Final Tax Plan puts at risk what makes North Carolina great

BUDGET & TAX CENTER FACT SHEET

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The final tax plan is a massive tax cut that will benefit wealthy individuals and profitable corporations. Everyone else will pay the price. Under the final plan, more than $600 million in revenue would be lost each year – meaning cuts to core public investment such as education, public safety, and other public services.

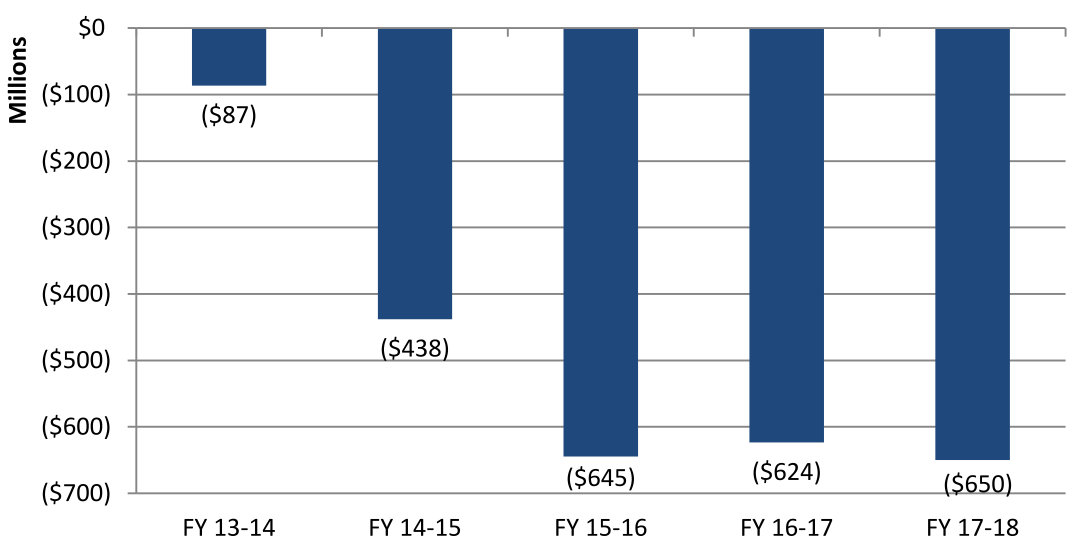
North Carolina's wealthiest individuals will greatly benefit from the final tax plan

Replacing a progressive income tax with a flat rate income tax of 5.75% provides a huge tax cut to the richest North Carolinians, who would no longer pay income taxes based on their ability to pay. **Nearly two-thirds of the net tax cut (combining changes to the personal and corporate income, sales, franchise and privilege taxes) would go to the richest 1 percent of North Carolinians, who have an average income of $940,000.**

The final tax plan results in significant loss of revenue for public investments

The fiscal analysis provided with the tax plans shows nearly $2.4 billion in lost revenue over five years. Once the plan is fully implemented, more than $650 million in revenue would be lost each year. This means more cuts would be likely on top of the drastic cuts enacted over the last several years to education other public services. At the very least it creates a structural deficit for the state where the revenue system is no longer a match to the needs in communities.

Tax plan reduces annual General Fund tax revenue by more than $650 million

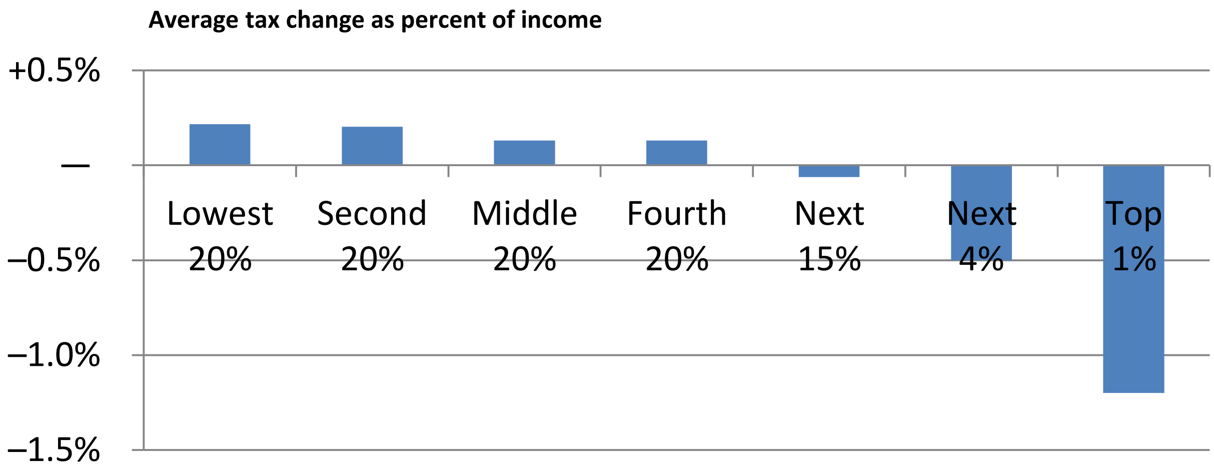


Source: NC Fiscal Research Division, Final Tax Plan Fiscal Memo.

Middle- and low-income households will experience, on average, a tax increase when the final tax plan is implemented and the Earned Income Tax Credit eliminated.

The tax plan shifts more of the costs of paying for North Carolina's schools and other public services to middle-class and low-income taxpayers, and away from the wealthy and corporations. The plan is particularly damaging to the finances of low-income families in North Carolina because it allows the state's Earned Income Tax Credit (EITC) to expire at the end of 2013. This credit supplemented income earned by low-wage workers and was one of North Carolina's most effective tools for fighting poverty.

Final Tax Plan increases taxes for the bottom 80 percent of taxpayers on average while giving a significant tax cut on average to the top 1 percent.



Source: Special Data Request to Institute on Taxation and Economic Policy, July 2013.

The final tax plan gives huge tax cuts to corporations, which will not spur job growth

The final tax plan cuts the corporate income rate to 5 percent by 2015 and possibly down to 3 percent by 2017, resulting in at least $374 million lost revenue. State and local taxes make up only around 2 percent of business costs, so it is not a cost that drives decisions regarding whether to hire additional workers or expand their operations. Furthermore, only 8 percent of North Carolina businesses are subject to the corporate income tax, and thus would receive a tax cut. Most of the benefits from eliminating the corporate income tax will flow to shareholders outside the state. And the cuts that will be required to pay for the reduction will hit many of the things that businesses find important to their success: an educated workforce, an efficient court system, and a modern infrastructure.