



North Carolina Spirits Association

Legislative Report
June 11, 2021

The North Carolina House and Senate have agreed on how much they will spend in the 2021-2023 in the state budget bill: \$25.72 billion for 2021-22 and \$26.7 billion for 2022-23. The decision followed months of negotiations and warnings in the past week that each Republican-led chamber would move ahead without agreement from the other. There is still much work to be done regarding the State budget, but this is an important step.

In a joint announcement Tuesday morning, Senate President Pro Tem Phil Berger and House Speaker Tim Moore said that general fund spending for the upcoming fiscal year would be increased by 3.45%, followed by a 3.65% increase the following year. “This agreement builds on the last decade of responsible Republican-led budgets resulting in a boom decade that put North Carolina on a strong trajectory to recover from the recession,” Moore and Berger said in their joint statement.

The budget agreement, as it stands now, does not include the amount of raises for teachers and other state employees or details on tax reductions and changes; but the chambers have discussed teacher raises and tax reductions. House and Senate budget leaders agreed to spend money on certain construction projects, but not to borrow money for a bond. With all the federal money coming to the state, legislative budget writers do not see a need for a bond. “The agreement dedicates at least \$4.2 billion in new capital spending funded through the State Capital and Infrastructure Fund to support critical needs across the state, including several transformational projects,” Berger and Moore said in their statement.

Senate lawmakers have approved a measure to cut personal and corporate income taxes and other business taxes by more than \$2 billion over the next two years. The vote Wednesday afternoon on House Bill 334 was 34-16, with 6 Democrats joining Republicans in supporting it. The bill cuts the personal income tax rate from 5.25% to 4.99%, and increases the standard deduction from \$10,750 for a single filer to \$12,750 starting in the 2022 tax year. The bill sponsor Senator Paul Newton (R-Cabarrus) explained that a married couple filing jointly with two children making \$38,000 a year would see their tax burden decrease by 50%, while a family making \$200,000 per year would see a decrease of just 7.1%. Some 250,000 North Carolinians will be removed from the tax rolls all together” by increasing the standard deduction, Newton added. The bill also eliminates the corporate income tax rate, currently 2.5%, over 5 years beginning in 2024. And the bill would eliminate some areas of the state franchise tax, which sponsors say discourages capital investment. The bill also includes a grant program for businesses that have already received PPP loans or other relief funds during the pandemic. The PPP grants would be for up to 7.5% of the amount those businesses have already received, and the checks would be sent out automatically by the state Department of Revenue House Bill 334

now goes back to the House, where leaders have already expressed support for much of it. The provisions of this bill are likely to end up in the State budget bill.

The Senate Rules Committee passed three different bills proposing changes to election law Thursday. One would make the state stop accepting absentee ballots on Election Day, instead of three days later as is current law. Another would ban counties from taking outside money for election administration. The third would create a mobile unit to help people get IDs that they could use to vote if the state's voter ID law is reinstated, and it would expand options for people to register to vote online. The proposals were broken into individual bills, rather than being packaged together, because Republicans hope they can get enough Democratic support on at least one or two of the ideas to override — or avoid — a veto from Democratic Governor Roy Cooper.

The delays in negotiating the State budget will likely mean this year's legislative session stretches into August, Senate leader Phil Berger said Thursday. After agreement on spending totals between the two chambers was reached earlier this week, Senate leaders are aiming to release their budget proposal for votes during the week of June 21. That would allow the House to get its budget done by late July/early August. From there, the conference committee will process will occur, where House and Senate budget leaders will meet and work out their differences in the state budget bill. Once they agree on the State budget bill, it will be approved by both chambers and sent to Governor Cooper for his review. This timeline will most likely result in the Governor receiving the State budget bill in mid to late August. But this timeline could change.

The House and Senate adjourned on Thursday and will reconvene on Monday June 14.

For more information about legislation described in the legislative reports, feel free to contact me at dferrell@nexsenpruet.com or (919) 573-7421. Information is also available on the General Assembly's website: www.ncleg.gov.

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