



**LEAGUE OF WOMEN
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LWVNC Legislative Update

The 2008 Session of the 2007 General Assembly was called to order on Tuesday, May 13. The State budget will be the main agenda item in this "short session." The first step in adopting a budget is for the Governor to present his recommended budget. From the NC Justice Center:

On Monday, Governor Easley released his proposed budget for the upcoming fiscal year, which will begin July 1. It includes a 7% average pay raise for teachers and another 1.5% increase plus a \$1,000 bonus for state employees. Governor Easley's proposal includes funding for several initiatives that support low-income working families, including funds to keep children's health insurance enrollment open, for child-care subsidies for low-income working families, and to help families facing foreclosure. Noticeably absent from the governor's plan is funding to address the state's growing affordable housing shortage.

Governor Easley's plan would increase the size of the state budget by \$832 million, or 4.2 percent, and would raise \$150 million by increasing cigarette and alcohol taxes. For the next six weeks or so the General Assembly will consider the Governor's recommendation, the State's needs and the State's resources to meet those needs and then will adopt a budget.

The State and Local Fiscal Modernization Commission

The NC General Assembly has organized a State and Local Fiscal Modernization Commission to investigate ways to modernize the tax system. The LWVNC has been following the work of this Commission. The Commission has formulated the following principles and recommendations (which have not as yet been adopted by the General Assembly):

Tax Related Recommendations

In ranking the specific recommendations shown below, the following general principles are understood:

- (1) Overall changes in the tax system should be revenue-neutral.
- (2) The tax system should be equitable and fair resulting in similarly situated taxpayers being taxed similarly and similar transactions being taxed in the same manner.
- (3) The tax system should be as simple as possible, thereby reducing compliance burdens on taxpayers and administrative burdens on government.
- (4) The tax system should provide the government with a sufficient and predictable source of revenue without having to resort to rate increases.
- (5) The tax system should be efficient and not impede or reduce the productive capacity of the economy.
- (6) The tax system should be competitive with other states in order to promote long-term sustainable economic development, job creation and growth.

Recommendations: (of the State and Local Fiscal Modernization Commission)

- Broaden the sales tax base to include services in a revenue neutral manner and lower the sales tax rate.
- Reduce the top marginal individual income tax rate to a rate that is competitive with other southeastern states.
- Broaden the individual income tax base to federal adjusted gross income with minimal deductions and exemptions.
- Reduce the corporate income tax rate to a rate that is competitive with other southeastern states.
- Reduce the number of individual income taxpayers by eliminating the filing requirement of those with immaterial taxable income and who pay an insignificant amount of income tax.
- Broaden the corporate income tax base by enacting a combined reporting regime for related entities and conduct a comprehensive review of the corporate franchise tax in order to alleviate any possible compliance burdens as a result of two corporate tax reporting systems.
- Eliminate differential rates in the sales tax as well as sales tax exemptions (including the food exemption). Some mechanism should be provided to relieve lower income households from any additional tax burden.
- Reduce North Carolina's reliance on the individual income tax
- Move all excise taxes to an ad-valorem basis.
- Repeal the estate and gift taxes.

North Carolina General Assembly Leadership

2007-2008 - House Leadership

Speaker:	Speaker Joe Hackney
Speaker Pro Tempore:	Rep. William L. Wainwright
Assistant to the Speaker:	Rep. W. Pete Cunningham
Majority Leader:	Rep. Hugh Holliman
Majority Whips:	Rep. Larry M. Bell Rep. Jean Farmer-Butterfield Rep. Deborah K. Ross
Democratic Freshman Chair:	Rep. Larry D. Hall
Minority Leader:	Rep. Paul Stam
Minority Whip:	Rep. Wm. C. "Bill" McGee
Deputy Minority Whip:	Rep. Carolyn H. Justice
Republican Joint Caucus Leader:	Rep. Dale Folwell
Republican Freshman Chair:	Rep. Ric Killian

2007-2008 - Senate Leadership

President:	Lt. Governor Beverly Perdue
President Pro Tempore:	Senator Marc Basnight
Deputy President Pro Tempore:	Senator Charlie Smith Dannelly
Permanent Democratic Caucus Chairman:	Senator R. C. Soles, Jr.
Majority Leader:	Senator Tony Rand
Majority Whip:	Senator Katie G. Dorsett
Democratic Caucus Secretary:	Senator Charles W. Albertson
Republican Leader:	Senator Phil Berger
Deputy Republican Leader:	Senator Tom Apodaca
Republican Whip:	Senator Jerry W. Tillman
Chairman, Republican Policy Committee:	Senator Jean Preston

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