NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: 2025 Appropriations Act.
Bill Number: Senate Bill 257 (Fourth Edition)
Sponsor(s): Sen. Brent Jackson, Sen. Ralph Hise, and Sen. Michael V. Lee

SUMMARY TABLE

This summary table only reflects tax provisions in S.B. 257 (v.4) ("House Budget") that impact State General Fund revenues. The fiscal impacts of other revenue changes are reflected in tables throughout the note.

FISCAL IMPACT OF S.B. 257 (v.4) ($ in millions)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
State Impact					
General Fund Revenue	(95.4)	909.0	2,164.0	2,280.1	2,403.3
Less Expenditures	-	-	-	-	-
General Fund Impact	**(95.4)**	**909.0**	**2,164.0**	**2,280.1**	**2,403.3**
NET STATE IMPACT	**(95.4)**	**909.0**	**2,164.0**	**2,280.1**	**2,403.3**

FISCAL IMPACT SUMMARY

Tax Changes

Personal Income Tax

- Section 44.1 increases the amount of net General Fund revenue required to trigger reductions to the personal income tax rate between 2027 and 2034, using a formula which accounts for inflation and population growth.

- Section 44.1A increases the standard deduction by $1,000 for Married Filing Jointly taxpayers, $750 for Head of Household taxpayers, and $500 for Single and Married Filing Separate taxpayers.

- Section 44.1B creates a personal income tax deduction for up to $5,000 in income received as tips.

Sales and Use Tax

- Section 44.2A institutes a back-to-school sales tax holiday for the first weekend of August for clothing, school supplies, computers, and sports equipment.

- Section 44.6 transfers a portion of local sales tax distributions to the Highway Patrol to support the VIPER first responder radio program.

Sports Wagering Tax

- Section 44.5 modifies the sports wagering allocation formula by reducing the share of revenue received by the General Fund and the North Carolina Major Events, Games, and Attractions Fund while increasing the share of revenue distributed to the Youth Outdoor Engagement Commission and UNC constituent institutions' athletic departments.

Fees and Other Changes

- Section 9E.16 increases gross premiums tax revenue resulting from the extension of the Healthcare Access and Stabilization Program (HASP) to freestanding psychiatric hospitals.

- Section 44.7 transfers gross premiums tax collections from the General Fund to the Health Advancement Receipts Special Fund, which provides the State share of costs for the NC Health Works Medicaid population that began receiving services in 2023.

- Section 12.11 increases non-Title V Air quality fees.

- Section 12.15 adds a new fee payable by a prospective developer in the Brownfields Program if they are out of compliance with the statutory requirements regarding brownfields property.

- Section 13.1 modifies the fees the North Carolina Department of Labor (Labor) may charge for elevator and amusement device inspections and requires Labor to increase those fees annually in accordance with the Consumer Price Index.

- Section 37.3 expands a fee within the Secretary of State's office for securities salespersons registering with multiple dealers.

- Section 37.2 allows the Secretary of State to collect a paper filing fee for forms and applications which have an online alternative.

- Section 22.1(b) increases marriage license fee charged by county Registers of Deeds.

- Section 22.1(a) increases the divorce filing fee charged by county Registers of Deeds.

- Section 16.7 increases the DWI civil license revocation fee.

- Section 20.6 increases the State Bureau of Investigation's fee assessed for users of the Division of Criminal Information Network.

- Section 16.16B establishes a fee within the Judicial system for complex family financial cases.

FISCAL ANALYSIS

TAX CHANGES

Personal Income Tax

Estimated General Fund Fiscal Impact of Personal Income Tax Changes ($ in millions)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Increase Revenue Amounts Required to Trigger Tax Rate Reductions between 2027-2034	-	1,144.2	2,405.1	2,527.8	2,656.7
Increase the Standard Deduction	(62.7)	(126.3)	(128.0)	(129.7)	(131.4)
Deduction for up to $5,000 of Tips	-	(41.8)	(42.4)	(42.9)	(43.5)
Total	**(62.7)**	**976.1**	**2,234.7**	**2,355.2**	**2,481.8**

Modify Existing Revenue Trigger Amounts (Sec. 44.1). Under current law, up to three 0.5 percentage point reductions to the personal income tax rate are possible between 2027 and 2034, provided total General Fund revenue exceeds specified trigger amounts authorized in S.L. 2023-134. This section increases the trigger amounts using a formula which accounts for inflation and population growth. The table below compares the trigger amounts under current law with the trigger amounts included in the bill.

