



Funding the North Carolina We Love with a Fair and Adequate Tax System

North Carolina should ensure that our priorities — for good schools, healthy neighbors and safe communities — are supported with our tax dollars.

Background

The fundamental purpose of a tax system is to fund investments in core public services — schools, courts, hospitals, colleges and universities, and infrastructure — that are critical to preserving a strong middle class and building a 21st century economy.

Beginning in 2013, state lawmakers made significant changes to North Carolina's tax system, in particular large income tax cuts that largely benefit the well-off and profitable corporations while doing nothing to reduce the greater tax load carried by low- and middle-income families and individuals.

In 2019, leaders in the North Carolina General Assembly have scheduled another round of tax cuts that will reduce the corporate income tax rate for profitable and large businesses and further reduce the flat income tax rate. The result of this next tax cut, according to the state's Fiscal Research Division, is that the state's tax code will not be able to deliver current services to the state's growing population after Fiscal Year 2020.

Current Context

Today as a result of changes to North Carolina's tax code:

- Nearly 1 million working families no longer benefit from a now-eliminated tax credit that helps them make ends meet on low wages. Also, the consumer relief provided to distressed homeowners by financial entities as a part of predatory-lending legal settlements is considered taxable income while banks get tax write-offs. The state overall is unable to meet the priorities of its citizens as it continues to cut core public services despite an economic recovery.
- Primarily large, often multi-state and always profitable corporations will have their tax rate cut to 2.5 percent (less than half the rate for everyday taxpayers) from 6.9 percent, at a cost of more than \$500 million in revenue that could have boosted investments in classrooms, healthcare and community development.
- The state will have \$3.5 billion less in annual revenue that it would have had under the old tax code. This is revenue that would have been available to invest in early childhood, broadband infrastructure, child and adult protective services and abuse prevention, affordable housing development, job training and research and development.

Questions for Candidates

- Will you stop North Carolina's failed tax-cut experiment?
- How will you ensure that our community's priorities — for good schools, for healthy neighbors, for safe communities — are supported with our tax dollars rather than given to big companies, their shareholders and the wealthy?
- Middle -class and low -income North Carolinians pay a greater share of their incomes in state and local taxes than the wealthiest North Carolinians do. What will you do to fix the tax code to ensure that everyone pays their fair share and those struggling don't carry a heavier tax load?

