

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

H

D

HOUSE DRH11061-MC-19A (01/13)

Short Title: Establish Tax Modernization Commission. (Public)

Sponsors: Representative Rhyne.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE TAX MODERNIZATION COMMISSION AND TO
3 ENSURE THAT RECOMMENDATIONS ADOPTED BY THE COMMISSION ARE
4 INTRODUCED AND PLACED ON THE CALENDAR TO BE HEARD IN AN
5 EXPEDITIOUS AND TIMELY MANNER.

6 Whereas, the General Assembly has established a number of commissions to
7 examine the tax structure of the State of North Carolina; and

8 Whereas, these previous committees have made recommendations to simplify the
9 tax code, to make the revenues resulting from the tax code less volatile, and to reduce tax rates
10 to attract businesses to our State; and

11 Whereas, the recommendations by these previous committees submitted over time
12 increasingly indicate a developing consensus as to the need for change in the State's tax code;
13 and

14 Whereas, these previous recommendations reflect that the world's economy is
15 evolving such that the State's tax structure increasingly fails to capture revenue streams that are
16 becoming more common in today's economy in order to support the services that are required
17 to be provided by the government; and

18 Whereas, these previous recommendations have allowed for a more stable, less
19 volatile, fairer system of generating taxes in a way that is revenue neutral; and

20 Whereas, despite the developing consensus reflected in the numerous previous
21 committees, no modernizing change to the State's tax structure has yet occurred; Now,
22 therefore,

23 The General Assembly of North Carolina enacts:

24 **SECTION 1.** Establishment. – The Tax Modernization Study Commission is
25 established.

26 **SECTION 2.** Membership. – The Commission shall be composed of 30 members,
27 as follows:

- 28 (1) Ten members appointed by the Governor as follows:
29 a. Four persons with substantial business experience.
30 b. Two persons who hold county or municipal elected office or are
31 county or city managers.
32 c. One person with experience in economic analysis.
33 d. Three members of the public at large.
34 (2) Ten members appointed by the Speaker of the House of Representatives as
35 follows:



- 1 a. Three persons with substantial business experience.
- 2 b. Four persons who are members of the House of Representatives at
- 3 the time of appointment.
- 4 c. One person who holds county or municipal elected office or is a
- 5 county or city manager.
- 6 d. One person with experience in economic analysis.
- 7 e. One member of the public at large.
- 8 (3) Ten members appointed by the President Pro Tempore of the Senate as
- 9 follows:
- 10 a. Three persons with substantial business experience.
- 11 b. Four persons who are members of the Senate at the time of
- 12 appointment.
- 13 c. One person who holds county or municipal elected office or is a
- 14 county or city manager.
- 15 d. One person with experience in economic analysis.
- 16 e. One member of the public at large.

17 The Commission shall have three cochairs, one designated by the Governor, one
18 designated by the President Pro Tempore of the Senate, and one designated by the Speaker of
19 the House of Representatives from among their appointees. The Commission shall meet upon
20 the call of the cochairs. Vacancies shall be filled by the appointing authority. Public members
21 shall be residents of the State. A quorum of the Commission shall be a majority of the
22 members.

23 **SECTION 3. Duties.** – The Commission shall do the following:

- 24 (1) Review the existing State tax code to determine whether the existing tax
- 25 system will be sufficient to keep pace with the operating and infrastructure
- 26 needs of an effective and efficient public sector.
- 27 (2) Examine current income tax rates to determine whether the rate is negatively
- 28 impacting our competitive position.
- 29 (3) Examine the tax bases to determine whether these bases should be
- 30 broadened, allowing for a revenue-neutral modernization that produces more
- 31 stable revenues during times of economic hardship.
- 32 (4) Evaluate the State's current system of economic incentives to ensure that
- 33 each economic incentive in the State's current portfolio is providing a good
- 34 return on investment and is effectively recruiting high-value jobs to the
- 35 State.
- 36 (5) Study and recommend a permanent financing strategy considering the
- 37 foregoing goals and the realities of the present-day economy.

38 **SECTION 4. Compensation; Administration.** – Members of the Commission shall
39 receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6,
40 as appropriate. With the prior approval of the Legislative Services Commission, the Legislative
41 Services Officer shall assign professional and clerical staff to assist in the work of the
42 Commission. The University of North Carolina shall provide advice and staffing to the
43 Commission. Provision of such advice and staffing shall be coordinated through the President
44 of The University of North Carolina, utilizing appropriate resources of the various constituent
45 institutions. With the prior approval of the Legislative Services Commission, the Commission
46 may hold its meetings in the State Legislative Building or the Legislative Office Building. The
47 Commission may also meet at various locations around the State in order to promote greater
48 public participation in its deliberations. The Commission, while in the discharge of its official
49 duties, may exercise all the powers provided under the provisions of G.S. 120-19 and
50 G.S. 120-19.1 through G.S. 120-19.4, including the power to request that all officers, agents,
51 agencies, and departments of the State provide any information, data, or documents within their

1 possession, ascertainable from their records, or otherwise available to them and the power to
2 subpoena witnesses. The Commission may meet during a regular or extra session of the
3 General Assembly.

4 **SECTION 5.** Limitations. – Taken collectively, the recommendations adopted by
5 the Commission shall be revenue neutral when compared to the revenue projections for the
6 taxes used in the appropriations bill passed by the General Assembly for the 2011-2012 fiscal
7 year.

8 If recommendations are adopted by the Commission by a vote of at least two-thirds
9 of the members, the following shall apply:

- 10 (1) A bill containing the recommendations shall be introduced and placed on the
11 calendar for second reading in the house in which it is introduced on the
12 third legislative day after it is introduced.
- 13 (2) If the bill passes second reading, that house shall vote on third reading of the
14 bill on the following legislative day.
- 15 (3) If the bill passes third reading, then the bill shall be placed on the calendar in
16 the other house for second reading no later than the third legislative day after
17 it is received and shall be voted on that day.
- 18 (4) If the bill passes second reading, that house shall vote on third reading of the
19 bill on the next legislative day.
- 20 (5) No amendments to the bill or proposed committee substitutes for the bill
21 shall be in order.

22 **SECTION 6.** Report. – The Commission shall report its findings and
23 recommendations to the 2012 Regular Session of the 2011 General Assembly no later than May
24 1, 2012. The Commission shall terminate upon the filing of its final report.

25 **SECTION 7.** Of the funds appropriated to the General Assembly, the Legislative
26 Services Commission shall allocate funds for the expenses of the Commission established by
27 this act. Such allocation may be accomplished by transfer of funds to The University of North
28 Carolina. Funds appropriated to The University of North Carolina may also be used to provide
29 professional and clerical assistance as provided by this act.

30 **SECTION 8.** This act is effective when it becomes law.