Table 1a: Net General Fund Revenue Amounts Required to Trigger a Personal Income Tax Rate Reduction, Current Law and House Budget ($ in Millions)

Fiscal Year	Trigger Amount Under Current Law	Trigger Amount Under House Budget	Increase, House Budget vs. Current Law	General Fund Revised Projected Revenue Under House Budget
2025-26	$33,042	$36,306	+$3,264	$34,719
2026-27	$34,100	$37,725	+$3,625	$34,905
2027-28	$34,760	$39,200	+$4,440	Outside Consensus Revenue Forecast period.
2028-29	$35,750	$40,611	+$4,861	
2029-30	$36,510	$41,968	+$5,458	
2030-31	$38,000	$43,302	+$5,302	
2031-32	$38,500	$44,714	+$6,214	
2032-33	$39,000	$46,190	+$7,190	

Under current law, the personal income tax rate is projected to be 3.49% in 2027 because the FY 2025-26 trigger is anticipated to be met, reducing the tax rate from 3.99% in 2026 to 3.49% in 2027. Under the House Budget, the tax rate is projected to be 3.99% in 2027 because the FY 2025-26 trigger amount in the House Budget is not anticipated to be met, resulting in the tax rate remaining at 3.99% in 2027.

The estimated fiscal impact of this section from FY 2026-27 through FY 2029-30 is a result of adjustments in the anticipated amount of tax collections due to the personal income tax rate remaining at 3.99% instead of being reduced to 3.49% for tax years 2027 through 2030. FY 2026-27 has a partial year impact of roughly $1.1 billion in additional revenue while the following three fiscal years have a full year impact between roughly $2.4 and $2.7 billion in additional revenue.

The Fiscal Research Division (FRD) used revenue projections from the February 2025 Consensus Revenue Forecast for the 2025-27 biennium and historical growth rates for the three years following the biennium in this fiscal analysis. Estimates include adjustments to account for the estimated impacts of current law, including previously enacted rate reductions. FRD estimates that increases to the existing rate reduction trigger amounts, as reflected in Table 1a, reduce the likelihood that a trigger amount will be met and an automatic reduction to the personal income tax rate occurs during the next five fiscal years. Depending on the time of impact, the full year impact of a future conditional rate reduction is estimated to be between $2.3-$3.0 billion.

Inflation and Population Growth Methodology

The FY 2025-26 trigger in statute, $33,042, was increased by the compounded estimated population growth for the previous two completed fiscal years (FY 2022-23 and FY 2023-24) and the 12-month average annual change in the Consumer Price Index for urban consumers (CPI-U) for the previous two completed calendar years (2023 and 2024) and rounded to the nearest million dollars. This figure, $36,306 million, was then increased annually by February 2025 baseline forecasts of prior calendar year 12-month average annual change in the CPI-U from Moody's Analytics and prior completed fiscal year population growth projections from the State Demographer for each fiscal year from FY 2026-27 through FY 2032-33. Table 1b illustrates the calculation for FY 2025-26. Table 1c shows the forecasted population and inflation changes used to calculate the trigger amounts under the House Budget for FY 2026-27 through FY 2032-33.

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Table 1b: House Budget Trigger Calculation Example, FY 2025-26

FY 2025-26 Trigger Adjustment Calculation	Starting Point		FY 2022-23 Population Change		2023 CPI-U Average Change		
	$33,042	*(100%+	1.22%	+	4.13%	)=	*$34,809*
			FY 2023-24 Population Change		2024 CPI-U Average Change		**House FY 2025-26 Trigger**
	$34,809	*(100%+	1.35%	+	2.95%	)=	**$36,306**

Table 1c: House Budget Triggers, Population and Inflation Components

Forecasted Component	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Prior FY Population Change	1.22%	1.17%	1.16%	1.14%	1.12%	1.09%	1.09%
Prior CY CPI-U Average Change	2.69%	2.74%	2.44%	2.20%	2.06%	2.17%	2.21%
Annual Trigger Increase	3.91%	3.91%	3.60%	3.34%	3.18%	3.26%	3.30%

Sources: State Demographer, Moody's Analytics

<u>Increase the Standard Deduction (Sec 44.1A).</u> This section increases the standard deduction allowed in calculating personal income tax beginning in the 2026 tax year. FRD estimates this section will decrease personal income tax revenue by approximately $62.7 million in FY 2025-26 and between $126.3 million and $131.4 million in each of the following four fiscal years. The standard deduction amounts, by filing status, are listed in Table 2 below.

