



## The eye of the storm

With the House taking the week off and the Senate adjourning on Wednesday, the General Assembly slowed down this week, but the hectic pace is expected to return next week. House and Senate negotiators are continuing to discuss tax reform and the state budget, but Governor Pat McCrory raised the possibility this week that tax reform might have to wait until next year if they can't come to a resolution quickly. Speculation about an adjournment date is all over the map, with some observers predicting the session will last until August, and others predicting a mid-July end.

## Senate rolls out new tax plan

The Senate unveiled a new tax plan this week that is more favorable to county concerns. The Senate's new version of [H998](#) (Tax Reduction Act) excluded its earlier proposal to eliminate the county sales tax on food and replace it with a local-option food sales tax. Here are other highlights of the plan:

- Expands the sales tax base to include warranties and service contracts, repeals various sales tax holidays and restructures several existing exemptions. The changes would increase county sales tax revenues by more than \$60 million per year.
- Takes away local governments' sales tax refunds, beginning Jan. 1, 2016. When fully implemented, counties could expect a \$60.5 million annual hit.
- Phases down non-profit sales tax refunds, eventually limiting them to a maximum of \$850,000 a year for individual local sales tax refunds (the earlier version would have set the limit at \$30,000). When fully implemented, 10 counties would see an additional \$56 million a year in sales tax revenues.
- Sets a flat personal income tax rate of 5.75 percent, phases out the corporate income tax entirely, repeals the estate tax, and limits the itemized deduction for mortgage interest and real property taxes to \$15,000 per year.

As passed by the Senate, statewide county revenues could increase by \$57 million a year, with 57 counties gaining \$65 million and 43 losing \$7.5 million. Not surprisingly, given that most of this increase accrues to the 10 counties with non-profits claiming \$850,000 or more in sales tax refunds, rural and suburban counties would largely experience the \$7.5 million loss.

## Solid waste bill advances in Senate

A House bill that would accomplish an NCACC legislative goal to "eliminate requirement for a 10-year solid waste management plan" by eliminating G.S. 130A-309.09A(b) passed the Senate Agriculture Committee on Tuesday and has been added to the Senate calendar for next week. [H321](#) (Amend Local Solid Waste Planning) adds several items that must be included in the required annual report, including a "description of the disaster debris management program," descriptions of scrap tires and white goods procedures and information on how the entity tries to prevent "illegal disposal and management of litter." The bill was approved by the House on April 15. If the Senate gives final approval, the bill will go back to the House for concurrence. If the House accepts the Senate changes, then it will be sent to the Governor.

- Johanna Reese, Government Relations Director
  - David F. Thompson, Executive Director

