



the LEGISLATIVE column

by PAUL FOGLEMAN, Hosiery Governmental Affairs Director

AS HOUSE AND SENATE DEMOCRATS in North Carolina's Legislature tried to hammer out a budget, the reduction of top personal income tax bracket became one of the most visible issues. The Senate version would have reduced the 8.25 percent tax rate for the state's Top income taxpayers to 7.75 percent over the next two years. The North Carolina Citizens for Business and Industry (NCCBI) had strongly pushed this reduction. But House members insisted that comparable relief should be for lower income taxpayers.

And Gov. Mike Easley agreed.

This year the governor was far more active in the development of the budget, insisting that a higher cigarette tax be included and that public education be fully funded. He did not support the reduction in the taxes for upper income taxpayers who are generating \$1.78 billion of taxes collected - 24.7 percent of the total. Yet they represent only 1.3 percent of the state's taxpayers.

North Carolina's rate for the top income segment is much higher than any other State in the Southeast. Rates for surrounding states include 6 percent for Georgia; 5.74 percent in Virginia, 5.5 percent South Carolina. Florida has no income tax and Tennessee taxes only income on dividends and interest. (However; most of these states have higher sales taxes which affect lower-income people).

NCCBI and its supporters argue that the lower tax rate makes the state more competitive in economic development.

A BILL THAT GIVES PREFERENCE to in-state companies when considering bids for goods and services is now law. Sponsored by Sen. Linda Garrou of Winston-Salem, the law also sets up a special lists of North Carolina companies that will be notified when bids come open that might apply to them.

Legislators were taken aback when it was disclosed that the N.C. Department of Corrections had purchased socks made in

Pakistan, edging out a bid from a Hickory, N.C. hosiery manufacturer. Another bill introduced by Rep. Mark Hilton of Conover, N.C. would require that bidders must disclose the country where the products are made when doing business with the state.

N.C. SENATOR DAVID HOYLE, (D-Gaston) recently received the award for Extraordinary Leadership in Economic Development, presented by the North Carolina Economic Developers Association. Sen. Hoyle has been a true leader in the area of economic development, said Donny Hicks, legislative co-chair of the state Economic Development Assn.

Sen. Hoyle is co-chair of the Senate Finance Committee and vice chairman of the Senate Appropriations/Base Budget. He has served seven terms and is considered one of the chamber's most powerful leaders. Sen. Hoyle has championed the role of the Hosiery Technology Center and the Center for

Applied Textile Technology at Gaston College. Through the efforts of Sen. Hoyle, the \$600,000 annual appropriation for the HTC was placed in the recurring budget of N.C. Community Colleges.

WHAT A DIFFERENCE A YEAR – and an election – makes. Republicans in the N.C. House of Representatives lost ground in the 2004 elections, giving Democrats a narrow 63-57 majority. But is it really a majority? Factions within the party have agenda and getting a unified vote almost is impossible.

When the Chamber was evenly split and led by Co-chairmen representing both parties, the state budget was approved prior to the July 1 start of a new fiscal year. A coalition of some 102 kept the budget process on track despite the unhappiness of some Republicans.

This year the Republicans are united as a minority party, leaving the budget process to splintered Democrats. That's why there was no budget when August 1 rolled in.

Kayser-Roth Reverses Trend; Announces U.S. Expansion

Kayser-Roth Hosiery Co. will receive almost \$500,000 in incentives, including local and state tax breaks, to expand its manufacturing operations in Burlington NC.

The company in July announced it will invest \$9 million in facilities and technology and create as many as 180 new jobs over the next three years. It is the largest expansion announced by a North Carolina hosiery manufacturer in recent years.

The One North Carolina Fund which makes economic incentives grants is contributing \$200,000 to the expansion budget.

Kayser-Roth, a division of Golden Lady of Italy, is the manufacturer and marketer of well-known brands such as No Nonsense pantyhose and Hue and Prima Sport socks. The company also makes private label socks and sheers for the nation's leading retailers.

Kevin Toomey, president, acknowledged that the expansion program seems to contradict the trend toward outsourcing in low-wage countries, especially China and other Asian nations.

"There are risks in any decision one makes and this one is no different," Toomey said. Since 2000, U.S. sock production has dropped 28 per cent while shipments of socks from China soared to 627 million pairs in 2004.

Kayser-Roth's expansion is the largest announced by a hosiery manufacturer in recent years. The company employs 1,500 at three plants in Burlington, Asheboro and Tennessee.

The company predicted that employees added to the Burlington operations will earn an average of \$710 per week plus benefits.