Table 2: Standard Deduction Amounts Under Current Law and Under House Budget

Filing Status	Standard Deduction <u>Under Current Law</u>	Standard Deduction <u>Under House Budget</u>	Difference
Married Filing Jointly	$25,500	$26,500	$1,000
Head of Household	$19,125	$19,875	$750
Single/ MFS	$12,750	$13,250	$500

To estimate the fiscal impact of increasing the standard deduction, FRD determined the anticipated number of taxpayers taking the standard deduction and the share of taxpayers with taxable income remaining after the application of the current standard deduction amounts. By filing status, FRD then multiplied the number of taxpayers with taxable income remaining by the increase in the standard deduction and a 3.99% tax rate.

To estimate the percentage of taxpayers who would see a reduced tax liability, FRD determined the share of taxpayers with taxable income remaining after the application of the standard deduction. For example, in the 2022 tax year, roughly 1.6 million taxpayers filed single, took the standard deduction, and had taxable income remaining while roughly 2.2 million taxpayers filed single and took the standard deduction. Thus, an estimated 73% of single taxpayers who took the standard deduction would benefit from an increase in the standard deduction (1.6/2.2 =73%). FRD repeated this process for each filing status.

The standard deduction amounts have not changed since 2022. FRD assumes inflationary growth in income and wages have increased the share of taxpayers with taxable income since 2022. To account for this growth, FRD compared two recent years where the standard deduction amounts remained unchanged, the 2020 and 2021 tax year. Across all taxpayers taking the standard deduction, approximately 2.6% more taxpayers had taxable income in 2021 when compared with the same population in 2020. Each year the standard deduction remains unchanged, FRD assumes an additional 2.6% of taxpayers taking the standard deduction would have taxable income. FRD added an additional 7.8% (2.6% x 3 years = 7.8%) to the previously calculated share of taxpayers taking the standard deduction for each filing status with taxable income remaining.

Table 3 contains estimates on the share of taxpayers across each filing status with taxable income remaining after the application of the current standard deduction amounts for the 2025 tax year. In this analysis, FRD assumes the estimated share of taxpayers taking the standard deduction with taxable income remains consistent throughout the projection period.

Table 3: Estimated Share of Taxpayers taking the Standard Deduction with Taxable Income, by Filing Status

Filing Status	Estimated Share of Taxpayers with Taxable Income Remaining
Married Filing Jointly	91%
Head of Household	77%
Single	81%
Married Filing Separately	93%

Table 4 shows the estimated number of taxpayers, by filing status, that take the standard deduction with taxable income remaining. From 2008-2022, the compound annual growth rate for the total number of State taxpayers was approximately 1.3%. FRD assumes the number of taxpayers in each filing status will grow at a consistent rate of 1.3% each year. Additionally, FRD applied the percentages calculated in Table 3 to the total number of taxpayers for each filing status to estimate the number of taxpayers with taxable income remaining.

Table 4: Estimated Number of Taxpayers (in Millions) taking the Standard Deduction with Taxable Income, by Filing Status

Tax Year	Married Filing Jointly	Head of Household	Single	Married Filing Separately
2026	1.73	0.56	1.89	0.11
2027	1.75	0.56	1.91	0.11
2028	1.77	0.57	1.94	0.11
2029	1.79	0.58	1.96	0.12
2030	1.82	0.59	1.99	0.12

FRD then multiplied the estimated number of taxpayers in the table above by the corresponding standard deduction increase and a tax rate of 3.99% for each year. Although this provision is not effective until the 2026 tax year, approximately half of the estimated full-year impact is anticipated in FY 2025-26 due to automatic adjustments to tax withholding beginning January 1, 2026.

