

Bill's Seat – A Report from the North Carolina Legislature - January 25, 2009

By Representative Bill Faison

The Legislature will convene this Wednesday, January 28, 2009. Budget problems will be the big news. It is not just the national economy that has problems. Those same problems exist in our State.

How Are Tax Dollars Spent? The Budget spends approximately \$21.4 billion. Roughly 55% of the State's money is spent on education, 25% on Health and Human Services which is mostly Medicaid, and 10% on prisons. This is approximately 90% of the State's Budget. The remaining 10% is spent on the Departments of Commerce (recruiting new businesses to the State), Agriculture (regulating and promoting our State's second leading economic engine), Insurance (regulating insurance companies and holding down insurance rates), Labor (administering Occupational, Safety and Health Standards in the workplace, and inspecting elevators), Secretary of State (authorizing and regulating corporations), History, Archives, Natural Resources, Cultural Resources, the Governor and Lt. Governor, Attorney General, Treasurer, Auditor, Courts, Highway Patrol, and Department of Motor Vehicles.

Where Does the Money Come From? Tax revenues are generated as follows: 55.1% personal income tax, 5.5% corporate income tax, 26.5% sales tax, 10.1% capital gains and other taxes, and 2.8% interest/other non tax revenue.

What is the Problem? We have a \$2 billion shortfall. Jobs have been lost so income tax collections are down, corporate profits are down reducing corporate tax collections, folks have cut back on spending so sales taxes are down, and troubles in the real estate markets have reduced sales and capital gains tax collections.

What Is The Solution? Cuts have already been made in most departments and agencies and still the shortfall is \$2 billion. More cuts can be made yet still a shortfall is projected. Should we raise taxes and fees or should we just keep cutting? If we raise taxes should we raise income taxes, sales taxes or fees (court

fees, corporate filing fees and fees charged for certain jobs like beauticians and accountants)? Should we raise all sales taxes or just some? Should we raise sales taxes on cigarettes, liquor, wine and/or beer? Should we put a sales tax on food?

Most taxes come from individuals, but people already have enough problems making ends meet without more income taxes. Corporations only pay a small portion of the total tax bill and complain that our corporate tax is already too high, making it hard to recruit new businesses and jobs to the State. Some folks think sales taxes are the way to go because everyone has a choice whether to buy or not. The argument against sales tax is the less you make the greater percentage of your income goes to sales tax.

I have worked real hard to keep from raising taxes. I do not want to raise taxes or fees, but we may not have a lot of choice.

What Should We Do? I would really like to know what you think we should do. Please contact me at billf@ncleg.net to share your thoughts.