The 2015 Appropriations Act provides for a new itemized deduction allowing a
MFS	\$8,750	\$8,250	\$7,500	taxpayer to claim the amount allowed as a deduction for medical and dental expenses under section 213 of the Code effective for taxable years beginning on or after January 1, 2015.
HH	\$14,000	\$13,200	\$12,000	

The TSRA of 2013 legislation eliminates the \$2,500 (\$2,000) personal exemption deductible amounts previously allowed for each eligible exemption claimable for federal tax purposes.

[The allowable personal exemption deduction amount was based on filing status and FAGI level.]

Provisions of the tax restructure increase the allowable child tax credit amount from \$100 to \$125 per qualifying child for certain taxpayers and either eliminate or allow to sunset other tax credits applicable to the individual income tax; a tax credit is allowed for each dependent child for whom a federal child tax credit is allowed under section 24 of the Code provided the taxpayer's FAGI does not exceed the established threshold amount for each filing status. The following chart compares the allowable per qualifying child credit amounts for tax years 2014 forward and 2013 according to filing status and FAGI threshold levels [§ 105-153.10]:

Filing status	Federal AGI levels													
	up to \$20K		>\$20K up to \$32K		>\$32K up to \$40K		>\$40K up to \$50K		>\$50K up to \$60K		>\$60K up to \$80K		>\$80K up to \$100K	
	TY2014	TY2013	TY2014	TY2013	TY2014	TY2013	TY2014	TY2013	TY2014	TY2013	TY2014	TY2013	TY2014	TY2013
S	\$125	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	-	\$100	-	-	-
MFJ/SS	\$125	\$100	\$125	\$100	\$125	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
MFS	\$125	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	-	-	-	-	-
HH	\$125	\$100	\$125	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	-	-

The credit for children is claimable only for a child who is under 17 years of age on the last day of the year. A part-year resident or nonresident is allowed the tax credit in the proportion that federal taxable income (as adjusted) is taxable to North Carolina. For tax years 1995 through 2002, the tax credit amount per qualifying child was \$60; for tax year 2003, the amount increased to \$75; for tax years 2004 through 2013, the amount is \$100.

Deduction from FAGI allowances for the following provisions are discontinued effective with taxable year 2014: severance wages, net business income not considered passive under IRC, contributions to the NC College Savings Program (NC-529 Plan), \$2,000 private retirement deduction, and \$4,000 government retirement deduction. Deductions for retirement benefits received from vested NC State government, NC local government, or federal government retirees pursuant to the Bailey settlement and taxable social security benefits are still allowed.

Earned income tax credit (EITC) § 105-151 31 (not available for tax year 2014 thereafter):

Effective for tax years 2008 through 2013, a taxpayer who claims an EITC under section 32 of the IRC is eligible to claim a State EITC equal to a percentage of the amount qualified for on the federal return: 3.5% applies for tax year 2008, 5.0% applies for tax years 2009-2012, 4.5% applies for tax year 2013. If the credit exceeds the tax liability reduced by the sum of all credits allowable, the excess is refundable to the taxpayer. A part-year or nonresident taxpayer is allowed the tax credit in the proportion that federal taxable income (as adjusted) is taxable to North Carolina. The EITC is not allowable to an estate or trust.

TABLE 23.- Continued

In addition to the EITC, tax credits for the following provisions are no longer claimable on the North Carolina individual income tax return effective for tax years beginning on or after January 1, 2014: child care and certain employment-related expenses; charitable contributions by nonitemizers; disabled taxpayer, dependent, or spouse; education expenses for children with disabilities; adoption expenses; certain real property donations; premiums paid on long-term care insurance; property taxes paid on farm machinery; construction of dwelling units for the handicapped; gleaned crops; real conservation tillage equipment; construction of a poultry composting facility; and recycling oyster shells.

The tax credit for qualified business investments is repealed for investments made on or after January 1, 2014.

The historic rehabilitation tax credit expires for qualified expenditures and rehabilitation expenses incurred on or after January 1, 2015. SL 2015-241 enacts provisions for a new historic rehabilitation tax credit to replace the tax credits generally allowable under Article 3D of Chapter 105 that generally affect qualifying rehabilitation expenditures and expenses incurred by a taxpayer beginning with tax year 2016 and expire for qualifying rehabilitation expenditures and expenses incurred on or after January 1, 2020.

