

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1617 (Proposed Committee Substitute)

SHORT TITLE: Poultry Composting Tax Credit

SPONSOR(S): Representatives Mitchell, Allred, Davis, and Hackney

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
REVENUES					
General Fund	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY: This bill extends income tax credit for poultry composting facilities to corporate entities and removes the sunset for the individual income tax credit.

BACKGROUND: This tax credit is available for individuals and S corporations who construct facilities in North Carolina for composting whole, unprocessed poultry carcasses from commercial poultry operations. The credit is equal to 25% of the installation, materials, and equipment costs of construction paid during the taxable year, but not to exceed \$1,000 for any single installation. The credit is not refundable and there is no carry-forward of the credit. The credit does not apply to costs paid with funds provided by a state or federal agency. The credit expires in the 1998 tax year.

ASSUMPTIONS AND METHODOLOGY: Before constructing a poultry composting facility, the grower must receive a permit from the Veterinary Division in the Department of Agriculture and Consumer Services. Based on permit information, the number of facilities constructed since 1990 is as follows:

1990 (began in August) 12

1991	63
1992	132
1993	133
1994	85
1995	136
1996	61
1997	33
1998 (by July 27)	20

The numbers above show a decline in composting facilities since 1995. Dr. Thomas A. Carter, Extension Poultry Specialist at North Carolina State University, attributes this decline to poultry growers' increased use of incineration. Due to incineration and other technological changes, Dr. Carter believes the number of composting facilities will average 30 per year over the next five years.

The cost to continue this credit is approximately \$30,000 per year. As noted above, there will be 30 composting facilities constructed each year. Since the cost of a compost facility is between \$5,000 and \$10,000 per installation, each facility will qualify for the maximum \$1,000 credit. This fiscal note assumes each grower has enough tax liability to fully use each tax credit. Since there is no data on the tax status of the permit holders, this note contains the total cost for both individual and corporate taxpayers.

FISCAL RESEARCH DIVISION

733-4910

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