



**Link to [SB 1080](#)**

**SB 1080 Summary:** This legislation proposes a constitutional amendment on the November ballot asking voters to approve a 3.5% income tax cap, down from the current 7%, that locks in tax changes made since 2013.

**An income tax cap of 3.5 percent would:**

- Reduce progressive revenue capacity for future needs by at least \$14 billion;
- Lock in income tax cuts that benefit the wealthiest and profitable corporations. Two-thirds of personal income tax cuts go to the richest 20 percent, while \$9 out of every \$10 in corporate tax breaks leave the state to benefit shareholders and executives;
- Require a new ballot measure only with voter approval to change the income tax rate above 3.5%.

**Income tax is the major source of revenue for the General Fund and most aligned to people’s ability to pay.**

The corporate and personal income tax combined represent 56 percent of the state’s General Fund. It provides the core funding for state responsibilities to fund the education, health, and broader well-being of people and communities.

Income tax is a more progressive tax as it is based on the income and profits generated from economic activity. This means those who most benefit from a strong economy pay a greater share of their income to help expand economic opportunity for everyone.

**Income tax limits don’t impact the total state and local taxes paid by North Carolinians.**

A limit on the income tax rate won’t keep total state and local taxes low. In reality, states with income tax limits or no income tax tend to rely more on sales taxes, property taxes, and fees to fund the programs and services that are necessary to move our communities forward. Already, North Carolina’s overall tax code is regressive, asking the greatest share of the lowest income households in state and local taxes than the wealthiest households.<sup>i</sup>

When states rely more heavily on sales tax, states are relying on households with low income and households of color to pay a greater share of their income in state and local taxes.<sup>ii</sup>

**Capping income tax rates is rooted in racist ideas about who should have a say in tax policy.**

The earliest supermajority requirements making it harder to raise taxes, along with limits placed on property taxes, were rooted in the interests of white landowners after Reconstruction, who sought to restrict public funding from reaching every community regardless of race or ethnicity.



In the present day, this proposal seeks to lock in tax policies favored by the current majorities in the General Assembly. Such a constitutional change would restrict future voters — who are more likely to be people of color — from electing leaders who can change tax policy and would require income tax rates above 3.5% meet a supermajority requirement in the legislature as well as a popular vote.

## More about Senate Bill 1080

- North Carolina already has an income tax cap in the state constitution, which was set at 7 percent with voter approval in 2018.
- North Carolina legislative leaders are set to eliminate the corporate income tax rate by 2030 and will continue cutting the personal income tax rate to at least 2.99% — or 2.49% if revenue triggers are met.

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<sup>i</sup> <https://itep.org/whopays/north-carolina-who-pays-7th-edition/>

<sup>ii</sup> <https://www.ncjustice.org/publications/state-tax-policy-is-not-race-neutral/>