Tax Deduction for Tips (Sec 44.1B). This section allows taxpayers to deduct up to $5,000 in income received as tips from personal income tax beginning with the 2026 tax year. FRD estimates this deduction would begin to reduce General Fund revenue in FY 2026-27, and this section would reduce revenue by approximately $41.8 million to $43.5 million in each fiscal year between FY 2026-27 and FY 2029-30.

To estimate the fiscal impact of this provision, FRD used Internal Revenue Service Statistics of Income data on Form W-2 to estimate the share of North Carolina taxpayers who earn tips and the average amount reported. In tax year 2018, the most recent year for which data is available, approximately 3.9% of federal income taxpayers received Form W-2 with tips reported. On average, roughly $6,300 was reported by each taxpayer with tipped earnings. FRD assumes the share of federal income taxpayers with tipped income is representative of the share of State taxpayers with tipped earnings throughout the projection period, and the average amount of tips reported by federal income taxpayers will mirror the amount reported by State taxpayers. When adjusting for inflation, Fiscal Research anticipates that the average reported amount of tips earned will be approximately $8,100 per return in the 2025 tax year.

In calculating the total income earned from tips over the projection period, FRD assumed each taxpayer with tipped earnings received the average amount. With an estimated 5.3 million taxpayers expected to file in tax year 2026, over 200,000 taxpayers are expected to have tipped income (5.3 million x 3.9%). FRD assumed each return reports $8,100 in tipped earnings, meaning each taxpayer would deduct the full $5,000. This means over $1 billion in tipped earnings are expected to be deductible in the 2026 tax year. FRD then multiplied the total amount of tips earned in tax year 2026 by the tax rate (3.99%) and estimated $41.8 million in revenue would be forgone due to a tipped income deduction in FY 2026-27. In this analysis, FRD assumes taxpayers will deduct tips when finalizing their returns rather than manually adjusting their withholdings during FY 2025-26. Therefore, FRD anticipates no FY 2025-26 fiscal impact.

Sales and Use Tax

Estimated Fiscal Impact of Sales and Use Tax Changes ($ in millions)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Back-to-School Sales Tax Holiday					
General Fund Revenue	-	(30.1)	(31.0)	(32.3)	(33.7)
Highway Trust Fund Revenue	-	(1.4)	(1.5)	(1.5)	(1.6)
Highway Fund Revenue	-	(0.5)	(0.5)	(0.5)	(0.5)
Local Revenue	-	(15.2)	(15.7)	(16.3)	(17.0)
VIPER Transfer					
Local Revenue	-	(10.0)	(14.0)	(14.0)	(14.0)
Total	**-**	**(57.2)**	**(62.7)**	**(64.7)**	**(66.9)**

Back-to-School Sales Tax Holiday (Section 44.2A).
This section institutes a sales tax holiday that exempts from tax purchases of qualifying items made between the first Friday and Sunday in August. Items exempt include clothing, school supplies and instructional materials, computers and related supplies, and sports and recreational equipment. To be exempt from tax, the sales price of the item must be less than a specified amount (e.g., clothing with a per-item sales price less than $100, computers per-item sales price less than $3,500, etc.).

To determine the fiscal impact to the State, FRD used the estimate of sales tax the State did not receive due to the sales tax holiday that existed prior to July 2014. FRD then adjusted this number for changes in actual and estimated retail sales in the State, since the State's sales tax rate of 4.75% has remained constant over this period. To estimate the local impact, FRD determined the amount of total sales during the holiday based on the projected reduction to State sales tax revenues and applied the weighted local rate.

FRD estimates the sales tax holiday will reduce State General Fund revenue by approximately $30 million annually beginning in FY 2026-27, based on the effective date of July 1, 2026. The holiday is expected to reduce Highway Fund revenue by about $500,000 and Highway Trust Fund revenue by about $1.5 million annually due to the transfer of sales tax revenue required in statute.[1] FRD estimates the holiday will reduce local government sales tax revenues by approximately $16 million per year.

Local Sales Tax Revenues for VIPER (Section 44.6). This section directs that 85% of the costs associated with the Voice Interoperability Plan for Emergency Responders (VIPER) radio system be paid for by local sales tax revenues levied under Article 42. Beginning in FY 2027-28, the annual growth in the amount of VIPER costs subject to the transfer cannot exceed 1% of the previous year's VIPER costs.

