

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023**

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HOUSE BILL 1055

Short Title: Working Families and Small Businesses Act. (Public)

Sponsors: Representatives Staton-Williams, Prather, Ball, and Everitt (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Appropriations, if favorable, Finance, if favorable, Pensions and Retirement, if
favorable, Rules, Calendar, and Operations of the House

May 7, 2024

A BILL TO BE ENTITLED
AN ACT APPROPRIATING FUNDS TO RAISE SALARIES FOR TEACHERS AND STATE
EMPLOYEES, REDUCING PARENT COPAYMENTS FOR SUBSIDIZED CHILD
CARE, AND PROVIDING A SMALL BUSINESS TAX CREDIT.

The General Assembly of North Carolina enacts:

PART I. RAISE TEACHER SALARIES

SECTION 1.1.(a) The following monthly teacher salary schedule shall apply for the
2024-2025 fiscal year to licensed personnel of the public schools who are classified as teachers.
The salary schedule is based on years of teaching experience:

2024-25 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	4,600
1	4,660
2	4,720
3	4,780
4	4,840
5	4,900
6	4,960
7	5,020
8	5,080
9	5,140
10	5,200
11	5,260
12	5,320
13	5,380
14	5,440
15-17	5,500
18-20	5,575
21-23	5,650
24-26	5,725
27-29	5,800
30+	5,875



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SECTION 1.1.(b) Salary Supplements for Teachers Paid on This Salary Schedule.

- (1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.
- (2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the supplement provided to them as "M" teachers.
- (4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the supplement provided to them as "M" teachers.
- (5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (6) School counselors who are licensed as counselors at the master's degree level or higher shall receive a salary supplement of one hundred dollars (\$100.00) per month.

SECTION 1.1.(c) For school psychologists, school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and school audiologists who are licensed as audiologists at the master's degree level or higher, the following shall apply:

- (1) The first step of the salary schedule shall be equivalent to the sixth step of the "A" salary schedule.
- (2) These employees shall receive the following salary supplements each month:
 - a. Ten percent (10%) of their monthly salary, excluding the supplement provided pursuant to sub-subdivision b. of this subdivision.
 - b. Three hundred fifty dollars (\$350.00).
- (3) These employees are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.
- (4) The twenty-sixth step of the salary schedule shall be seven and one-half percent (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

SECTION 1.1.(d) Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

SECTION 1.1.(e) A teacher compensated in accordance with this salary schedule for the 2024-2025 school year shall receive an amount equal to the greater of the following:

- (1) The applicable amount on the salary schedule for the applicable school year.
- (2) For teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:
 - a. The salary the teacher received in the 2013-2014 school year pursuant to Section 35.11 of S.L. 2013-360.
 - b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in Section 35.11 of S.L. 2013-360 based on the teacher's current years of service.
 - c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.

- (3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the salary and annual bonus the teacher received in the 2014-2015 school year pursuant to Section 9.1 of S.L. 2014-100.

SECTION 1.1.(f) As used in this section, the term "teacher" shall also include instructional support personnel.

SECTION 1.1.(g) There is appropriated from the General Fund to the Department of Public Instruction for the 2024-2025 fiscal year the sum of three hundred twenty-two million seven hundred nine thousand dollars (\$322,709,000) in recurring funds to implement the teacher raises provided in this section.

PART II. CHILD CARE SUBSIDIES

SECTION 2.1.(a) Section 9D.3(b) of S.L. 2023-134 reads as rewritten:

"**SECTION 9D.3.(b)** Fees for families who are required to share in the cost of care are established based on ~~ten percent (10%)~~ seven percent (7%) of gross family income. When care is received at the blended rate, the copayment shall be eighty-three percent (83%) of the full-time copayment. Copayments for part-time care shall be seventy-five percent (75%) of the full-time copayment."

SECTION 2.1.(b) This section becomes effective July 1, 2024.

PART III. RAISE STATE EMPLOYEE SALARIES

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED COST-OF-LIVING ADJUSTMENT/LEGISLATIVE SALARY INCREASES

SECTION 3.1.(a) Effective July 1, 2024, except as provided by subsection (c) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act, and (ii) who is employed in a State-funded position on June 30, 2024, is awarded a cost-of-living adjustment as follows:

- (1) Five percent (5%) effective July 1, 2024.
- (2) As otherwise allowed or provided by law.

