



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Fair Share for Public Schools Act.
Bill Number: House Bill 1073 (First Edition)
Sponsor(s): Rep. Buansi, Rep. Prather, Rep. Baker, and Rep. R. Pierce

SUMMARY TABLE

FISCAL IMPACT OF H.B. 1073, V.1 (\$ in millions)

	FY 2026-27		FY 2027-28		FY 2028-29		FY 2029-30		FY 2030-31						
State Impact															
General Fund Revenue	-	to	-	-	to	-	-	to	-	-					
Less Expenditures	-	to	-	-	to	-	-	to	-	-					
General Fund Impact	-	to	-	-	to	-	-	to	-	-					
NET STATE IMPACT															
No Estimate Available- See Fiscal Analysis Section															
Local Impact															
Local Revenue	790	to	910	760	to	870	910	to	1,030	990	to	1,110	1,080	to	1,200
Less Local Expenditures	-	to	-	-	to	-	-	to	-	-	to	-	-	to	-
NET LOCAL IMPACT	790	to	910	760	to	870	910	to	1,030	990	to	1,110	1,080	to	1,200

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

H.B. 1073 would establish a graduated personal income tax (PIT) rate structure with two tax rates, increasing the PIT rate to 7% on taxable income that exceeds \$1 million per taxpayer. Income up to \$1 million per taxpayer would continue to be taxed at the rates under current law.

The Fiscal Research Division (FRD) estimates that this bill would increase local revenues by between roughly \$4.5 billion and \$5.1 billion over the next five fiscal years:

- FRD estimates this bill would increase personal income tax revenue between \$790 million and \$910 million in FY 2026-27. The first-year impact is expected to be greater than the second-year impact due to this bill being retroactive to the beginning of the 2026 tax year.
- In future fiscal years, the additional revenue generated by this bill is estimated to range between \$760 million and \$1.2 billion per year due to growth in personal incomes and a greater difference in the 7% rate and the forecasted PIT rate under current law in future years.

The fiscal impact of this bill is attributable to taxpayers with income over \$1 million paying a higher tax rate on their income that exceeds \$1 million when compared with the tax rate under current law.

This bill is estimated to have a significant local impact since the revenue generated would be transferred to the State Board of Education to be allocated amongst local school administrative units. Up to \$100,000 may be retained by the North Carolina Department of Revenue for the costs associated with administering the collections and distributions as specified under H.B. 1073.

FISCAL ANALYSIS

Currently, North Carolina has a single flat State personal income tax (PIT) rate that applies to all taxable income. Under current law, the PIT rate is 3.99% in 2026 and is forecasted to be reduced to 3.49% in 2027 and then to 2.99% in 2028 due to General Fund revenue trigger thresholds being exceeded, resulting in automatic reductions in the tax rate. Under the bill, taxable income that exceeds \$1 million would be taxed at a rate of 7% while income up to \$1 million would be taxed at the lower rates currently set in statute.

Based on the May 2026 Consensus Revenue Forecast, FRD projects the personal income tax rate schedule in Table 1 below would apply to all taxable income under current law and used this table of rates in analyzing the fiscal impact of this bill.

Table 1: Forecasted State Personal Income Tax Rate Schedule

Tax (Calendar) Year	Personal Income Tax Rate
2026	3.99%
2027	3.49%
2028	2.99%
2029	2.99%
2030	2.99%
2031	2.99%

Personal income tax rate reductions in 2027 and 2028 are contingent on General Fund revenue thresholds being exceeded. The May 2026 Consensus Revenue Forecast anticipates two thresholds will be exceeded, resulting in the tax rate schedule for 2026 through 2028 as depicted above. An additional 0.5 percentage point reduction would be possible between 2029 and 2034 under current law.

[This section intentionally left blank.]

Estimating North Carolina Taxable Income

North Carolina begins its State personal income tax calculation with federal adjusted gross income (AGI). A taxpayer then applies North Carolina specific additions and deductions to federal AGI to calculate their North Carolina Taxable Income, and the personal income tax rate is then applied to North Carolina Taxable Income to determine the total amount of tax owed by a taxpayer. If a taxpayer is a non-resident, they will only be taxed on the percentage of their income derived from North Carolina.

