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BUDGET & TAX CENTER

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Tax Amendments By the Numbers

There are two tax amendments on the state ballot in November that would change the state Constitution to more permanently make policy that affects our daily lives.

- Income Tax Amendment: This would permanently cap the state income tax rate for people and corporations at 3.5%, leaving less funding for public schools, safe roads, emergency services, and other community needs.
- Property Tax Amendment: This would limit overall property tax revenue collected overall and especially from large property owners, corporations, and real estate developers while not guaranteeing that property tax bills for individuals won't go up.

Context about Tax Sources and Spending

- Income taxes generate the majority of revenue that funds our state budget every year.
    - 49% of General Fund revenue comes from personal income taxes.
    - About 54% of General Fund revenue comes from personal and corporate income taxes combined.
- Education investments, including K-12 and higher education, represent 57 percent of state General Fund spending.

- The property tax is a significant share of revenue that funds local budgets every year.
  - Property taxes funded, on average, over half of county General Fund budgets for Fiscal Year 2026.
  - Property taxes funded 22 percent — or more than 1 in every 5 dollars — of total municipal (a.k.a. city and town) revenue for Fiscal Year 2024. (Total revenue includes the General Fund along with other funds.)

Scale of Revenue Impact

What we've already lost: $18 billion is the amount of revenue lost in 2026 due to tax cuts since 2013. In other words, if the tax code from 2013 were still in effect (including a graduated personal income tax rate and higher corporate income tax rate), NC would have an additional $18 billion to spend in 2026.

Scale of Revenue Impact	**What could that pay for?**
What lowering the tax cap blocks: $17 billion is the total estimated revenue capacity lost from reducing the maximum allowable income tax rate from 7 percent to 3.5 percent (personal and corporate combined). This total includes: • $14.7 billion: The estimated capacity lost from moving the maximum **personal** income tax rate from 7 percent to 3.5 percent. This number will grow over time. • $2.3 billion: The estimated capacity lost from moving the maximum allowable **corporate** income tax rate from 7 percent to 3.5 percent. This number will also grow over time.	$17 billion is HALF (over 49 percent) of the state General Fund. $17 billion would be enough to raise teacher pay to the national average ($1.5 billion), raise per pupil spending to the national average ($8.7 billion), and fund 40% of facilities needs in school buildings, such as HVAC updates ($6.6 billion).

<table>
<tr><td>Specific proposals blocked by a lower income tax cap: $3 billion is the total amount of revenue that NC could raise with:
The Kids Over Corporations Act, which would raise $2 billion by raising the corporate income tax rate from 2 percent to 5 percent, in line with neighboring states, AND
The Fair Share for Public Schools Act, which would raise $1 billion by establishing a 7 percent personal income tax rate on income above $1 million
Both policies would be blocked if the income tax cap were lowered to 3.5 percent.</td><td>$3 billion would be enough to:
Fund all current locally funded teaching positions with state dollars and raise teacher pay to the national average ($2 billion), AND
Provide subsidized childcare for over 80,000 children ($1 billion)</td></tr>
<tr><td>Potential loss from property tax levy limit: $950 million is a conservative estimate of the local revenue that could be lost statewide from a 2% property tax levy limit. This number is based on all 100 counties and 75 municipalities, including the 50 largest in NC by property value.</td><td>$950 million is almost the same amount of money funding:
Public buses that get people to work and school across the state
6,250 school teaching positions paid for with local dollars
Local libraries in every community across the state</td></tr>
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Who Benefits from Locking in Tax Cuts

- North Carolina’s low income tax rates have benefited the wealthy and profitable corporations.

- The personal income tax rate is 3.99 percent in 2026 and will decrease to 3.49 percent in 2027. Each time the rate is cut, 2 out of every 3 dollars in personal income tax cuts go to the richest 20 percent of NC households.
- The corporate income tax rate is 2 percent in 2026 and will be completely eliminated in 2030. Each time the rate is cut, more than 9 out of every 10 dollars in corporate income tax cuts flow out of state, mainly to corporate shareholders and executives.

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