SECTION 3.1.(b) The following persons are not eligible to receive the legislative salary increases provided by subsection (a) of this section:

- (1) Employees of local boards of education.
- (2) Local community college employees.
- (3) Employees of The University of North Carolina.
- (4) Clerks of superior court compensated under G.S. 7A-101.
- (5) Officers and employees to which Section 3.7 or Section 3.8 of this Part apply.
- (6) Employees of the State Bureau of Investigation and Alcohol Law Enforcement compensated under this Part.
- (7) Employees of the State Highway Patrol compensated under this Part.
- (8) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the Department of Adult Correction, and the State Board of Education who are paid based on the Teacher Salary Schedule.

SECTION 3.1.(c) Permanent part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 3.1.(d) No eligible State-funded employee shall be prohibited from receiving the full salary increase provided in this section solely because the employee's salary after applying the legislative increase is above the maximum of the salary range prescribed by the State Human Resources Commission.

RECEIPT-SUPPORTED COST-OF-LIVING ADJUSTMENT RESERVE

SECTION 3.2. State agencies are authorized to use the funding allotted to them from the Receipt-Supported Cost-of-Living Adjustment Reserve to fundshift a limited number of receipt-supported positions in the General Fund to net appropriation funding.

RETENTION PAY FOR STATE EMPLOYEES

SECTION 3.3.(a) All references to "longevity" pay in Chapter 126 of the General Statutes shall be replaced with "retention" pay.

SECTION 3.3.(b) The amount of retention pay provided to employees who are full-time or over half-time and have a permanent, time-limited or probationary appointment and who are in pay status for one-half of the regularly scheduled workdays and holidays in a pay period shall be increased to the following amounts:

Years of Total Service	Retention Pay Percentage
2 but less than 5 years	1.0%
5 but less than 10 years	1.5%
10 but less than 15 years	2.0%
15 but less than 20 years	2.5%
20 but less than 25 years	3.5%
25 or more years	4.5%

RETENTION BONUS AWARDED FOR FISCAL YEAR

SECTION 3.4.(a) Any person (i) whose salary is set by Section 1 of this act or this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is continuously employed by the State or a public school unit from November 1, 2023, to March 31, 2024, shall be awarded an additional retention bonus for the 2023-2024 fiscal year in the amount of five hundred dollars (\$500.00), payable during the month of May 2024.

SECTION 3.4.(b) Employers of State employees and local education employees shall provide an additional retention bonus of two hundred fifty dollars (\$250.00), payable during the month of May 2024, to all permanent full-time State employees and local education employees who are employed by the State or a public school unit from November 1, 2023, to March 31, 2024, and who earn an annual salary that does not exceed seventy-five thousand dollars (\$75,000).

SECTION 3.4.(c) The funds appropriated for retention bonuses in excess of the amounts required to implement these bonuses shall revert and not be credited to the Pay Plan Reserve.

SECTION 3.4.(d) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 3.4.(e) The compensation bonuses awarded by this section are not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

COMMUNITY COLLEGES

SECTION 3.5. Effective July 1, 2024, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an increase as provided by this act.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 3.6.(a) Effective for the 2024-2025 fiscal year, the annual salaries of The University of North Carolina SHRA employees shall be increased as provided by this act.

SECTION 3.6.(b) For the 2024-2025 fiscal year, the Board of Governors of The University of North Carolina may provide EHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies.

SECTION 3.6.(c) The Board of Governors of The University of North Carolina shall make a report on the use of compensation increase and bonus funds for the 2024-2025 fiscal year to the General Assembly by no later than October 1, 2024.

CORRECTIONAL OFFICERS/YOUTH COUNSELORS/YOUTH COUNSELOR TECHNICIANS/YOUTH SERVICES BEHAVIORAL SPECIALISTS – SALARY SCHEDULE

SECTION 3.7.(a) State employees serving as correctional officers in the Department of Adult Correction shall be compensated at a specific pay rate on the basis of a salary schedule determined according to the duration of the employee's correctional officer work experience.

SECTION 3.7.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific pay rate set on the basis of a salary schedule determined according to the duration of the employee's work experience, as follows:

- (1) Youth Counselor Technicians shall be paid under the Correctional Officer I salary schedule.
- (2) Youth Services Behavioral Specialists shall be paid under the Correctional Officer II salary schedule.
- (3) Youth Counselors shall be paid under the Correctional Officer III salary schedule.

