



North Carolina Spirits Association

Legislative Report
March 3, 2023

Personal and Business Tax Cuts Expected

Republican state lawmakers are considering tax cuts this year due to better-than-expected revenue projections. The state has a potential \$3 billion surplus, which is about 10% of the state's overall budget. Senate President Pro Tem Phil Berger said that his goal is to cut the state's personal income tax rate from the current rate of 4.75%. House Speaker Tim Moore also wants to consider more cuts to business tax rates. However, Democrats disagree with this approach and have filed bills to repeal corporate income tax cuts already scheduled to begin in 2025. While projections for the current fiscal year show a surplus, the revenue forecast further into the future shows slight declines in state revenue from the fiscal year that begins in July 2023 through 2025. The state's economists have characterized the forecast as a "slow-cession" with stagnant real growth in the economy over an extended period in 2023, followed by a period of slow growth.

Medicaid Expansion Deal Announced

North Carolina's House and Senate Republican leadership have agreed to expand Medicaid after years of debate. Medicaid expansion would provide health insurance coverage to hundreds of thousands of North Carolinians, and Democratic Governor Roy Cooper has been a long-time supporter. The Medicaid expansion bill has not yet been filed – but legislative leaders outlined several of the expected provisions at a press conference on Thursday, which include: expanded health insurance to many North Carolinians, a reduction in Certificate of Need (CON) hospital regulations, and a new reimbursement/funding program for hospitals.

The Medicaid expansion deal includes accessing federal funds through the Healthcare Access and Stabilization Program (HASP). The program will increase Medicaid reimbursement rates for hospitals, and the state Department of Health and Human Services estimates that expansion and the stabilization program will bring in \$8 billion annually with no additional cost to the State, along with \$1.8 billion to support behavioral health, public safety support, rural health care, and other needs.

The Medicaid expansion agreement also includes changes to the states CON laws, a priority for the Senate. The bill will eliminate certificate of need for behavioral health beds and chemical dependency beds, raise the replacement equipment threshold to \$3 million, and increase the threshold for diagnostic centers to \$3 million. The bill will also eliminate certificate of need requirements for MRI and ambulatory surgical centers for counties with a population of 125,000 or more, with specific charity care requirements. However, these provisions will not become effective for several years, to allow hospitals time to adjust to the change in CON regulations.

This Week at the General Assembly

Despite ongoing Joint Appropriation Subcommittee meetings this week, there was some notable activity in the North Carolina legislature. The NC Compassionate Care Act, the medical cannabis legislation, passed the Senate with bipartisan support in a 36-10 vote, with all 10 no votes coming from Republican Senators. On Tuesday, House Bill 10, Require Sheriffs to Cooperate with ICE, passed the House Rules Committee and awaits consideration by the full House. On a lighter note, bills have been introduced to adopt Carolina Balloonfest held in Statesville as the official balloon rally of North Carolina (HB 225/SB 159), to adopt the Moravian Cookie as the official state cookie and the Moravian Star as the official state star (HB 89), and to create a pilot program at NC State to promote diversity in the sport of pickleball in Wake County (HB 260).

This week marked the end of the Joint Appropriations Subcommittee meetings and we expect a full schedule of policy committee meetings next week as each chamber puts a renewed focus on moving their bills.

The legislature adjourned on Thursday and will reconvene on Monday March 6, 2023. Governor Cooper is scheduled to deliver his State of the State Address to a joint session of the House and Senate at 7pm Monday evening.

Bills of Interest

Senate Bill 172, ABC Stores/Allow Sale of Gift Cards, would authorize ABC stores to sell gift cards. The bill provides that an ABC store may sell gift cards to redeem for alcoholic beverages sold in its store. An ABC store may accept for redemption a gift card sold by an ABC store under the jurisdiction of a different local board if the respective local boards have entered into a written agreement allowing this type of transaction. Gift cards sold under this subsection may not be redeemed by persons under 21 years of age.

For purposes of this subsection, the term "gift card" means a record evidencing a promise, made for monetary consideration, by a seller or issuer that goods will be provided to the owner of the record to the value shown in the record. A gift card includes a record that contains a microprocessor chip, magnetic strip, or other storage medium that is prefunded and for which the value is adjusted upon each use, a gift certificate, a stored value card or certificate, or a store card. **Introduced by Senator Sawrey, Johnson and Moffitt and referred to the Senate Rules Committee.**

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