

GENERAL ASSEMBLY OF NORTH CAROLINA
1995 SESSION

CHAPTER 42
HOUSE BILL 2

AN ACT TO REDUCE INCOME TAXES FOR THE LOWER AND MIDDLE-INCOME PEOPLE OF NORTH CAROLINA BY INCREASING THE PERSONAL EXEMPTION DEDUCTION BY FIVE HUNDRED DOLLARS AND BY ALLOWING A TAX CREDIT OF SIXTY DOLLARS PER DEPENDENT CHILD.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-134.6(c)(4) reads as rewritten:

"(4) The amount by which the taxpayer's standard deduction has been increased for inflation under section 63(c)(4)(A) of the Code ~~and the amount by which the taxpayer's personal exemptions have been increased for inflation under section 151(d)(4)(A) of the Code. For the purpose of this subdivision, if the taxpayer's personal exemptions have been reduced by the applicable percentage under section 151(d)(3) of the Code, the amount by which the personal exemptions have been increased for inflation is also reduced by the applicable percentage.~~ Code."

Sec. 2. (a) Effective for taxable years beginning on or after January 1, 1995, G.S. 105-134.6(c) is amended by adding a new subdivision to read:

"(4a) The amount by which each of the taxpayer's personal exemptions have been increased for inflation under section 151(d)(4)(A) of the Code, less two hundred fifty dollars (\$250.00) if the taxpayer's adjusted gross income (AGI), as calculated under the Code, is less than the following amounts:

<u>Filing Status</u>	<u>AGI</u>
<u>Married, filing jointly</u>	<u>\$100,000</u>
<u>Head of Household</u>	<u>80,000</u>
<u>Single</u>	<u>60,000</u>
<u>Married, filing separately</u>	<u>50,000.</u>

For the purposes of this subdivision, if the taxpayer's personal exemptions have been reduced by the applicable percentage under section 151(d)(3) of the Code, the amount by which the personal exemptions have been increased for inflation is also reduced by the applicable percentage."

(b) Effective for taxable years beginning on or after January 1, 1996, G.S. 105-134.6(c)(4a), as enacted by subsection (a) of this section, reads as rewritten:

"(4a) The amount by which each of the taxpayer's personal exemptions have been increased for inflation under section 151(d)(4)(A) of the Code, less ~~two hundred fifty dollars (\$250.00)~~ five hundred dollars (\$500.00) if the taxpayer's adjusted gross income (AGI), as calculated under the Code, is less than the following amounts:

<u>Filing Status</u>	<u>AGI</u>
Married, filing jointly	\$100,000
Head of Household	80,000
Single	60,000
Married, filing separately	50,000.

For the purposes of this subdivision, if the taxpayer's personal exemptions have been reduced by the applicable percentage under section 151(d)(3) of the Code, the amount by which the personal exemptions have been increased for inflation is also reduced by the applicable percentage."

Sec. 3. Division II of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-151.24. Credit for children.

An individual whose adjusted gross income (AGI), as calculated under the Code, is less than the amount listed below is allowed a credit against the tax imposed by this Division in an amount equal to sixty dollars (\$60.00) for each dependent child for whom the individual was allowed to deduct a personal exemption under section 151(c)(1)(B) of the Code for the taxable year:

<u>Filing Status</u>	<u>AGI</u>
<u>Married, filing jointly</u>	<u>\$100,000</u>
<u>Head of Household</u>	<u>80,000</u>
<u>Single</u>	<u>60,000</u>
<u>Married, filing separately</u>	<u>50,000.</u>

A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed under this section may not exceed the amount of tax imposed by this Division for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer."

Sec. 4. Section 2(a) of this act is effective for taxable years beginning on or after January 1, 1995; Section 2(b) of this act is effective for taxable years beginning on or after January 1, 1996; the remainder of this act is effective for taxable years beginning on or after January 1, 1995.

In the General Assembly read three times and ratified this the 18th day of April, 1995.

Dennis A. Wicker
President of the Senate

Harold J. Brubaker
Speaker of the House of Representatives