All 100 counties levy this tax and these revenues are shared with municipalities. Therefore, all local governments would see a reduction in revenue due to this change. In FY 2023-24, local governments (both counties and municipalities) received about $1.2 billion in Article 42 sales tax revenues, and costs associated with the VIPER program totaled approximately $16 million.

To determine the fiscal impact, FRD applied the 85% to the $16 million. The impact of the first fiscal year of the transfer is adjusted to reflect the timing of collections and distributions for a new transfer. FRD estimates this transfer will decrease local revenue by about $10 million in FY 2025-26, and about $14 million annually thereafter during the five-year period because of the annual growth limit of 1%.

Sports Wagering Tax

Section 44.5 changes the sports wagering tax revenue allocation formula by reducing the share of revenue received by the General Fund and the North Carolina Major Events, Games, and

[1] G.S. 105-164.44M(b), as enacted by S.L. 2022-74.

Attractions Fund while increasing the share of revenue distributed to the Youth Outdoor Engagement Commission and North Carolina public university athletic departments.

- Major Events, Games, and Attractions Fund**.** Under current law, the Fund receives 30% of sports wagering tax revenues after all initial dollar-amount allocations are made (Lottery Commission expenses, DHHS for gambling addiction treatment and education, etc.). The February Consensus Revenue Forecast estimates the Fund would receive $40.8 million in FY 2025-26 following the allocation currently in law. The bill provides a specific allocation of $10 million. Consequently, the Fund's revenues for FY 2025-26 are estimated to decrease by $30.8 million compared to the February 2025 Consensus Revenue Forecast estimate of sports wagering revenue.

- UNC Constituent Institutions' Athletic Programs. Under current law, 13 constituent institutions[2] each receive the same allocation of sports wagering revenues through a two-step process:
    - First, each institution receives $300,000 from the initial allocation of revenues, and
    - Second, each institution receives an equal share (or 1/13th) of 20% of the revenue remaining after all initial allocations are made.

  Under the bill, the amount of revenue allocated to each UNC institution's athletic program is determined based on the Division and the types of sports in which its athletic programs compete as shown in Table 5.

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[2] The two UNC institutions with athletic programs that do not receive sports wagering revenues under current law are UNC-Chapel Hill and NC State University.

Table 5: Method of Distributing Sports Wagering Tax Revenues to UNC Institutions under House Budget

Institutions Athletic Programs	UNC Institutions Included	Per Institution Sports Wagering Revenues <u>Under House Budget</u>	
		Initial Allocation ("off the top")	**Percent of Formula (Funds remaining after all initial allocations)**
Division II institutions	Elizabeth City State, Fayetteville State, UNC-Pembroke, Winston-Salem State	$300,000	2% (Total of 20%, split among the 10 institutions)
Division I institutions whose football teams are not in the NCAA Division I Football Bowl Subdivision	NC A&T, NC Central, UNC-Asheville, UNC-Greensboro, UNC-Wilmington, Western Carolina	$1 million	
Division I institutions whose football teams are in the NCAA Division I Football Bowl Subdivision	Appalachian State, East Carolina, NC State, UNC-Chapel Hill, UNC-Charlotte	—	10% (Total of 50% split among the 5 institutions)

Note: Initial allocations would also include distributions to the Department of Revenue, Lottery Commission, NC Amateur Sports, the Youth Engagement Commission, and the Major Events Fund.

- <u>General Fund</u>. Under current law, the General Fund receives 50% of the proceeds remaining after all initial allocations are made. As the table above shows, UNC institutions will collectively receive 70% of funds subject to the formula, an increase from the current 20% that 13 institutions share. With this change and the bill also removing the Major Events Fund as a recipient of funds subject to the formula, the bill would reduce sports wagering revenues directed to the General Fund from 50% to 30%.

- <u>Youth Outdoor Engagement Commission.</u> Under current law, the Youth Outdoor Engagement Commission receives an initial allocation of $1 million. The bill increases the allocation to $3 million.

