

How the 2015 Legislative Session Could Impact North Carolina Businesses

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The North Carolina General Assembly kicked off the 2015 session this week. With this being the “long” session that is expected to last until the summer, Legislators may consider any number of issues that could affect business and job creation in our State.

The most visible change at the Legislature this year is new leadership in the House. With former Speaker Thom Tillis moving on to the US Senate, the House elected a new Speaker - Representative Tim Moore of Cleveland County. Moore, an attorney from Kings Mountain, is serving his seventh term in the House and was elected to the helm of the House by a unanimous vote of his colleagues. The Senate re-elected Senator Phil Berger of Rockingham County to serve as President Pro Tempore. Berger is serving his eighth term in the Senate.

The primary business of the session will be adoption of a two-year State budget, which funds programs in education, human services, environment, transportation and public safety. The budget is one of the most complex tasks before the Legislature, as leaders must prioritize programs from available funds. Governor Pat McCrory will make budget recommendations for Legislative consideration in the spring.

Issues before the Legislature that could affect North Carolina businesses in 2015 include:

Possible tax changes

Legislators substantially rewrote the State tax code during the 2013 session by, among other things, reducing corporate and personal income taxes. Other tax changes that could be discussed this year include expanding the State sales tax to cover more services, reducing the State business franchise tax, and eliminating certain tax credits and deductions.

Transportation infrastructure funding

Revenue from the State motor fuels tax, which is the primary State source of transportation funding, has not kept pace with the State’s needs and thus, a number of leaders are discussing how to provide more revenue for this purpose. Governor McCrory has suggested a \$1B bond issue for transportation and the North Carolina Chamber has indicated that this issue is a 2015 priority. Even though raising the motor fuels tax is unlikely, it is expected that a menu of new revenue

sources will surface during the session.

Economic development policy

North Carolina's approach to economic development policy is changing, with the shift of many of these functions from the NC Department of Commerce to the Economic Development Partnership, a private, nonprofit corporation. Economic development changes expected to be discussed this year include additional policy and tax changes to give the State, as the Governor has stated, "more tools in the toolbox."

Medicaid reform

North Carolina currently spends about \$3.5B on the Medicaid program and the appropriation has been growing. State leaders have discussed ways to bring more budget certainty to this program while maintaining the necessary service delivery to recipients. In addition, Governor McCrory has indicated that he might support expanding the coverage of Medicaid to more North Carolinians under certain circumstances. At this point, Legislative leaders appear to disagree with this idea.

Regulatory reform

Legislators in the last couple of years have enacted a number of bills revising environmental and other regulations to make the State more "business friendly" in the words of these bill's advocates. Similar bills are expected to be discussed during this year's session.

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