



## Williams Mullen Legislative Alert - Tax Reform Deal Struck in North Carolina

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### Tax Reform

Governor Pat McCrory, along with House Speaker Thom Tillis (R-Mecklenburg) and Senate President Pro Tempore Phil Berger (R-Rockingham), announced a compromise on tax reform early this week. The legislation passed both the House and Senate today and will be sent to the Governor for signature.

Highlights include:

- Reduces and simplifies the 3-tiered state personal income tax from the current maximum rate of 7.75% and minimum rate of 6% to 5.8% in 2014 and 5.75% in 2015.
- Increases the standard deduction for all taxpayers, applied to the:
  1. First \$15,000 of income for those married filing jointly
  2. First \$12,000 of income for heads of household
  3. First \$7,500 of income for single filers.
- Retains the state child tax credit and increases it for families making less than \$40,000.
- Offers a \$20,000 combined maximum deduction for mortgage interest and property taxes.
- Makes charitable contributions fully deductible.
- Protects all Social Security income from state taxes.
- Reduces the corporate income tax from 6.9% to 6% in 2014 and then to 5% in 2015 a 29% rate reduction.
- If the state meets revenue targets (i.e. if tax revenue grows due to a growing economy), the corporate income tax will drop to 4% in 2016 and 3% in 2017.
- Caps the state gas tax.
- Eliminates North Carolina's estate tax.

- Preserves the sales tax refund for nonprofits.

*This information is provided as an educational service and is not meant to be and should not be construed as legal advice. Readers with particular needs on specific issues should retain the services of competent counsel.*

## **Related People**

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