To compute the fiscal impact of these changes, FRD used estimated total sports wagering revenue from the February 2025 Consensus Revenue Forecast and compared the distribution under the statutory formula to the House Budget formula. Formula changes result in a reduction to the General Fund of approximately $32.7 million in FY 2025-26 and $37.0 million in FY 2026-27.

Table 6 compares each recipient's current allocation to that under the bill for FY 2025-26. Additional tables comparing the distribution of sports wagering tax revenue under current law and the House Budget may be found in Appendices A and B. The Consensus Forecast projects total sports wagering revenues will increase to $167 million in FY 2026-27. For estimates beyond the biennium, FRD used declining growth rates of 10%, 7.5%, and 5% for total sports wagering revenue, anticipating the revenue growth rate to slow in future years.

Table 6: Sports Wagering Allocation Comparison, Current Law and House Budget, FY 2025-26

Spotts Wagering Tax Revenue Recipient(s)	**($ in millions)**		
	Estimated Allocation Under Current Law *	**Estimated Allocation Under House Budget**	**Estimated Change in Allocation**
General Fund	$68.1	$35.4	($32.7)
NC Major Events, Games, and Attractions Funds	$40.8	$10.0	($30.8)
Youth Outdoor Engagement Commission	$1.0	$3.0	$2.0
Division II institutions (Elizabeth City State, Fayetteville State, UNC-Pembroke, Winston-Salem State)	$9.6 ($2.4 per institution)	$11.2 ($2.8 per institution)	$1.6 ($0.4 per institution)
Division I institutions whose football teams are not in the NCAA Division I Football Bowl Subdivision (NC A&T, NC Central, UNC-Asheville, UNC-Greensboro, UNC-Wilmington, Western Carolina)	$14.4 ($2.4 per institution)	$21.0 ($3.5 per institution)	$6.6 ($1.1 per institution)
Division I institutions whose football teams are in the NCAA Division I Football Bowl Subdivision (Appalachian State, East Carolina, UNC-Charlotte)	$7.2 ($2.4 per institution)	$36.3 ($12.1 per institution)	29.1 ($9.7 per institution)
Division I institutions whose football teams are in the NCAA Division I Football Bowl Subdivision (NC State, UNC-Chapel Hill)	-	$24.2 ($12.1 per institution)	$24.2 ($12.1 per institution)
All Other Recipients	$5.5	$5.5	-
Total Sports Wagering Tax Revenue	**$146.6**	**$146.6**	**-**

*Estimates are based on the February 2025 Consensus Revenue Forecast.

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FEES AND OTHER CHANGES

The following table summarizes the estimated fiscal impact of fee changes over the biennium and the impacted fund.

Fees and Other Changes in House Budget ($ in millions)	FY 2025-26	FY 2026-27
General Fund		
• Transfer of Gross Premiums Tax Offset (HHS)	($78.0)	($75.6)
• HASP for Freestanding Psychiatric Hospitals (HHS)	-	$0.6
• Establish Complex Family Financial Case Disposition Judicial Fee (JPS)	$0.1	$0.1
Special Funds and Agency Receipts		
• Increase DEQ Non-Title V Air Quality Fees (AgNER)	$0.8	$0.8
• Increase Elevator and Amusement Inspection Fees (AgNER)	$2.2	$2.6
• Modify Payment of Brownfields Property Reuse Act Fees (AgNER)	No Estimate Available	No Estimate Available
• Expand Securities Salesman Dual Registration Fee (GenGov)	$0.9	$1.3
• Establish paper filing fee (GenGov)	$1.1	$2.2
• Increase Marriage License Fee (GenGov)	$2.7	$2.7
• Increase Divorce Filing Fee (GenGov)	$1.3	$1.3
• Increase Division of Criminal Information Network Fees (JPS)	$2.3	$2.4
• Increase and Modify Civil Revocation Fee (JPS)	$0.3	$0.6

Agriculture and Natural and Economic Resources (AgNER)

- *Section 13.1-Elevator and Amusement Inspection Fees.* This section changes various fees in the Department of Labor's Elevator and Amusement Device Bureau (the Bureau). The fiscal impact of these changes was determined by first calculating the amount of receipts from inflation-adjusted fees using anticipated inflation from the Consumer Price Index and historical growth in the number of inspections performed by fee category. Second, these adjusted fees are then compared to current fee receipts by fee category. The fiscal impact of this section will be the difference in the revenues under the current fee schedule and the revenues under the proposed fee schedule. Table 7 shows the estimated fee revenue by fee category. The increased fee receipts will not offset General Fund appropriations and will not accrue to the General Fund. Therefore, there is no impact to the General Fund from this fee change.

