

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

REVISED

BILL NUMBER: House Bill 449 (First Edition)

SHORT TITLE: Gift Tax Changes.

SPONSOR(S): Representatives Stam and Gibson

| FISCAL IMPACT | | | | | |
|-----------------------------------------------------------|------------------------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | Yes (x) | No () | No Estimate Available () | | |
| | <u>FY 2005-06</u> | <u>FY 2006-07</u> | <u>FY 2007-08</u> | <u>FY 2008-09</u> | <u>FY 2009-10</u> |
| REVENUES: | See "Assumptions and Methodology" | | | | |
| EXPENDITURES: | | | | | |
| POSITIONS (cumulative): | | | | | |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: | | | | | |
| EFFECTIVE DATE: | Gifts made on or after January 1, 2006. | | | | |

BILL SUMMARY: Modifies the state gift tax law by providing that the value of a gift is determined in accordance with the Internal Revenue Code and makes technical changes to gift tax valuation language.

ASSUMPTIONS AND METHODOLOGY: Based on a discussion with the Department of Revenue, the North Carolina Bar Association, and an attorney involved in a recent state gift tax case, there is no detailed data for all of the gift tax situations that would be affected by the proposed change. However, Fiscal Research feels that the impact on General Fund tax revenue will be minimal for the following reasons: (1) the total annual gift tax yield is less than \$20 million; (2) the small dollar revenue loss from qualified personal residence trusts (the subject of recent litigation); and (3) in some situations federal conformity may lead to additional taxes.

SOURCES OF DATA:

TECHNICAL CONSIDERATIONS: None

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