

Brooks Pierce Capital Dispatch: Updates from the NC General Assembly and Governor's Office, June 11, 2021

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This week, Legislators worked on the budget bill and considered other bills.

State Budget Bill

House and Senate leaders this week announced an agreement for state budget spending caps for fiscal years 2022 and 2023. They propose to spend \$25.7 billion in FY 2022 and \$26.7 billion in FY 2023. Both numbers are below those proposed by Gov. Roy Cooper but are increases from fiscal year 2021 spending. It is expected that the Senate version of the budget bill could be released the week of June 21 and after Senate approval, the bill will be sent to the House. It is therefore unlikely that a new budget bill will be enacted by July 1, the beginning of fiscal year 2022. Without a new budget bill, state government operations will continue with spending at the prior year's recurring funding levels.

Senate JOBS Grant and Tax Bill

This week, the Senate passed and sent to the House the JOBS Grant and Tax relief bill (H 334).

The bill:

- Reduces the state personal income tax rate from 5.25% to 4.99%;
- Increases the personal income tax standard deduction to match the 2022 federal standard deduction;
- Increases the personal income tax child deduction by \$500 and expands eligibility for the deduction;
- Eliminates the state corporate income tax over five years beginning with tax year 2024,
- Eliminates the North Carolina property base of covered businesses from the franchise tax calculation;
- Extends the time to complete eligible mill rehabilitation tax credit projects by two years;
- Expands the state's existing 12.8% excise tax on other tobacco products to include all cigars shipped to North Carolina residents from out of state sellers. It also places a cap of 30¢ per cigar on all sales of cigars, regardless of whether they are sold in-person or online;

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- Applies the existing general rates of sales and use tax to short-term motor vehicle rentals by a peer-to-peer vehicle sharing facilitator and credits these proceeds to the Highway Fund;
- Reduces local property tax revenue by exempting from property tax vaccines and commercial real property set aside for burial purposes.

In addition, the bill directs \$1 billion of federal funds for grants to North Carolina businesses that earlier received financial assistance from certain COVID-related programs. The maximum grant amount would be \$18,750. It also appropriates \$1.388 billion over two years into the state's Savings Reserve.

Unemployment Compensation

The Senate this week passed a bill (H 128) that would provide bonuses to incent unemployed workers to accept reemployment, require unemployment claimants to meet work search requirements, and require those individuals to respond to employer requests, such as interviews. The House did not concur in the Senate version of the bill, which means that both houses will appoint a conference committee to resolve their differences on the bill. Gov. Roy Cooper recently issued Executive Order 216 that would reinstate certain work search requirements for state unemployment claimants.

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