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North Carolina Republicans will aim to ax income tax

By Reid Wilson, Published: September 4 at 11:48 am [E-mail the writer](#)

RALEIGH, N.C. — At the moment, seven states across the country don't levy a tax on income, and North Carolina Republicans want to make it eight, according to a powerful member of the state legislature. State Sen. Bob Rucho, a Mecklenburg County Republican and chairman of the Senate Finance Committee, said Wednesday that he hoped to use the 2015 legislative session to eliminate the state income tax, replacing it with a consumption-based sales tax to make up for the lost revenue.

"That's a direction we'd like to go," Rucho said in an interview as the state Senate adjourned for the year. Rucho said it was impractical to push for such a steep cut during a short session the legislature holds in even-numbered years, but that cutting the income tax was a top priority of his when the legislature reconvenes for its biennial full session.

North Carolina's income tax accounts for about 61 percent of state revenue, Rucho said. But the revenue stream has been choppy in recent years, given the impact of the recession. The uneven results on a year-over-year basis can play havoc with annual budget planning in a state that requires a balanced budget, and it's something Rucho said he wanted to avoid.

"We want to get away from that and go to a more flat consumption-based tax on sales taxes, both goods and services, and in return, we'll say, 'We'll go to zero with the income tax.' And that's something we think we can achieve. It just takes time to get there," he said.

This year, the Republican-dominated legislature instituted deep cuts in both the personal and corporate income taxes. Personal income tax rates will fall by two percentage points, from 7.75 percent to about 5.8 percent, while the corporate rate will fall from 6.7 percent to as low as 3 percent over the next several years, depending on how much revenue the state generates.

Expect to hear much more about the tax reform package in the months ahead, especially as House Speaker Thom Tillis (R) gears up to run against Sen. Kay Hagan (D) next year. Tillis, who helped broker a deal on taxes between the Senate and Gov. Pat McCrory (R), said he will use his record in this year's legislative session to make his case to North Carolina voters. In an interview, Tillis pointed to Tax Foundation rankings that showed North Carolinians shouldering a much lower tax burden after the reform package passed the legislature than they had in previous years.

"I think moving to a consumption-based model is something we all agree on," Tillis said. But, he cautioned: "You have to do this in a way that you can give [businesses] a high degree of confidence."

North Carolina Is Winning ... Here's Why

by [Jamie Murguia](#)

Sept. 9, 2013, 10:10 a.m.



While South Carolina elected officials were busy this past session indebting South Carolina taxpayers an additional \$120 million for the benefit of a single – one already located in-state – North Carolina's elected officials were busy making **actual tax cuts** across the board.

A little background. South Carolina policymakers have long preferred a "targeted" approach to attracting investment: that is, they "target" preferred corporations for tax breaks. When the preferred corporations expand in or relocate to South Carolina – which they sometimes do – our politicians get credit for "recruiting" them. Meanwhile, all non-preferred businesses, many of them having been in the state for years, continue to pay the full five percent corporate income tax. South Carolina politicians claim they're making the state "business-friendly," and they are. "Business-friendly" for those they happen to like.

North Carolina also took steps toward reducing every taxpayer's income tax burden. The Personal Income Tax rate was reduced to 5.75 percent for *all* North Carolinians, eliminating a three-tiered system of rates between 7.75 percent and 6 percent. South Carolina, of course, has a much more regressive income tax rate – seven percent on income \$14,000 and above – but our policymakers showed no interest in doing anything about it.

North Carolina isn't done yet. Its legislature also capped the state's gas tax. While that happened, a handful of bills were introduced in South Carolina's General Assembly to *raise* the gas tax on the grounds that we have the lowest gas tax in the nation – as if having a low tax is itself a reason to raise it. Not only that, but North Carolina's Senate Finance Chairman actually **wants to eliminate** the income tax entirely in the 2015 legislative session.

So which state is looking more attractive to an outside investor? South Carolina, where a connection with the lawmaking class is the best way to get a lower tax rate, or North Carolina, where the tax is actually lower for everybody and likely to go lower? Granted, North Carolina distributes its fair share of special tax breaks, too, but it's also making those breaks less necessary by pursuing broad-based tax cuts.

What about all the jobs our politicians "announce" from week to week in high-profile press conferences? Aren't jobs being added? Here's where the reality sets in. An "announced" or "recruited" job isn't the same thing as a job, and these jobs announcements have been happening for years even as South Carolina consistently has one of the worst unemployment rates in the nation. Indeed, despite all the headline-making announcements of the past year – and there have been **scores** – the state Commerce Department just **announced** that in the month of July 3,962 dropped out of the workforce. Unemployment, meanwhile, rose to 8.1 percent.

That's not an anomaly either. In 1999, South Carolina industries employed 1,561,727

people, whereas in 2010 that number had actually *dropped* by about 60,000 to 1,502,853.

If South Carolina is ever going to compete for jobs and capital with other states, our politicians will have to kick their addiction to special favors for favored companies and the news-making "jobs announcements" that go along with them.

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