FEBRUARY 2015 LEGISLATIVE UPDATE

This legislative update is brought to you by Annaliese Dolph, Esq., the registered lobbyist for the United Way of North Carolina.

A Slow Start to the 2015 Legislative Session

While every legislative session is different, the 2015 session is definitely getting off to a relatively slow start. The 2015 session convened on January 14, 2015 but then adjourned until January 28. Then, after just a few weeks of scattered committee meetings and sparse bill filings, activities largely came to a halt with two weeks of weekday snow and ice storms in Raleigh and across the state. Thus, this update will be more brief than most! As always, feel free to contact me with any questions you may have.

Budget Update

The Governor's proposed budget is expected to be released Thursday, March 5th. The Executive branch has been mum on its contents but we do know that revenues are coming in slightly below target (personal income tax below, sales, corporate income and franchise above). Yet budget pressures continue with Medicaid growth, public school enrollment growth and a commitment to increase teacher pay. In advance of discussing actual numbers, Appropriations subcommittees have begun meeting to educate members on the process and budget items. The Health and Human Services subcommittee has announced a new approach to its budget, shifting from "paying to investing." This approach would shift to a stronger focus on outcomes and evidence-based practices.

Legislation of Interest

HB 27, Reenact EITC (Pierce, R. Moore and L. Hall). HB 27 proposes a 2.5% EITC for 2015, and a 5% credit thereafter, with a sunset in 2019.

SB 20, IRC Update/Motor Fuel Tax Changes (Rabon, Rucho, Tillman). SB 20 proposes changes to the way contributions made to nonprofits from individual retirement accounts (IRAs) last year are

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SB 20 Cont'd

treated for state tax purposes. Under the bill, individuals aged 70 ½ and older who made tax-free (for federal purposes) distributions to nonprofits from their IRAs in 2014 would have to count these distributions as income on their state taxes, but could claim a tax deduction for the amount of the contribution. The proposal is part of a larger bill that also changes state gas tax rates, among other things. It has passed the Senate and will next be taken up in the House. UWNC partner, the North Carolina Center for Nonprofits, has raised concerns that this proposal could create new taxes on North Carolina retirees who contributed to nonprofits from their IRAs last year. It could also set a precedent of diminishing incentives for charitable giving.

Upcoming Events

UWNC Public Policy Committee
Friday, March 27, 11:00am – 2:00pm
Allegacy Federal Credit Union
1691 Westbrook Plaza Drive, Winston-Salem, NC 27103
Enter door by parking lot with sign above: "Center for Smart Financial Choices"

Economic Inclusion: Tools to Build the Financial Strength of Low-Income Families and Communities
March 31, 10 am – 12:30 pm, Quorum Center, 323 W. Jones Street, Raleigh
This conference will convene a multi-disciplinary audience to discuss the Earned Income Tax Credit (EITC). Hear from Federal Reserve Bank Economist Kartik Athreya and engage with leaders pursuing innovative ways to connect working families to economic opportunity. Free. Register here.

CHIP Reauthorization

Federal funding for the Children's Health Insurance Program (CHIP) is currently authorized through 2019, but funded only through September 30, 2015.

Background: Since 1997, CHIP has been a state-federal partnership designed to give governors broad flexibility in administering their CHIP programs. The federal government provides enhanced matching payments to states to operate their programs. On average, the federal government picks up 70% of the costs (75% in North Carolina). In order to participate in CHIP, states must meet minimum benefit requirements. CHIP's unique structure has helped states manage the costs of uncompensated care while reducing the numbers of uninsured kids and improving health outcomes.

North Carolina: North Carolina's CHIP is called NC Health Choice. To qualify, a child must be between the ages of 6 through 18; and in a family whose family income is above one hundred thirty-three percent (133%) but no higher than two hundred eleven percent (211%) of the federal poverty level.

Status: Senate and House Republican committee leadership proposed their plan to extend CHIP last week. Attention to this important legislation is wonderful news but the proposal includes a number of troubling items including an end to the ACA's maintenance-of-effort requirement, restricts state's ability to extend income eligibility above 250% FPL (and disallowing above 300%FPL), and 12-month waiting periods.

Questions? Contact Annaliese Dolph, Annaliese@dolphlaw.com, (919) 357-8914