



ELECTION 2016

The real challenges facing North Carolina

## STATE TAX REVENUE

### Background

The fundamental purpose of the revenue 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 revenue system, in particular large income tax cuts that largely benefit the well off and profitable corporation and shifted the tax load to low- and middle-income families and individuals while reducing the dollars available to ensure public services and systems are accessible in all communities. North Carolina’s tax code today:

- **Is inequitable** because it asks more from those with the least ability to pay and asks the least from those with the greatest ability to pay.
- **Is inadequate** because state revenues are insufficient to meet the needs of the state’s people and fail to keep pace with the state’s economic and population growth.
- **Is unstable** because numerous exemptions and loopholes make revenues more volatile in the face of ups and downs in the economy.

### Current Context

In 2015, state policymakers continued to build upon an overhaul to the tax system that began in 2013 to further reduce **available revenue and shift the tax load onto everyday North Carolinians and away from profitable corporations and wealthy taxpayers**. The impact of the tax changes are being felt in communities across the state: nearly 1 million working families no longer benefit from a now-eliminated tax credit that helps them make ends meet on low wages for the, consumer relief provided to distressed homeowners by financial entities as a part of legal settlements resulting of predatory lending is considered taxable income while banks get tax write-offs, and the state overall is unable to meet the priorities of its citizens continuing to cut core public services despite an economic recovery.

- Tax cuts included in current two-year budget passed by state lawmakers, once fully phased in, reduces annual revenue by more than \$1 billion.
- When including the tax cuts passed by state lawmakers in 2013, the combined cost of tax cuts passed since 2013 once fully phased in total more than \$2 billion in annual revenue loss. This is revenue that would otherwise be available under the old tax code prior to the tax cuts.

### Questions for Candidates

- ***What will you do to ensure that North Carolina’s state tax system is able to adequately support public schools, health care for the most vulnerable and other critical services that strengthen our economy and the quality of life in our community?***
- ***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. Will you reinstate the Earned Income Tax Credit, a proven tool for addressing the upside down nature of the state tax system and one that helps working families make ends meet?***
- ***Will you ensure that the revenue system remains diversified, collecting revenue from sales, personal income and corporate income?***