

# TIMELINE OF MAJOR NC TAX LAW CHANGES

(Prepared by LWFNC Tax Policy Review Committee, February 2024)

<u>YEAR</u>	<u>EVENT</u>	<u>COMMENTS</u>
1989	LWFNC Fiscal Policy/ Tax Policy position adopted	<b>TAXES:</b> General program statement adopted by LWFNC for 1989-1991: Promote an equitable and efficient system of taxation. Support the removal of the sales tax on food for home consumption; the restructuring of the individual income tax to reflect better the ability to pay; the removal of the \$300 ceiling on the sales tax on motor vehicles, boats, and airplanes; and the adoption of other equitable measures that would ensure sufficient revenue to provide needed services.
1921	General Assembly creates the Dept. of Revenue	Created to administer the income tax. Started with 16 employees. Additional tasks added in succeeding years. (NCDOR)
1921	NC enacts income tax	Tax rates ranged from 3-7% based on income level. Tax rates increased as income increased.
1921	NC enacts corporate income tax	Flat rate of 3% when first enacted. Increased to nearly 8% at its height in 1990s. Set at 2.5% in 2024, dropping to 0% by 2030.
1921	NC enacts gas tax	Most states started gas tax at one to three cents per gallon. NC rate rose to 40.5 cents per gallon in 2023. (NCDOR)
1921	1921 Revenue Act ends the collection of state property tax	Property taxes levied by cities and counties continued.
1933	NC enacts a sales tax	Sales tax rate began at 3% with numerous exceptions and conditions enacted over many years. 2023 state tax rate is 4.75%. City and county tax rate can be accessed at <a href="https://www.ncdor.gov/taxes-forms/sales-and-use-tax/sales-and-use-tax-rates#CountyRates-8381">https://www.ncdor.gov/taxes-forms/sales-and-use-tax/sales-and-use-tax-rates#CountyRates-8381</a>

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1969	Tax levied on cigarettes	NC was the last state to levy a tax on cigarettes. 2024 tax rate is \$.45 per pack.
1971	Local governments allowed to enact sales tax of 1%	
1976	Intangibles tax enacted	Intangibles tax repealed 1993.
1989	Individual income tax rate reduced to two rates	
1991	Income tax rate expanded	New rate of 7.5% for higher incomes
1996	State sales tax rate on food reduced from 4% to 3%.	
1997	State sales tax rate on food reduced from 3% to 2%.	
1998	State sales tax rate on food eliminated with some exceptions.	Localities allowed to continue to tax food at 2%.
2001	Income tax rate expanded	Fourth rate of 8.25% for higher incomes
2009	Individual income tax rate raised 1.5% temporarily	GA increased the State personal income tax rate by 1.5% through two actions: 1) The State took over 0.5% of local sales tax in exchange for eliminating the requirement that counties share the cost of Medicaid. 2) The legislation enacted a temporary 1% increase to expire 7/1/2011.

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2013	GA enacts a series of major tax reductions	Annual reductions in the tax rates beginning in FY2024 for individual and corporate income taxes while eliminating nearly all tax credits and many deductions. Corporate income tax rate scheduled to drop to zero by 2030.
2013	GA changes individual income tax rate to a flat rate for all taxpayers	Individual income tax rate is scheduled to drop to 4.5% by 2025.
2016	Sales tax base expanded to include some services	Sales tax now assessed on repair, maintenance, and installation.
2018	Voters approve a cap on the individual income tax rate	Previously, the cap stated in the NC Constitution was 10%. The amendment dropped the cap to 7%.
2021	Tax changes reduce revenue	2021 appropriations action reduced revenue expected from personal income taxes, corporate taxes, franchise taxes, sales and use taxes and insurance taxes. Only tobacco taxes were expected to bring in more revenue. (Legislative Fiscal Note)
2021	Corporate tax rate scheduled to drop to zero by 2030.	NC corporate income tax rate was 2.5%, the lowest in the country. (NC State Univ. Poole Thought Leadership)
2023	Reduction in individual income tax rate accelerated.	Rate reductions accelerated for 2024 and following years to 4.5%, 4.25% in 2025, and 3.99% after 2025.