



North Carolina Spirits Association

Legislative Report
May 31, 2019

The Senate moved their nearly \$24 billion spending plan forward this week. The Senate Appropriations, Finance and Pensions committees considered the bill on Wednesday, where several amendments were adopted. The full Senate approved the state budget, House Bill 966, on the bill's second reading Thursday afternoon, with Republicans pulling two 'yes' votes from Democrats on what was otherwise a party-line vote. The vote was 29-18, with Senators Robinson (D-Guilford) and Clark (D-Hoke), voting with Republicans. The bill passed its third reading on Friday and now goes to the House. A conference committee of House and Senate budget writers will be appointed to discuss the differences between the two chambers' budgets and work toward a compromise.

The Republican majority explained that the budget, with its tax cuts for North Carolina businesses and support of state reserves, is a continuation of fiscal policies that have helped the state's economy grow. Democrats said the plan does not include enough money for schools and does not expand Medicaid, which would grant taxpayer-funded health insurance to hundreds of thousands of the working poor. This may mean that Governor Roy Cooper (D-Nash) will veto the bill. In a couple of cases, Republican leaders told Democrats they would work with them on budgetary changes as the plan moves forward.

The Senate budget contains additional business and personal income tax cuts beyond the version of the budget that passed the House. The tax cuts would offset anticipated new internet sales tax collections and taxes tied to Medicaid and keep the budget from having an overall tax increase. Tax changes contemplated in the budget would save North Carolina taxpayers about \$2 million a year, largely because of a shift from the state's business franchise tax to more robust internet sales tax collections and an expanded gross premiums tax for the companies planning to handle the state's new managed care Medicaid contracts. The gross premiums tax is expected to bring in an additional \$12 million in the first year of this budget and \$187 million in the second as these new contracts are implemented. This is an existing tax that insurance companies managing the state's new multi-billion-dollar Medicaid contracts will pay as they take on responsibility for more Medicaid customers. Increased internet sales tax collections are expected to bring in an extra \$94.6 million in the first year and about \$132 million in the second year as rules are enforced requiring more sellers on more platforms to charge the tax and remit the money to the state.

Both the House and Senate have already signed off on cutting the franchise tax, which is a tax on a business's value, from \$1.50 of every \$1,000 of a company's net worth down to \$1 per \$1,000 over the next two years. They also agreed to increase the standard deduction, which would cut personal income taxes in the state, from \$20,000 to \$20,750 for married couples in 2021. But

the Senate budget plans on a little more, dropping the franchise tax to 96 cents for every \$1,000 in net worth and boosting the standard deduction to \$21,000.

House leaders have set a date to vote on a controversial abortion-related bill. House Speaker Tim Moore (R-Cleveland) announced on Wednesday that on June 5 he will call a vote to override Governor Cooper's veto of Senate Bill 359, also known as the "Born Alive Abortion Survivors Act." The Senate already voted to support the override in a narrow vote last month. The bill instructs medical professionals to care specifically for newborns who survive an abortion. It would enact new punishments for physicians and nurses who do not comply with the law or who fail to report noncompliance. They could face felony charges, prison time and up to \$250,000 in fines.

The House adjourned on Thursday and will reconvene on Monday afternoon. The Senate adjourned on Friday and will reconvene on Tuesday.

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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