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Table 7: Estimated Impact of Elevator and Amusement Fee Changes to EADB Fee Receipts

Inspection Category	FY 2025-26	FY 2026-27
Appns for Permitting - New	$995,333	$1,063,211
Appns for Permitting - Repairs/Alterations	$486,250	$504,291
Special Inspection Fee - Expedited	$50,000	$51,864
Temp Limited Certificate (< 10 flrs)	($6,600)	$1,014
Temp Limited Certificate (≥ 10 flrs)	$3,500	$15,121
Reinspection Fee	$595,000	$617,181
New and Alteration Elevator Inspections	($616,600)	($639,540)
Routine Elevator (< 10 floors)	$0	$209,816
Routine Elevator (≥ 10 floors)	$142,100	$168,666
Routine Handicap Lift, Dumbwaiter	$0	$10,972
Routine Escalator, Moving Walk	$224,400	$248,220
ALN Application Fee	$18,750	$20,958
Special Inspection Fee - Expedited	$20,000	$20,746
Gondolas, Chairlifts, Inclined Railroads	$9,438	$9,923
J or T Bars and Conveyors	$4,401	$4,703
Rope Tows	$378	$423
Amusement (Adult) Major Ride	$189,750	$215,692
Amusement Return Trip Insp	$5,000	$5,373
Holiday/Weekend Inspection	$17,750	$20,518
Kiddie Rides	$0	$6,371
Go Karts (per cart)	$0	$1,726
Go Karts (track)	$4,400	$4,728
Amusement Rock Wall	$0	$108
Roller Coasters	$4,250	$4,872
Simulators	$0	$0
Bungee Trampolines	$0	$113
Water Slides	$23,100	$24,876
Trains	$3,000	$3,186
Total	**$2,173,600**	**$2,595,132**

- *Section 12.11-DEQ Non-Title V Air Quality Fees.* This section increases non-Title V Air Quality fees. These fees have not been changed since 1996. The increase will generate an estimated $830,000. This revenue is deposited into a special fund in DEQ to support the Division of Air Quality operations.

- *Section 12.15-DEQ Modify Payment of Brownfields Property Reuse Act Fees.* This section makes various changes to the process and timing of the payment of fees established under current law for the Brownfields program and adds a new fee payable by the prospective developer if they are out of compliance with the statutory requirements regarding the Notice of Brownfields property. The fee would be an amount sufficient to cover the costs to the State to enforce or correct the noncompliance. No estimate is available regarding the fiscal impact of this fee. Revenue will be deposited into a special fund in DEQ.

General Government (GenGov)

- *Section 37.2-Paper filing fee.* The estimated fiscal impact of creating a paper filing fee is based on the number of paper transactions the Secretary of State's office processed in 2023, adjusted for the expected percentage of current paper filers expected to switch to online filing given the new fee. This revenue is deposited into a Special Fund in the office that will support its operations.

- *Section 37.3-Securities Salesman Registration.* This section allows for securities salesmen to register with multiple dealers, so long as the dealers share common ownership. Salesmen will pay a registration fee per registered dealer. The fiscal impact was calculated by applying the current registration fee rate ($125) to the projected number of new registrations by salesmen with multiple dealers (10,000). Funds from these new registration fees are allocated to a special fund in the Secretary of State's office that is used to support staff positions.

- *Section 22.1(b)-Marriage License Fee.* This section increases the fee for applying for a marriage license. The fiscal impact was calculated by applying the new proposed rate, $100, to historical volumes of fees, and comparing it to collections at the current rate, $60. The proceeds are to be collected by county Registers of Deeds and $70 of each fee is remitted to a special fund in the Department of Administration's office that is then used for grants to support domestic violence centers.

