

NC Legislative Update: May 17, 2019

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05.17.2019

The legislature returned to Raleigh this week after taking a long weekend break. The House held meetings on Wednesday and Thursday, while the Senate was in session Tuesday through Thursday. The House approved a bill to give counties more flexibility in how their sales tax is used, and the Senate advanced its tax package, which is expected to be sent to the House early next week. The Senate continued to work on their budget proposal, with budget chairs splitting time between committee meetings and the offices of the Fiscal Research Division.

Senate Approves Tax Reform Package

The Senate tentatively approved Senate Bill 622, the Tax Reduction Act of 2019, this week. The bill contains many of the same provisions included in the House budget proposal. Bill sponsors claim that the bill not only helps businesses, but families as well, citing an increase in the standard deduction. The bill lowers the franchise tax from \$1.50 per \$1,000 to \$1.00 per \$1,000 over the next two years, and also makes a narrow franchise tax exemption for holding companies. Market based sourcing is also tweaked to attribute income for multistate apportionment based on consumption of goods and services, instead of using labor costs and capital investment. The bill also extends the historic rehabilitation tax credit and the sales tax exemptions for motorsports and jet fuel. The last section of the bill provides tax and regulatory relief for out-of-state businesses and employees who come to the State during natural disaster recovery efforts. The section only applies to utilities and communications providers.

On second reading, the bill passed on largely party lines, with only one Democrat voting for the bill. Democrats claim that the bill will reduce the funds available for valuable government functions like education funding and state employee raises. Governor Cooper is expected to veto the bill if it makes it to his desk.

News & Observer: <https://www.newsobserver.com/news/business/article230477074.html>

Certificate of Need

During a press conference this week, a group of legislators got together to discuss changes to the State's controversial Certificate of Need (CON) laws. Senator Ralph Hise, who has long favored a full repeal of the laws, said that he expects at least some version of repeal to be passed. Senator Jim Burgin went over some of the main points of Senate Bill 646: Amend Certificate of Need Laws, of which include raising the bond requirement from \$50,000 to \$300,000, exempting certain services including ambulatory surgical centers, kidney treatment centers, gastrointestinal endoscopy centers, and drug treatment centers, and setting a two year expiration for unused certificates of need. The NC Healthcare Association warned that CON repeal could threaten many hospitals, especially ones located in rural areas. They also disputed claims that anti-free market laws like CON should be repealed, since healthcare is not a free market and is highly government regulated.

Bishop Wins 9th Congressional GOP Primary

State Senator Dan Bishop won the Republican primary for the 9th Congressional District election do-over. The State Elections Boards issued a new election after an illegal absentee ballot operation was uncovered in the 2018 election. A total of 10 Republicans ran in the primary, with Bishop getting nearly 48% of the votes, well over the 30% threshold to avoid a runoff election. Bishop will now face Democrat Dan McCready in the September 10th general election. Green Party candidate Allen Smith and Libertarian Jeff Scott will also be on the ballot. The election is expected to gather national attention as both Republicans and Democrats look to the race as an indicator of what the 2020 elections will hold.

WRAL: <https://www.wral.com/bishop-captures-gop-nomination-in-do-over-9th-district-primary/18386954/>

NC Board of Elections: https://er.ncsbe.gov/?election_dt=05/14/2019&county_id=0&office=FED&contest=0

Attorney General Sues Juul

Attorney General Josh Stein is suing Juul over its marketing practices, claiming that they were tailored towards minors. Stein cites statistics that show a sharp increase in vaping among middle school and high school students. In the lawsuit, Stein claims, "In developing its e-cigarette products, JUUL deliberately designed the flavors, the look, and even the chemical composition of the e-cigarettes to appeal to youthful audiences, including minors." In response, Juul has pointed out steps they have taken to remove certain flavors from the shelf and to strengthen their online age verification system.

News & Observer: <https://www.newsobserver.com/news/politics-government/article230440839.html>

North Carolina v. Juul Labs, INC: [https://ncdoj.gov/Files/News/NC-v-Juul-Summary-\(1\).aspx](https://ncdoj.gov/Files/News/NC-v-Juul-Summary-(1).aspx)

State Board of Elections Director Removed

The State Board of Elections voted this week to remove Kim Strach as the Board's director and replace her with Karen Brinson Bell. Strach has served as director for the last 6 years, and had previously worked as an investigator for the Board. Republicans have claimed that her removal was interjecting politics into the election process.

WRAL: <https://www.wral.com/nc-elections-director-removed-by-democrat-controlled-board/18383583/>

2019 Session Laws

The following 15 bills have become law this session:

- SB 7: Bipartisan Ethics Appointments
- SB 75: Restore Ct. of Appeals Membership
- SB 77: Ag Disaster Fund/Certain Counties
- SB 214: Ensure Orderly 2019 Elections
- SB 12: Fill Certain Vacancies/Alexander & Burke Co.
- SB 56: Revenue Laws Technical Changes
- SB 4: Extend Terms of 2 Members/Coastal Carolina CC
- SB 272: Zoning for University Facilities-Durham
- SB 6: Dare County/CC Construction Funds
- SB 162: Loan Origination/Late Payment Charge Changes
- HB 263: Fill Vacancies/Modify 2018 Appointments
- SB 63: City of Kannapolis/Annexation
- HB: 130: Allow Game Nights
- SB 505: Rural Job Retention Act
- SB 605: Highway Storm Recovery Act

More about Nexsen Pruet's North Carolina Public Policy Team

In addition to providing Government Affairs Services, the Nexsen Pruet Public Policy team provides attorneys and clients with a newsletter summarizing the week's activities and conveying the inner workings of the legislative process and state government in Raleigh during the legislative session. Please feel free to pass this along to your clients or other interested parties. If you would like to receive the update in your inbox, please email shernandez@nexsenpruet.com to be added to the list. If you are interested in learning more about how Nexsen Pruet can help you achieve your public policy goals and acquiring legislative representation in North Carolina or South Carolina, please reach out to Sandy Sands at ssands@nexsenpruet.com or Ross Barnhardt at rbarnhardt@nexsenpruet.com.