

Members of the NC House that support immediate enactment of a Jobs Plan for North Carolinians

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Kelly Alexander
Larry Bell
Alice Bordsen
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Wake County
Democratic Party

New Hanover County
Democratic Party

NC Legislative Black Caucus

House Democrats' Business
Caucus

The one penny sales tax yields revenues of \$1,124,330,000⁴
The cost to put 6,455 State workers back to work is \$387,081,182.

\$35,000 tax exemption per employer with less than 20 employees: \$2.290 billion with the potential to create 155,784 jobs funded by closing 40 percent of the tax loopholes.⁶



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The NC General Assembly can act now, should act now and put North Carolinians back to work.

The three step challenge to the NC GOP Leadership in the NC House is: Cut the Penny Sales Tax by 30 percent, Amend the Budget and Restore State Jobs, and Enact a Smart Tax Policy.

First, we need to cut the penny sales tax by 30 percent. The intentional elimination of the existing, almost unnoticed, little penny sales tax cost 6,455 State employees their jobs, including teachers and teachers' aids. Cuts to MEDICAID and SCHIP are projected to cost 15,415 jobs. The loss of State jobs is projected to cost another 14,292 private sector jobs. A fraction of a penny sales tax is broadly and widely supported by folks across the State who say, "it is the fairest tax because it is paid by everyone." **"We can fix this** problem with the "power of the painless partial penny."

Second, we can use tax incentives for small businesses to create 155,784 more jobs. Small businesses with less than 20 employees make up 86.7 percent of employers and collectively hire 18 percent of the workforce. We need a tax incentives policy to encourage the 155,784 "little guys" to hire an employee. The Legislature has passed numerous special provisions to bring and keep national companies but no effort has been made to provide meaningful incentives that will motivate small businesses to invest in people. During the regular Legislative Session, the Republican leadership passed a "Jobs Bill." Their "Center Piece" is a tax break for some businesses that could possibly be worth at most \$3,500. You can't hire an employee for \$3,500 or pay benefits. **We can fix this** with a tax incentive package for small businesses that funds a full-time position, and incentives for investment in infrastructure and technology. The costs of funding this incentive can come from cutting 40 percent of the tax loopholes identified by the Department of Revenue. These practical, common sense, simple steps can put almost 200,000 people to work.

Third, we need to recognize that only entrepreneurs and businesses create wealth. We need to wisely use our State's policies and resources to promote and encourage wealth creation leading to jobs.

In addition, we need to fully fund uniforms for the NC State Highway Patrol. They have been out of uniforms and essential protective gear since this past May. We can do this with \$1.1 million funded out of the same source.

When the Legislature reconvenes November 7, at a cost of \$50,000 per day we should make the people's money count. We should amend the Budget to rehire those who were fired, through no fault of their own in both the public and private sector, by the Republican Budget.

We can fix this now.

- Unemployment: 451,505 ¹ [increase from July to August 13,515 individuals without jobs, increase from August to September 4,498 individuals without jobs, total increase between July to August 2011, 18,013, 55,083 new initial unemployment claims filed in September 2011]
- Percentage unemployed: 10 percent ¹
- Employers with less than 20 employees: 155,784²
- Percentage of employers with less than 20 employees: 86.7 percent²
- State Employees terminated in the 2011 Budget: 6,455³
- Revenue lost with expiration of one cent sales tax: \$1,124,330,000⁴
- Cost to put 6,455 State workers back to work \$387,081,182.³
- Pass 7/10 of a penny sales tax, rehire 6,455 workers, funds remaining: \$729,389,123, enough to fully fund Medicaid and SCHIP cuts and SHP needs.
- Firing 6,455 State employees leads to loss of 14,292* private sector jobs.⁴
- Cuts to Medicaid/SCHIP funding result in loss of 15,415 private sector jobs, costs to fund averages \$382,950,877 per year for the next two.⁴
- 2009 Revenue Study, \$5.8 billion in “tax expenditures” including dozens of tax loopholes and exemptions for specific industries.⁵
- In 2005, 65 percent of NC “C” corps paid no income tax.⁷
- Cost of \$35,000 tax exemption per employer with less than 20 employees: \$2.290 billion, which has the potential to create 155,784 jobs.⁶
- Close 40 percent of the tax loopholes.
- Pass 7/10 of a cent sales tax to fund re-employs State workers layed-off due to Budget cuts, saves private sector jobs dependent on State worker salaries and saves Medicaid and SCHIP positions for a total of 36,162 jobs.
- Total Jobs saved, replaced or created 191,946.
- Unemployment cut to 261,559 North Carolinians, from 451,505.
- Unemployment percentage cut to 5.78 percent.

¹ NC Employment Security Commission, September 2011 (released October 2011) [note: 10.1 percent unemployment in July 2011 data, released August 2011, 10.4 percent unemployment in August 2011 data, released September 2011, 10.5 percent unemployment in September revised to 10 percent October 28, 2011]

² 2011 State of Small Business and Entrepreneurship

³ Legislative Fiscal Research Analysis, September 2011

⁴ NC Justice Center, BTC Reports, Vol. 17, No. 7, August 2011, *14,292 private sector job loss statewide calculated as to economic spin-off effect of private businesses that conduct business with the State of NC.

⁵ “How to attack a \$3.7 billion shortfall: N.C Policy Watch, Keep expiring taxes in place, target \$5.8 billion in loopholes,” Chris Fitzsimon, NC Policy Watch, January 23, 2011.

⁶ 155,784*\$35,000 adjusted per calculations for Small business Tax Relief Package, 2012 Budget, General Fund Availability, item 23, averaged over two years.

⁷ North Carolina Department of Revenue, 2009 Biennial Tax Expenditure Report, page 27.