- *Section 22.1(a)-Divorce Filing Fee.* This section increases the fee for filing for a divorce. The fiscal impact was calculated by applying the new proposed rate, $125, to historical volumes of fees, and comparing it to collections at the current rate, $75. All proceeds from this fee are collected by county Registers of Deeds and remitted to a special fund in the Department of Administration's office that is then used for grants to domestic violence centers.

Health and Human Services (HHS)

- *Section 9E.16-Medicaid HASP Reimbursement for Psychiatric Hospitals.* The estimated fiscal impact of allowing freestanding psychiatric hospitals to participate in the Medicaid Healthcare Access and Stabilization Program (HASP) assumes that $10 million in additional HASP payments will be made each fiscal quarter beginning July 2026.

- *Section 44.7-Transfer of Gross Premiums Tax Offset.* Since the State began serving additional Medicaid beneficiaries through NC Health Works in 2023, the additional gross premiums tax revenue generated from Medicaid prepaid health plans has been appropriated to the Department of Health and Human Services to offset the cost of providing services to the NC Heath Works population. This change would allocate gross premiums tax directly to the special fund that supports NC Health Works instead of appropriating an equivalent amount to DHHS.

Justice and Public Safety (JPS)

- *Section 16.7-Civil License Revocation Fee.* This section increases the Driving While Impaired (DWI) Civil License Revocation Fee by $100 and modifies the formula by which the revenues are distributed. The fee is assessed to have a license returned after it has been revoked following a DWI conviction.

The fiscal impact was calculated by applying the new proposed rate ($200) to historical volumes of fees and comparing it to collections at the current rate ($100). Then, FRD applied anticipated collections at the new rate to the amounts recipients receive under the current formula and compared that to what they would receive under the formula change in the bill. FRD then adjusted for the section's effective date of December 1, 2025, for a partial impact in FY 2025-26. Table 8 shows the current allocation and that in the bill the first full year of implementation, FY 2026-27.

Table 8-DWI Fee Changes

Fee Recipient	**Allocation Percentage**		**FY 2026-27 Allocation Under Current Law ($ in millions)**	**FY 2026-27 Allocation Under House Budget ($ in millions)**
	Current Law (Fee of $100)	**Proposed in House Budget (Fee of $200)**		
General Fund	50%	25%	1.1	1.1
DHHS	25%	25%	0.6	1.1
Counties	25%	50%	0.6	2.2
Total			**2.3**	**4.4**

- *Section 20.6-User Fee for Division of Criminal Information Network.* This section increases the State Bureau of Investigation's fee assessed for users of the Division of Criminal Information Network by $8. The fiscal impact was calculated by applying the new proposed rates ($33 for desktop users and $20 for mobile users) to historical fee collections and volumes at the lower rate ($25 for desktop users and $12 for mobile users) and comparing the difference. Revenue for FY 2026-27 was increased to reflect an anticipated 4.5% increase in users based on historical trends.

- *Section 16.16B-Complex Family Financial Case Disposition.* This section establishes a new fee of $1,100 for any judicial claim that is designated as a complex family financial claim. A complex family financial claim is one involving equitable distribution, alimony, post separation support, child support, or any combination of those claims. To compute the fiscal estimate, FRD used data from Business Court fees as a proxy for the new fee because the two programs are both designed to resolve the most complex legal issues in business and family law. Business Court has 6 judges and the Complex Family Financial program will have 3 judges. Thus, FRD assumed the Complex Family Financial judges could dispose half the cases disposed by Business Court which was 122 cases in CY 2024. Therefore, FRD estimates the Complex Family Financial judges will dispose about 60 cases a year. Both parties involved in the case must pay the fee, so FRD multiplied 60 by $2,200. This fee is estimated to increase General Fund revenue by approximately $132,000 per year.

TECHNICAL CONSIDERATIONS

- This analysis does not account for potential secondary effects such as employee or employer behavior modification resulting from a personal income tax deduction for tips.

- For the elevator and amusement fee increase, the bill does not limit fee increases to the cost to operate the program. If the inflationary increases exceed the cost to operate the program, the fees become a tax.

DATA SOURCES

NC Departments of Environmental Quality, Labor, Revenue, and Secretary of State, NC Courts System, February 2025 Consensus Revenue Forecast, Moody's Analytics, NC Financial System (NCFS), IRS W-2 Summary Statistics, Congressional Research Service.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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