

An Assessment of the North Carolina Tax Amnesty of 1989

Why do an assessment now?

Because we never did it before

We did a report after the amnesty closed, but no investigation of possible long-term effects

Why the amnesty of 1989

Because it is the only one we've ever had in North Carolina

Why do an assessment at all?

Bill for new amnesty introduced in 2011

To estimate how much revenue an amnesty
would generate:

How much did we gain last time?

1989 NC Tax Amnesty

Amnesty period: September 1 – December 1, 1989

Report issued April 26, 1990

Report: Amnesty generated \$39 million (qualified) plus \$3 million (nonqualified)

Conclusion: in FYE 2012 economy, 1989 amnesty would generate \$118 million (cheers!)

Problem: It ain' t over when it' s over.

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“Amazing Grace: Tax Amnesties and Compliance,”
National Tax Journal, Vol. 43, no. 1, (March, 1990),
pp. 23-37

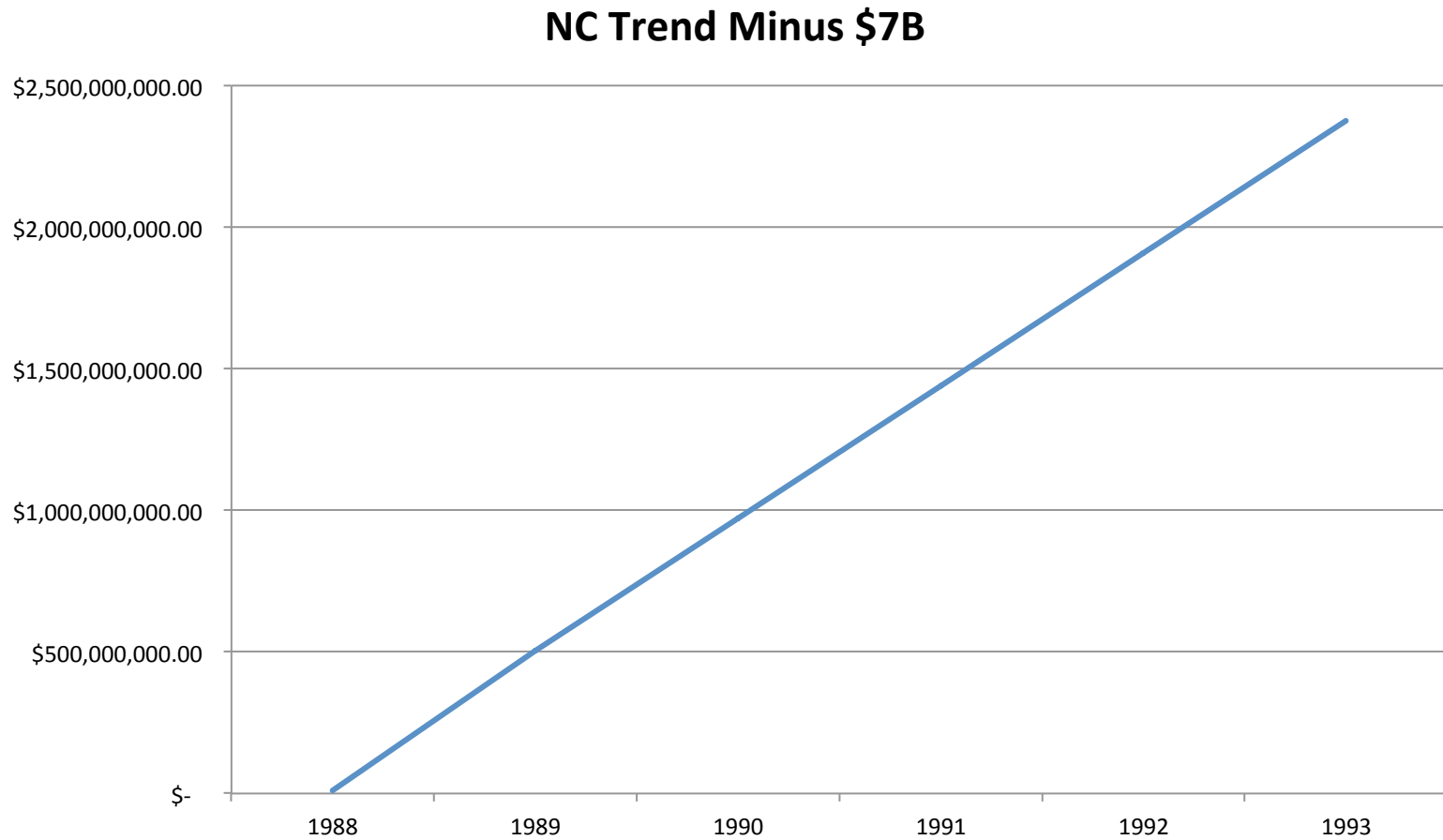
“The overall level of tax compliance falls after
an amnesty.” (p.34)

We need to know: what happened in North
Carolina *after* the 1989 amnesty?