Formula for Calculating North Carolina Taxable Income (NCTI)

$$\text{NCTI} = (\text{Federal Adjusted Gross Income} + \text{NC additions} - \text{NC deductions})$$

The most recent data from the North Carolina Department of Revenue indicates taxpayers with \$1 million in federal AGI or higher had approximately \$33.2 billion in NCTI. FRD used 2023 as the base year in estimating the amount of income attributable to those with taxable incomes greater than \$1 million. To account for growth in taxable income for these taxpayers since 2023, FRD calculated the total estimated and forecasted change in total North Carolina personal income since 2023 for each tax year in this analysis.

Table 2: Estimated Total NCTI for State Taxpayers with \$1 million or more in AGI
By Tax (Calendar) Year, \$ in Billions

Tax (Calendar) Year	Estimated Total NCTI \$1M+ AGI Returns (\$B)
2026	\$38.4
2027	\$40.2
2028	\$42.0
2029	\$44.0
2030	\$46.2
2031	\$48.5

Business income and capital gains comprise a higher share of income for higher earners, and may be more cyclical, driven by capital gains realizations or changes in equity markets or broader economic conditions. Therefore, depending on economic or market conditions, the estimated income of this group of taxpayers may be higher or lower than the assumptions used in this analysis.

After estimating the total NCTI for taxpayers with \$1 million or more in income, FRD subtracted the first \$1,000,000 of taxable income for each taxpayer since this amount would be subject to the current law tax rate under H.B. 1073. FRD used data from the IRS and the North Carolina Department of Revenue to determine there are approximately 17,000 to 20,000 North Carolina resident filers with incomes greater than \$1 million. Based on historical State tax data the average

State resident taxpayer in this group would have \$1 million in NCTI while non-residents and part-year residents would not. Therefore, FRD subtracted \$17 billion to \$20 billion for each year of the projection period contributing to a range for the estimated taxable income that would exceed \$1 million and be subject to a 7% tax rate under H.B. 1073 (17,000 returns x \$1,000,000 = \$17 billion & 20,000 returns x \$1,000,000 = \$20 billion).

Table 3: Estimated State Taxable Income Exceeding \$1 Million, by Year \$ in Billions

Tax (Calendar) Year	Estimated NCTI Subject to a 7% Tax Rate under H.B. 1073
2026	\$18.4 to \$21.4
2027	\$20.2 to \$23.2
2028	\$22.0 to \$25.0
2029	\$24.0 to \$27.0
2030	\$26.2 to \$29.2
2031	\$28.5 to \$31.5

Estimating the Additional Personal Income Tax Paid

Finally, FRD used the range provided in Table 3 and applied the 7% rate while subtracting the revenue estimated to be generated using the tax rates provided in Table 1 for each year. Table 4 below shows an example of the computation for estimating the impact for tax year 2026. After doing this for each year, FRD adjusted for differences in the timing of a tax year and the State’s fiscal year in presenting the final estimates.

Table 4: 2026 Additional Revenue Generated Under H.B. 1073

Tax (Calendar) Year	Revenue Generated at a 7% Tax Rate	Revenue Generated at a 3.99% Tax Rate	Difference
2026	\$1.3 billion to \$1.5 billion	\$730 to \$850 million	\$550 million to \$650 million

This bill may also have a minimal State impact since the North Carolina Department of Revenue (DOR) is eligible to retain up to \$100,000 of the additional revenue generated under this bill to assist with the cost of collections and administration of the requirements of this bill. Consequently, the estimated tax revenue distributed to local governments would be reduced by the amount DOR retains in collecting this revenue, FRD is unable to estimate how much will be retained by DOR.

TECHNICAL CONSIDERATIONS

This bill increases the personal income tax rate retroactive to the beginning of the current tax year. Consequently, this analysis assumes all 2026 tax year revenue attributable to the rate change would be received in FY 2026-27, due to taxpayers increasing estimated payments or taxpayers adjusting their withholding in the second half of the 2026 tax year.

This analysis uses North Carolina taxable income and does not account for the impact of any additional tax credits that may reduce the final tax liability of State taxpayers, which may vary from year to year by taxpayer.

The estimates in this document are in part based on forecasted net General Fund revenue and PIT triggers. Deviations from expectations would change the fiscal impact.

DATA SOURCES

The North Carolina Department of Revenue, The Internal Revenue Service Statistics of Income, Moody's Analytics, The May 2026 Consensus Revenue Forecast

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

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Nick Long

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
May 22, 2026



Signed copy located in the NCGA Principal Clerk's Offices