

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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HOUSE DRH80205-MC-180 (03/28)

Short Title: Small Business Income Tax Exemption. (Public)

Sponsors: Representatives Holloway, McComas, and Folwell (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE A SMALL BUSINESS INCOME TAX EXEMPTION.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.** G.S. 105-134.2 reads as rewritten:

5 **"§ 105-134.2. Individual income tax imposed.**

6 (a) Tax Rate. – A tax is imposed upon the North Carolina taxable income of every
7 individual. The tax shall be levied, collected, and paid ~~annually and shall annually.~~ Except as
8 otherwise provided in this section, the tax shall be computed at the following percentages of the
9 taxpayer's North Carolina taxable income.

10 (1) For married individuals who file a joint return under G.S. 105-152 and for
11 surviving spouses, as defined in section 2(a) of the Code:

Over	Up To	Rate
0	\$21,250	6%
\$21,250	\$100,000	7%
\$100,000	<u>NA</u>	7.75%

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18 (2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
0	\$17,000	6%
\$17,000	\$80,000	7%
\$80,000	NA	7.75%

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25 (3) For unmarried individuals other than surviving spouses and heads of
26 households:

Over	Up To	Rate
0	\$12,750	6%
\$12,750	\$60,000	7%
\$60,000	NA	7.75%

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33 (4) For married individuals who do not file a joint return under G.S. 105-152:

Over	Up To	Rate
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1	0	\$10,625	6%
2	\$10,625	\$50,000	7%
3	\$50,000	NA	7.75%
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5 (b) Tax Tables. – In lieu of the tax imposed by subsection (a) of this section, there is
6 imposed for each taxable year upon the North Carolina taxable income of every individual a tax
7 determined under tables, applicable to the taxable year, which may be prescribed by the
8 Secretary. The amounts of the tax determined under the tables shall be computed on the basis
9 of the rates prescribed by subsection (a) of this section. This subsection does not apply to an
10 individual making a return under section 443(a)(1) of the Code for a period of less than 12
11 months on account of a change in the individual's annual accounting period, or to an estate or
12 trust. The tax imposed by this subsection shall be treated as the tax imposed by subsection (a)
13 of this section.

14 (c) Business Entity Exemption. – Before computing the tax in subsection (a) of this
15 section, a qualified business entity may subtract from State net income fifty thousand dollars
16 (\$50,000). A qualified business entity is a business entity that is neither a publicly traded
17 corporation nor an affiliate, as defined in G.S. 105-163.010, of a publicly traded corporation."

18 **SECTION 2.** This act becomes effective for taxable years beginning on or after
19 January 1, 2011.