



Representative McLawhorn's News from Raleigh

March 6, 2008

This session, the General Assembly came up with several ways to cut taxes for the people of North Carolina without sacrificing the quality of our public services. Some of these changes will benefit you this tax season, while others can't be claimed until next year. I hope this information is of use to you as the deadline for tax filing approaches.

Thank you for your support and for allowing me to share this information with you. Please let me know if I can be of any service.

Individual Income Taxes

Earned Income Tax Credit

We created a 3.5 percent refundable earned income tax credit. This tax credit would lower the tax burden for many of the working people who earn about \$40,000 or less. And because it's refundable, they may get tax refunds they may not have otherwise received. North Carolinian taxpayers who are eligible for the federal earned income tax credit are eligible for the state credit. This tax credit will become effective for the 2008 taxable year.

Long-term Care Insurance Tax Credit

The General Assembly approved a \$7 million a year tax credit for families that purchase long-term care insurance. This tax credit allows a credit of 15 percent of the premiums paid for long-term care insurance during the taxable year and is limited to taxpayers earning less than \$100,000 for a married couple. Up to \$350 is allowed for each long-term care insurance contract. Please note that this tax credit became effective in 2007 and can be claimed on returns filed this spring.

Adoption Expenses Tax Credit

This year we created a tax credit to benefit those who adopt a child. Taxpayers who are eligible for the federal tax credit for adoption expenses are also eligible for the state tax credit. The state tax credit is equal to 50 percent of the federal tax credit and has a maximum amount of \$5,695. This tax credit also became effective in 2007 and can be claimed on returns filed this spring.

Nonprofits and Renewable Energy Property

Legislators approved a credit for individuals and businesses that make donations to tax-exempt charitable organizations so that the organization can invest in renewable energy property. Taxpayers must choose between claiming this credit or taking a deduction for the charitable contribution. This tax credit will be effective for the 2008 taxable year.

Volunteer Firefighter and Rescue Squad Workers

My colleagues and I approved a \$250 tax deduction for volunteer firefighters and rescue squad workers who attend 36 hours of drills, training, or meetings during a year. This tax credit is effective for the 2007 tax year and can be claimed on returns filed this year.

Sales Tax

Sales Tax Holiday

North Carolinians benefit from a sales tax holiday each year in the first weekend in August. Previously the sales tax holiday applied to school items that cost less than \$100. This year the General Assembly increased the cap to \$300 because some college textbooks cost more than \$100. This cap increase will become effective for the sales tax holiday in 2008.

Farmers and Manufacturers

The General Assembly approved a phase-out of the sales tax on piped natural gas, electricity, and other fuels (excluding motor fuel) sold to farmers and manufacturers. The taxes will be phased out over the next three years.

Property Taxes

Property Tax Homestead Exclusion

The property tax homestead exclusion helps low-income disabled and elderly people keep their homes. Under previous law, \$20,000 or 50 percent (whichever amount is greater) of the value of the homestead was excluded from taxation. This session we increased that amount to \$25,000 or 50 percent of the homestead. We also increased the income eligibility limit of the program to \$25,000. It was previously capped at \$20,500. These changes will become effective for the 2008 tax year.