SECTION 3.7.(b) The following annual salary schedule applies for the 2024-2025 fiscal year, effective July 1, 2024:

FY 2024-25				
Experience	COI	COII	COIII	
0	38,750	40,025	42,805	
1	41,461	42,825	45,802	
2	43,950	45,440	48,551	
3	46,147	47,665	50,979	
4	47,992	49,572	53,017	
5	49,433	51,058	54,608	
6+	50,422	52,080	55,700	

SECTION 3.7.(c) If an employee will not receive a salary increase because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE/INCREASES

SECTION 3.8.(a) Law enforcement officers of the State Bureau of Investigation and Alcohol Law Enforcement shall be compensated pursuant to an experience-based salary schedule and shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 3.8.(b) The following annual salary schedule applies for the 2024-2025 fiscal year, effective July 1, 2024:

Years of Experience	FY 2024-25
0	56,151
1	59,802
2	63,689
3	67,829
4	72,238
5	76,934
6+	81,935

STATE HIGHWAY PATROL/SALARY SCHEDULE/INCREASE

SECTION 3.9.(a) Law enforcement officers of the State Highway Patrol compensated pursuant to an experience-based salary schedule shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 3.9.(b) The following annual salary schedule applies for the 2024-2025 fiscal year, effective July 1, 2024:

Years of Experience	FY 2024-25
0	57,750
1	61,504
2	65,501
3	69,759
4	74,293
5	79,122
6+	84,265

PROBATION AND PAROLE OFFICERS/JUVENILE COURT COUNSELORS – SALARY SCHEDULE

SECTION 3.10.(a) Probation and parole officers shall be compensated pursuant to the experience-based salary schedule based on the officer's respective work experience, as established in subsection (b) of this section.

SECTION 3.10.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be compensated under the probation and parole officer salary schedule.

SECTION 3.10.(b) The following annual salary schedule applies for the 2024-2025 fiscal year, effective July 1, 2024:

Years of Experience	FY 2024-25
0	46,785
1	49,825
2	53,066
3	56,514
4	60,188
5	64,100
6+	68,266

SECTION 3.10.(c) If an employee will not receive a salary increase because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual

salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

STATE AGENCY TEACHERS

SECTION 3.11.(a) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the Department of Adult Correction, and the State Board of Education who are paid on the Teacher Salary Schedule shall be paid as authorized in this act.

SECTION 3.11.(b) Employees of the School of Science and Mathematics of The University of North Carolina who are paid pursuant to a salary schedule adopted by the North Carolina School of Science and Mathematics Board of Trustees shall be paid in accordance with the schedule adopted by the Board.

ALL STATE-SUPPORTED PERSONNEL/FLEXIBLE ADMINISTRATION OF COST-OF-LIVING ADJUSTMENTS

SECTION 3.12.(a) The cost-of-living adjustments authorized by this act for the 2024-2025 fiscal year shall be paid effective July 1, 2024, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2024.

SECTION 3.12.(b) The Director of the Budget is granted flexibility to administer the compensation increases enacted by this act.

SECTION 3.12.(c) The State employer contribution rates enacted by this act for retirement and related benefits may be deemed by the Director of the Budget for administrative purposes to become effective after July 1 of the applicable fiscal year to provide flexibility in the collection and reconciliation of salary-related contributions as required by law, provided the estimated amount contributed to any affected employee benefit trust equals the amount that would have been contributed to the employee benefit trust if the enacted employer contribution rates had been effective on July 1 of the applicable fiscal year.

SECTION 3.12.(d) This section applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

MOST STATE EMPLOYEES

SECTION 3.13. Unless otherwise expressly provided by this Part, the annual salaries in effect for the following persons on June 30, 2024, shall be legislatively increased as provided by Section 2.1 of this act:

- (1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.
- (3) Permanent, part-time State employees.
- (4) Temporary and permanent hourly State employees.

USE OF FUNDS APPROPRIATED FOR COST-OF-LIVING ADJUSTMENT/BENEFIT INCREASES

SECTION 3.14.(a) The Office of State Budget and Management shall ensure that the appropriations made in this act for cost-of-living adjustments and employee benefits are used only for these purposes.

