

North Carolina Legislative Update, May 17, 2019

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After two busy weeks culminating in the May 9 bill crossover deadline, Legislators returned this week at a steadier pace.

Senate Tax Reform ([S622](#))

The Senate began moving its 2019 tax bill and tentatively approved it this Thursday. The bill will likely clear the Senate next week. Many of its provisions are similar to those in the budget bill (H966), which has already passed the House. Among other things, S622 increases the standard deduction, reduces the franchise tax on businesses, obligates “marketplace facilitators” (such as eBay) to collect and remit sales tax, extends sunsets by four years for the historic rehabilitation tax credit, the motor sports team sales tax exemption and refund, and the sales tax exemption for aviation fuel sold to interstate air businesses. The bill also provides tax relief to out-of-state businesses that perform disaster-related work during a disaster response period at the request of a public utility or public communications provider.

Revenue Surplus

The Fiscal Research Division of the General Assembly and the Office of State Budget and Management, which is overseen by Governor Roy Cooper, released a new consensus revenue forecast this week. It indicates that collections for the current fiscal year, which ends June 30, are expected to exceed earlier projections by \$643 million (2.7%).

The forecast attributed most of the gain to personal income taxes and capital gains paid on investments. There were also increases due to payment of corporate income taxes and business franchise taxes.

Given that the forecast concludes that the significant increases are “primarily one-time in nature,” some legislative leaders have indicated a preference for using the additional funds be used for nonrecurring items such as the State’s savings reserve and capital expenditures. Governor Cooper advocated this week to use the money for additional investments in education and health care.

Budget Bill ([H966](#))

After passing the House on May 3, the budget bill is now before the Senate. Senate leaders have announced a goal of passing the bill by late May or early June.

Craft Beer Brewer Distribution ([H363](#))

A bill to raise the distribution cap for North Carolina craft beer brewers cleared the Senate Commerce and Insurance committee this week after earlier passing the House. The bill, which addresses differences between craft brewers and the North Carolina Beer & Wine Wholesalers Association, allows a craft brewery annually to sell, deliver, and ship up to 50,000 barrels of its product at wholesale to unaffiliated retail permit holders.

For more information, contact a member of the Brooks Pierce Government Affairs Team, linked below.