Compare: What *would have* happened with what *did* happen

What would have happened? Trend, net collections, 1988 -1993

Trend: net collections, 1988 - 1993



What would affect collections in
this time?

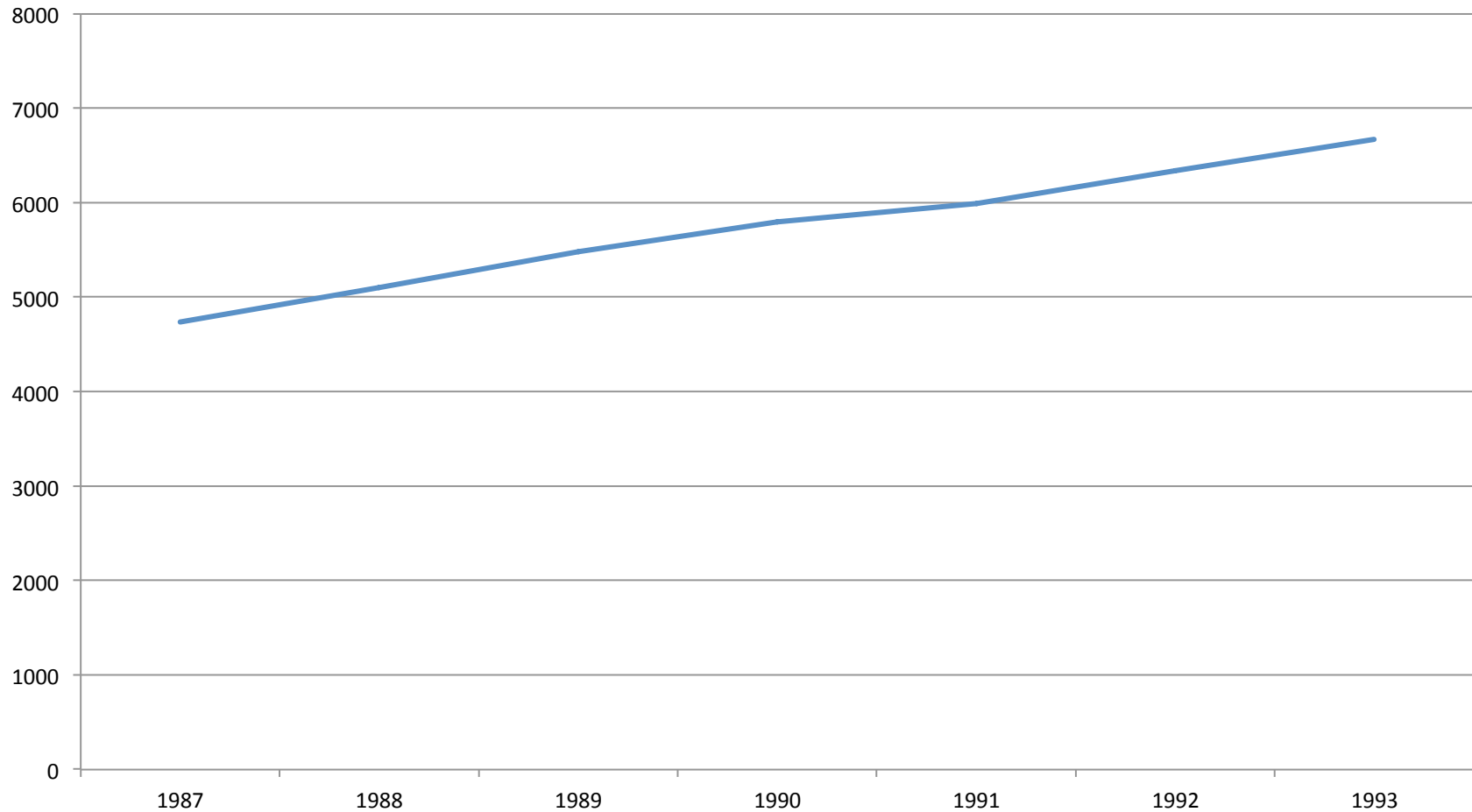
National economy

Changes in NC tax laws

Amnesty

What did the national economy do?