SECTION 3.14.(b) If the Director of the Budget determines that funds appropriated to a State agency for mandated salary increases and employee benefits exceed the amount

required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for required cost-of-living and benefit increases.

SECTION 3.14.(c) Funds appropriated for cost-of-living adjustments and employee benefit increases may not be used to adjust the budgeted salaries of vacant positions or to provide salary increases in excess of those required by the General Assembly except to increase the budgeted salary of any position to the minimum of the position's salary range and to meet retention pay needs.

SECTION 3.14.(d) Any funds appropriated for cost-of-living adjustment and employee benefit increases in excess of the amounts required to implement the increases pursuant to subsection (c) of this section shall be credited to the Pay Plan Reserve.

SECTION 3.14.(e) By October 1, 2024, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases and employee benefits. This report shall include at least the following information for each State agency:

- (1) The total amount of funds that the agency received for legislatively mandated salary increases and employee benefits.
- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for legislatively mandated salary increases and employee benefits.
- (4) The amount of funds used pursuant to subsection (c) of this section.

SECTION 3.14.(f) If the compensation provisions of this Part and S.L. 2023-134 are in conflict, the provisions of this act shall control to resolve the conflict.

SALARY-RELATED CONTRIBUTIONS ADJUSTMENTS

SECTION 3.15. Section 39.26(c) of S.L. 2023-134 reads as rewritten:

"SECTION 39.26.(c) Effective July 1, 2024, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2024-2025 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	16.79% <u>17.92%</u>	16.79% <u>17.92%</u>	6.84%	37.00% <u>39.32%</u>	22.00% <u>23.97%</u>
Disability	0.13%	0.13%	0.13%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
Retiree Health	6.99%	6.99%	6.99%	6.99%	6.99%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate ~~24.04%~~ 25.17% ~~29.04%~~ 30.17% ~~13.96%~~ 43.99% ~~46.31%~~ 28.99% 30.96%

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement."

PROVIDE COST-OF-LIVING ADJUSTMENT FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

1 **SECTION 3.16.(a)** G.S. 135-5 is amended by addition the following new
2 subsections to read:

3 "(aaaa) Effective July 4, 2024, the retirement allowance payable to, or on account of,
4 beneficiaries whose retirement commenced on or before July 1, 2023, is increased by two percent
5 (2%) of the allowance payable on June 1, 2023, in accordance with subsection (o) of this section.
6 Effective July 4, 2024, the retirement allowance payable to, or on account of, beneficiaries whose
7 retirement commenced after July 1, 2023, but before June 30, 2024, is increased by a prorated
8 amount of two percent (2%), as determined by the Board of Trustees based upon the number of
9 months that a retirement allowance was paid between July 1, 2023, and June 30, 2024.

10 (bbbb) After September 1, 2024, but on or before October 31, 2024, a one-time cost-of-living
11 supplement payment shall be made to, or on account of, beneficiaries who are living as of
12 September 1, 2024, and whose retirement commenced on or before September 1, 2024. The
13 payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as
14 of September 1, 2024, and shall not be prorated for date of retirement commencement. If the
15 beneficiary dies before the payment is made, then the payment shall be payable to the member's
16 legal representative. No beneficiary shall be deemed to have acquired a vested right to any future
17 supplemental payments."

18 **SECTION 3.16.(b)** G.S. 135-65 is amended by adding the following new
19 subsections to read:

20 "(II) Effective July 4, 2024, the retirement allowance payable to, or on account of,
21 beneficiaries whose retirement commenced on or before July 1, 2023, is increased by two percent
22 (2%) of the allowance payable on June 1, 2023. Effective July 4, 2024, the retirement allowance
23 payable to, or on account of, beneficiaries whose retirement commenced after July 1, 2023, but
24 before June 30, 2024, is increased by a prorated amount of two percent (2%), as determined by
25 the Board of Trustees based upon the number of months that a retirement allowance was paid
26 between July 1, 2023, and June 30, 2024.

27 (mm) After September 1, 2024, but on or before October 31, 2024, a one-time cost-of-living
28 supplement payment shall be made to, or on account of, beneficiaries who are living as of
29 September 1, 2024, and whose retirement commenced on or before September 1, 2024. The
30 payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as
31 of September 1, 2024, and shall not be prorated for date of retirement commencement. If the
32 beneficiary dies before the payment is made, then the payment shall be payable to the member's
33 legal representative. No beneficiary shall be deemed to have acquired a vested right to any future
34 supplemental payments."

