Legislative Report 2/20/25

**NC Gov. Josh Stein Calls to Freeze Tax Cuts, Faces GOP Resistance**

North Carolina Governor Josh Stein is advocating for a freeze on planned tax cuts, citing concerns about a projected $800 million budget shortfall in 2026-2027. The state’s individual income tax rate is set to drop to 3.99% in 2026, and Republicans plan to phase out the corporate income tax entirely. Stein argues that continued tax reductions will create a “fiscal cliff,” while Senate leader Phil Berger dismisses this claim, pointing to strong economic growth and continued revenue increases as proof that tax cuts are working.

The state's latest revenue forecast projects a slowdown in growth starting in 2025-2026, but anticipates $544 million in extra revenue before July 2025 due to economic strength. The state budget process is now a key battleground, with Stein proposing $1 billion in immediate hurricane relief and planning to request an additional $13-$14 billion from Congress. With Republicans holding a veto-proof Senate majority but needing one more vote in the House, the budget negotiations and tax policies will be central to the legislative session.

Stein will deliver his State of the State address on March 12, where he is expected to further push his economic agenda.

**NC House Advances $500M Helene Relief Bill, More Funding Expected**

The North Carolina General Assembly is moving forward with House Bill 47, a $500 million Helene recovery package that will allocate funds across various state agencies to support home repairs, infrastructure, agriculture, and small businesses. The bill, set for a House vote next week, includes:

* $140M for home construction and repair
* $100M for private road and bridge repairs
* $75M for natural restoration projects
* $75M for agricultural crop loss recovery
* $55M for small business infrastructure grants
* $20M for local government debris removal
* $5M for a tourism promotion campaign

Other provisions include extending the governor’s state of emergency until June 1, 2025, expanding broadband installation, and allowing inmate labor for debris cleanup.

While the bill allocates half of what Gov. Josh Stein initially proposed, lawmakers indicated that additional funding will follow in the coming months. Legislators aim to ensure a strategic approach to spending, citing past concerns over disaster relief mismanagement under former Gov. Roy Cooper's administration.

House leaders emphasized quick distribution of funds, with agencies required to provide monthly reports on allocations. The bill received a favorable report and is set for debate next week since the session was canceled due to the winter storm.

The legislature adjourned on Tuesday and will reconvene on Monday, February 24.

Best,

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