The mill rehabilitation tax credit expires for projects for which an application for an eligibility certification is submitted on or after January 1, 2015.

North Carolina residents are allowed to claim a tax credit for income tax paid to another state or country.

The following chart provides historical tax rate, standard deduction allowance amounts, and personal exemption thresholds by filing status applicable for tax years 1989 through 2013. For tax years 1989 through 1994, the personal exemption allowance amount was \$2,000 regardless of FGI amount; for tax year 1995, the amount increased to \$2,250 subject to FGI amount; and for tax years 1996 through 2013, the applicable amount is \$2,500 (or \$2,000) subject to the FGI amount; for tax years 2012 and 2013, the personal exemption is \$2,500 for a taxpayer whose FGI does not exceed the amount shown for the corresponding filing status in the chart below; a taxpayer whose FGI exceeds the threshold amount is allowed a reduced personal exemption allowance of \$2,000.

*Tax years 2009, 2010: Additional temporary surtax (2% or 3% of tax liability) according to taxable income

†additional standard deduction for aged 65 or over or blind

Filing Status	Taxable income		Applicable tax rate by tax year					Personal Exemption Threshold by Filing Status	Standard Deduction Amounts			
			2008-2013	2007	2001-2006	1991-2000	1989-1990		2004-2013	2003	1989-2002	
Married filing jointly/ Qualifying widow(er):	Over:	Up To:										
	\$0	\$21,250	6%	6%	6%	6%	6%	Married filing jointly/ Qualifying widow(er): <u>Federal AGI</u> \$100,000	\$6,000	\$5,500	\$5,000	†\$600
*Surtax:	\$21,250	\$100,000	7%	7%	7%	7%	7%					
2% of tax liability	\$100,000	\$200,000	7.75%	7.75%	7.75%	7.75%	7%					
2% of tax liability	\$200,000	\$250,000	7.75%	8%	8.25%	7.75%	7%					
3% of tax liability	\$250,000		7.75%	8%	8.25%	7.75%	7%					
Head of household:	\$0	\$17,000	6%	6%	6%	6%	6%	Head of household: <u>Federal AGI</u> \$80,000	\$4,400	\$4,400	\$4,400	†\$750
*Surtax:	\$17,000	\$80,000	7%	7%	7%	7%	7%					
2% of tax liability	\$80,000	\$160,000	7.75%	7.75%	7.75%	7.75%	7%					
2% of tax liability	\$160,000	\$200,000	7.75%	8%	8.25%	7.75%	7%					
3% of tax liability	\$200,000		7.75%	8%	8.25%	7.75%	7%					
Single:	\$0	\$12,750	6%	6%	6%	6%	6%	Single: <u>Federal AGI</u> \$60,000	\$3,000	\$3,000	\$3,000	†\$750
*Surtax:	\$12,750	\$60,000	7%	7%	7%	7%	7%					
2% of tax liability	\$60,000	\$120,000	7.75%	7.75%	7.75%	7.75%	7%					
2% of tax liability	\$120,000	\$150,000	7.75%	8%	8.25%	7.75%	7%					
3% of tax liability	\$150,000		7.75%	8%	8.25%	7.75%	7%					
Married filing separately:	\$0	\$10,625	6%	6%	6%	6%	6%	Married filing separately: <u>Federal AGI</u> \$50,000	\$3,000	\$2,750	\$2,500	†\$600
*Surtax:	\$10,625	\$50,000	7%	7%	7%	7%	7%					
2% of tax liability	\$50,000	\$100,000	7.75%	7.75%	7.75%	7.75%	7%					
2% of tax liability	\$100,000	\$125,000	7.75%	8%	8.25%	7.75%	7%					
3% of tax liability	\$125,000		7.75%	8%	8.25%	7.75%	7%					

N.C. Political Parties Financing Fund [§ 105-159.1] [Repealed by SL 2013-381, s. 38.1(c), effective July 1, 2013.]

N.C. Public Campaign Fund designation [§ 105-159.2] [Repealed by SL 2013-360, s. 21.1(c), effective for tax years beginning on or after January 1, 2013, and SL 2013-381, s. 38.1(f), effective July 1, 2013.]

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 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.

2006-07 Collections include \$9,333,335 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.