35 **SECTION 3.16.(c)** G.S. 120-4.22A is amended by adding the following new
36 subsections to read:

37 "(ff) In accordance with subsection (a) of this section, effective July 4, 2024, the retirement
38 allowance payable to, or on account of, beneficiaries whose retirement commenced on or before
39 January 1, 2024, is increased by two percent (2%) of the allowance payable on June 1, 2024.
40 Effective July 4, 2024, the retirement allowance payable to, or on account of, beneficiaries whose
41 retirement commenced after January 1, 2024, but before June 30, 2024, is increased by a prorated
42 amount of two percent (2%), as determined by the Board of Trustees based upon the number of
43 months that a retirement allowance was paid between January 1, 2024, and June 30, 2024.

44 (gg) In accordance with subsection (a) of this section, after September 1, 2024, but on or
45 before October 31, 2024, a one-time cost-of-living supplement payment shall be made to, or on
46 account of, beneficiaries who are living as of September 1, 2024, and whose retirement
47 commenced on or before September 1, 2024. The payment shall be one percent (1%) of the
48 beneficiary's annual retirement allowance payable as of September 1, 2024, and shall not be
49 prorated for date of retirement commencement. If the beneficiary dies before the payment is
50 made, then the payment shall be payable to the member's legal representative. No beneficiary
51 shall be deemed to have acquired a vested right to any future supplemental payments."

APPROPRIATION FOR PAY RAISES AND COST-OF-LIVING INCREASES FOR RETIREES

SECTION 3.17. Effective July 1, 2024, to fund the pay increases and cost-of-living adjustments awarded in this Part:

- (1) There is appropriated from the General Fund to the Reserve for Compensation Increases the sum of two hundred ten million nine thousand dollars (\$210,009,000) in recurring funds for the 2024-2025 fiscal year.
- (2) There is appropriated from the General Fund to the Reserve for Compensation Increases the sum of three hundred ninety-nine million six hundred eighty-five thousand dollars (\$399,685,000) in nonrecurring funds for the 2024-2025 fiscal year.

PART IV. SMALL BUSINESS TAX CREDIT

SECTION 4.1.(a) Article 4A of Subchapter I of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-163.6B. Credit to employers for wages paid.

(a) Credit. – A qualifying taxpayer is allowed a credit against the tax imposed by Part 1 or Part 1A of Article 4 of this Chapter, as appropriate, equal to the lesser of (i) ten thousand dollars (\$10,000) or (ii) five percent (5%) of the wages paid by the qualifying taxpayer during the taxable year.

(b) Credit Refundable. – If the credit allowed by this section exceeds the tax imposed on the qualifying taxpayer for the taxable year reduced by the sum of all credits allowable, the Secretary must refund the excess to the qualifying taxpayer. The refundable excess is governed by the provisions governing a refund of an overpayment by the taxpayer of the tax imposed by Article 4 of this Chapter. In computing the amount of tax against which multiple credits are allowed, nonrefundable credits are subtracted before refundable credits.

(c) Substantiation. – To claim a credit allowed by this section, the qualifying taxpayer must provide any information required by the Secretary. Each qualifying taxpayer claiming a credit under this section must maintain and make available for inspection by the Secretary any records the Secretary considers necessary to determine and verify the amount of the credit to which the qualifying taxpayer is entitled. The burden of proving eligibility for a credit and the amount of the credit rests upon the qualifying taxpayer, and no credit may be allowed to a qualifying taxpayer that fails to maintain adequate records or to make them available for inspection.

(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, 2027."

SECTION 4.1.(b) G.S. 105-163.1 is amended by adding a new subdivision to read:

"(11c) Qualifying taxpayer. – An employer or payer subject to income tax under Article 4 of Chapter 105 of the General Statutes that has annual receipts for the most recent previous tax year of eight million dollars (\$8,000,000) or less."

SECTION 4.1.(c) This section is effective for taxable years beginning on or after January 1, 2025.

PART V. EFFECTIVE DATE

SECTION 5. Except as otherwise provided, this act is effective when it becomes law.