US GDP (billions)



SOURCE: <http://www.usgovernmentspending.com>

Changes in NC tax laws:

1990: Post-amnesty increase in enforcement and penalties

1991: New 7.75% Individual Income tax rate

1991: Corporate Income 4% surtax

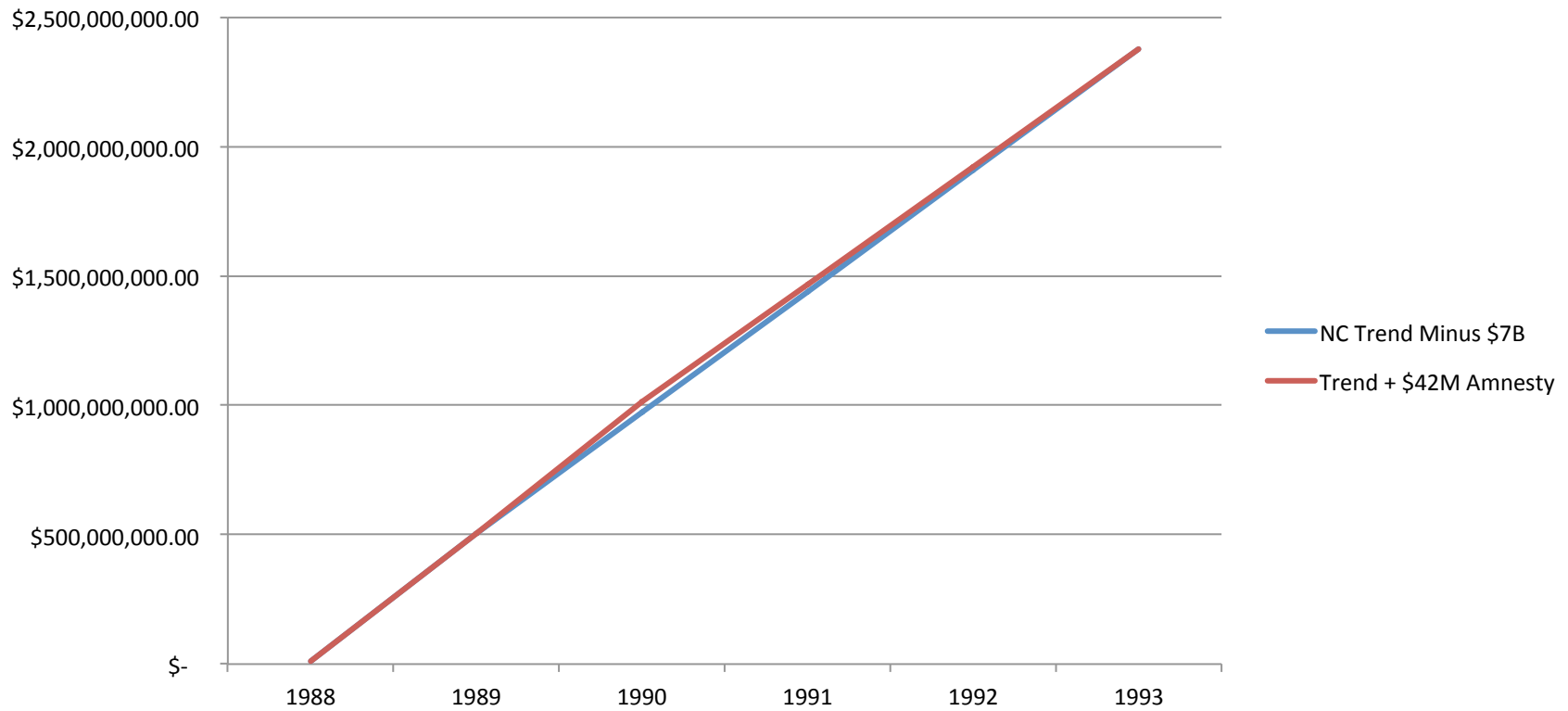
1992: Corporate Income 3% surtax

1993: Corporate Income 2% surtax

Even without the amnesty, everything should tend to increase collections in 1990, 1991, and 1992

What SHOULD Have Happened

NC Collections Trend With and Without Amnesty (less \$7B), FY 1988 -1993



What DID Happen

General Fund Net Tax Collections (less \$7B), 1988-93

