



# AMERICANS *for* TAX REFORM

June 14, 2016

To: Members of the North Carolina General Assembly

From: Americans for Tax Reform

Re: Standard Deduction Increase and Market Sourcing

Dear Legislators,

**North Carolina has been a tax reform model for the nation in recent years.** Policy reforms approved by the General Assembly have greatly improved the state's tax code, while providing significant tax relief to individuals, families, and employers across the state. On behalf of Americans for Tax Reform and our supporters across North Carolina, I write to urge that you continue to keep taxpayers in mind as you close out the short session. I also want to address two specific tax proposals being considered in the remaining weeks: the proposed increase in the standard deduction, and the move to market sourcing corporate tax apportionment.

The income tax relief enacted in 2013 and 2015 has allowed individuals, families, and employers across the state to keep more of their hard-earned income. **The standard deduction increase proposed this year is a great way to provide further relief to taxpayers across the state.** While North Carolina lawmakers have passed a number of commendable tax cuts in recent years, now is no time for lawmakers to rest on their laurels, as other states that North Carolina competes with continue to reduce their tax burdens.

**But I also write to express opposition to the inclusion of audience-based calculation of broadcasters' tax liability in the Market Sourcing apportionment proposal.** Most states do not use audience-based methodology, in part due to the fact that it is not representative of in-state business activity.

A company's corporate tax liability in North Carolina should be apportioned based on the business it does with customers in North Carolina. By using an audience-based methodology for apportionment, North Carolina would be taxing broadcasters based not on the revenue they earn from their actual customers in North Carolina, which include advertisers and cable and satellite companies, but on the revenue earned from the customers of others. By moving to the audience-based methodology, North Carolina would require broadcasting companies to calculate their state corporate tax liability based on information that is not even on their own books. **Given the unsoundness of this approach, which is used by a minority of states, recent years have seen a number of states move away from an audience-based approach to apportionment.** These states have moved to what

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is referred to as a “commercial domicile approach.” The commercial domicile approach, unlike the audience-based method, appropriately calculates a company’s state corporate tax liability based on their commerce with in-state partners and customers. By adopting the outdated audience-based methodology as proposed in HB 1030, North Carolina would join Massachusetts as the only state in the last dozen years to adopt viewing audience apportionment for broadcasters.

**I thank you for your consideration of these concerns and for all you do to protect North Carolina taxpayers.** If you have any questions about ATR’s concerns or would like to discuss this matter further, don’t hesitate to contact me or Patrick Gleason, ATR’s director of state affairs, at (202) 785-0266 or [pgleason@atr.org](mailto:pgleason@atr.org).

Sincerely,



Grover Norquist  
President  
Americans for Tax Reform