



## INSIGHTS & COMMENTARY

Jurisdiction: North Carolina  
Tax Type: Corporate Income Tax  
Issue: North Carolina Corporate Rate Reduction  
Date: August 17, 2016

### SYNOPSIS:

The North Carolina legislature has enacted a “Rate reduction trigger” whereby the North Carolina Corporate Income Tax rate **may** be decreased if the General Fund tax collections exceed a specified threshold in fiscal years 2014-2015 and 2015-2016. The Secretary of Revenue must publish a notice of the rate reduction for taxpayers and the rate reduction under such notice will take effect the following January 1. For the General Fund fiscal year 2015-2016, the Secretary of Revenue **may** decrease the Corporate Income Tax rate by 1% if the General Fund tax collections exceed \$20,975,000,000. On August 4, 2016, the North Carolina Secretary of Revenue published a notice announcing that the 2015-2016 General Fund tax collections exceeded \$20,975,000,000 and that the Corporate Income Tax rate for tax years beginning on or after January 1, 2017 will be reduced by 1%, from 4% to 3%.<sup>1</sup>

### INSIGHT:

Taxpayers should keep this rate reduction in mind when completing their North Carolina compliance for tax years beginning on or after January 1, 2017 such as calculating estimates, extensions and the North Carolina corporate income tax return. Further, such rate reduction may effect taxpayers’ reserve calculations and other corporate tax planning for tax years beginning on or after January 1, 2017.

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<sup>1</sup> N.C. Gen. Stat. 105-130.3C; NCDOR, Important Notice, Secretary of Revenue, Aug. 4, 2016.