

North Carolina should keep the income tax on corporate profits

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No matter what we look like or where we live, North Carolinians want to care for our families and leave things better for those to come. But as our work has made the state prosper, a handful of politicians have rigged the rules to redirect resources from our communities to wealthy corporations who benefit from our work.

Legislative leaders in the NC General Assembly have chosen big corporations over North Carolina's people, homegrown businesses, and future generations by passing policy that will eliminate the state corporate income tax beginning in 2030.

When these corporations no longer contribute to our state by paying these taxes, North Carolina will have \$2 billion less in public money, a number that will grow each year. This is even though corporations, like all of us, benefit from countless public investments — from the education that prepares our workforce to the roads that get goods to market. Just like people in North Carolina pay taxes on our incomes, corporations should pay taxes on the profits they realize.

QUICK FACTS ON THE CORPORATE INCOME TAX

- The corporate income tax rate for 2024 is 2.5 percent
- Unless lawmakers act to change current law, it will fall to 2.25 percent in 2025 and continue to decline until it reaches ZERO in 2030
- North Carolina's current rate is already the lowest in the nation among the 44 states with the tax
- The average rate among our neighboring states is twice as high.



Most companies that pay corporate income taxes are large, multi-state, highly profitable corporations.

Most businesses do not have to pay corporate income taxes, because the tax only applies to corporations that are organized under a specific legal structure. **Nationwide about 85 percent of businesses are structured in a way that means they do not have to pay federal or state corporate income taxes.**

Most of the companies that pay the corporate income tax in North Carolina operate in multiple states and have profits of more than \$25 million — 72 percent of all corporate income tax collections in our state come from these companies. These highly profitable companies, not small businesses or local entrepreneurs, will get a windfall when the corporate income tax is eliminated.



Eliminating the corporate income tax will enrich wealthy shareholders and executives — and make North Carolina’s tax code more unequal.

Corporate income taxes are mostly passed on to affluent shareholders or to highly-paid managers and executives, many of whom live outside of North Carolina. A 2018 analysis found that over 80 percent of corporate tax cuts in North Carolina flowed out of state. Rank-and-file workers on the other hand, have received little to no benefit from recent corporate income tax cuts.

North Carolina’s tax code is already “upside-down,” meaning that people with the lowest incomes pay the highest share of their income in state and local taxes. Because corporate income taxes primarily affect the very rich, eliminating it would worsen the inequities in our tax code. **If the tax rate were zero for 2023, more than two-thirds of funds from the cut would flow to the richest 20 percent of North Carolina households.** Combined with other tax cuts, reducing the corporate income tax means a greater reliance on sales taxes, which require people with the lowest incomes to contribute the largest portion of their income in tax.



Revenue from the corporate income tax supports the growth and opportunity North Carolinians deserve.

While corporate income tax payments are a very small portion of total costs for individual businesses, they add up to a crucial contribution to our collective effort to fund public services. **The \$2 billion our state plans to give away in corporate tax cuts could expand childcare assistance to every eligible family.** This money could fund a child tax credit that would slash child poverty by 25 percent, expand and preserve affordable housing for tens of thousands of families, and invest in infrastructure like public transit and broadband.

North Carolina could use these funds to build an economy that works for everyone, investing in research at public universities, equitable workforce development at community colleges, and technical assistance for the small, homegrown businesses that generate most job growth.



Low tax rates don’t drive job creation, small businesses homegrown in NC do.

Most companies hire when demand for what they sell goes up. State and local taxes account for just ¼ of 1 percent of all business expenses, so tax breaks are unlikely to drive hiring decisions. **More than 40 years of research has found that income tax cuts for corporations may have a small effect, but more likely no impact, on economic growth.** That is because the loss of public funding can lead to less investment in the public services, like education and infrastructure, that businesses need.

In 2023, North Carolina’s small businesses generated three-quarters of employment growth in the state. Since most of these businesses aren’t subject to the corporate income tax anyway, eliminating the tax won’t support their profitability and growth.

Let’s come together and demand policymakers keep the corporate income tax.

There’s still time to stop the scheduled elimination of the corporate income tax. North Carolina needs all corporations to pay what they owe so that workers, homegrown businesses, and communities have what we need to drive our economy forward.

* For citations and references go to [NCBudget.org/CITFactSheet](https://www.ncbudget.org/CITFactSheet)