

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

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HOUSE BILL 1110

Short Title: North Carolina Tourism Development Act. (Public)

Sponsors: Representatives Earle, Barefoot, Rogers (Primary Sponsors); Alexander, Easterling, Gibson, Goodwin, Gulley, McMahan, Saunders, and Wainwright.

Referred to: Travel and Tourism, if favorable, Finance.

April 11, 2001

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE TAX INCENTIVES FOR CAPITAL TOURISM PROJECTS
3 IN TIER ONE, TWO, AND THREE COUNTIES, AND TO CREATE THE
4 TRAVEL AND TOURISM CAPITAL INCENTIVE GRANT PROGRAM.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Chapter 105 of the General Statutes is amended by adding a
7 new Article to read:

8 "Article 3E.

9 "Tax Incentives For New And Expanding Tourism Businesses.

10 "**§ 105-129.41. Definitions.**

11 The following definitions apply in this Article:

- 12 (1) Attractor. – A tourism facility that draws tourists to the local area for
13 one or more days on its own merits, is designed primarily to attract
14 tourists rather than local residents, and invests its own capital to
15 market its products and services. Examples of attractors include
16 museums, downtown areas, amusement parks, and facilities that
17 promote local crafts.
- 18 (2) Cost. – Defined in G.S. 105-129.2.
- 19 (3) Development zone. – Defined in G.S. 105-129.2.
- 20 (4) Enterprise tier. – Defined in G.S. 105-129.2.
- 21 (5) Full-time job. – Defined in G.S. 105-129.2.
- 22 (6) Machinery and equipment. – Defined in G.S. 105-129.2.
- 23 (7) NAICS. – Defined in G.S. 105-129.2.
- 24 (8) Purchase. – Defined in G.S. 105-129.2.

1 (9) Tourism facility. – A facility that attracts tourists from more than 100
2 miles away to the local area where they spend money on lodging, food,
3 and entertainment.

4 (10) Tourism property. – Buildings, machinery and equipment, furniture, or
5 fixtures used in engaging in business as an attractor or an associated
6 attractor.

7 **"§ 105-129.42. Sunset; no double credit.**

8 (a) Sunset. – This Article is repealed effective for applications for credits filed on or
9 after January 1, 2008.

10 (b) No Double Credit. – A taxpayer that takes a credit under this Article with respect
11 to jobs or property is not allowed a credit under any other Article of this Chapter with
12 respect to the same jobs or property.

13 **"§ 105-129.43. Eligibility; forfeiture.**

14 (a) Type of Business. – A taxpayer is eligible for a credit allowed by this Article
15 if the taxpayer is engaged in business primarily as an attractor or an associated attractor,
16 the jobs with respect to which a credit is claimed are created in that business, and the
17 tourism property with respect to which a credit is claimed are used in that business.

18 (b) Wage Standard. – A taxpayer is eligible for a credit allowed by this Article if
19 the jobs at the location with respect to which the credit is claimed meet the wage
20 standard provided in G.S. 105-129.4(b) at the time the taxpayer applies for the credit.

21 (c) Location. – A taxpayer is eligible for a credit allowed by this Article if the
22 location with respect to which the credit is claimed is in an enterprise tier one, two, or
23 three area or is in a development zone.

24 (d) Health Insurance. – A taxpayer is eligible for the credit for creating tourism
25 jobs under this Article if the taxpayer provides health insurance for the positions for
26 which the credit is claimed at the time the taxpayer applies for the credit. A taxpayer is
27 eligible for the tourism investment credit under this Article if the taxpayer provides
28 health insurance for all of the full-time positions at the location with respect to which
29 the credit is claimed at the time the taxpayer applies for the credit. For the purposes of
30 this subsection, a taxpayer provides health insurance if it pays at least fifty percent
31 (50%) of the premiums for health care coverage that equals or exceeds the minimum
32 provisions of the basic health care plan of coverage recommended by the Small
33 Employer Carrier Committee pursuant to G.S. 58-50-125.

34 Each year that a taxpayer claims an installment or carryforward of a credit allowed
35 under this Article the taxpayer must provide with the tax return the taxpayer's
36 certification that the taxpayer continues to provide health insurance for the jobs for
37 which the credit was claimed or the full-time jobs at the location with respect to which
38 the credit was claimed. If the taxpayer ceases to provide health insurance for the jobs
39 during a taxable year, the credit expires and the taxpayer may not take any remaining
40 installment or carryforward of the credit.

41 (e) Environmental Impact. – A taxpayer is eligible for a credit allowed under this
42 Article only if the taxpayer certifies that, at the time the taxpayer applies for the credit,
43 the taxpayer has no pending administrative, civil, or criminal enforcement action based
44 on alleged significant violations of any program implemented by an agency of the

1 Department of Environment and Natural Resources and has had no final determination
2 of responsibility for any significant administrative, civil, or criminal violation of any
3 program implemented by an agency of the Department of Environment and Natural
4 Resources within the last five years. A significant violation is a violation or alleged
5 violation that does not satisfy any of the conditions of G.S. 143-215.6B(d). The
6 Secretary of Commerce will provide the Department of Environment and Natural
7 Resources a list of all taxpayers making this certification. The Department of
8 Environment and Natural Resources may conduct random audit checks to verify
9 taxpayers' certifications. The Department of Environment and Natural Resources must
10 notify the Department of Revenue of any taxpayer certifications it determines are not
11 accurate.

12 (f) Safety and Health Programs. – A taxpayer is eligible for a credit allowed
13 under this Article only if the taxpayer certifies that, as of the time the taxpayer applies
14 for the credit, at the business location with respect to which the credit is claimed, the
15 taxpayer has no outstanding citations under the Occupational Safety and Health Act and
16 has had no serious violation as defined in G.S. 95-127 within the last three years. The
17 Secretary of Commerce will provide the Department of Labor a list of all taxpayers
18 making this certification. The Department of Labor may conduct random audit checks
19 to verify taxpayers' certifications. The Department of Labor must notify the Department
20 of Revenue of any taxpayer certifications it determines are not accurate.

21 (g) Forfeiture. – A taxpayer forfeits a credit allowed under this Article if the
22 taxpayer was not eligible for the credit at the time the taxpayer applied for the credit. A
23 taxpayer that forfeits a credit under this Article is liable for all past taxes avoided as a
24 result of the credit plus interest at the rate established under G.S. 105-241.1(i),
25 computed from the date the taxes would have been due if the credit had not been
26 allowed. The past taxes and interest are due 30 days after the date the credit is forfeited;
27 a taxpayer that fails to pay the past taxes and interest by the due date is subject to the
28 penalties provided in G.S. 105-236.

29 (h) Change in Ownership of Business. – The sale, merger, consolidation,
30 conversion, acquisition, or bankruptcy of a business, or any transaction by which an
31 existing business reformulates itself as another business does not create new eligibility
32 in a succeeding business with respect to credits for which the predecessor was not
33 eligible under this Article. A successor business may, however, take any installment of
34 or carried-over portion of a credit that its predecessor could have taken if it had a tax
35 liability.

36 **"§ 105-129.44. Tax election; cap.**

37 (a) Tax Election. – The credits provided in this Article are allowed against the
38 franchise tax levied in Article 3 of this Chapter, the income taxes levied in Article 4 of
39 this Chapter, and the gross premiums tax levied in Article 8B of this Chapter. The
40 taxpayer must take a credit allowed under this Article against only one of the taxes
41 against which it is allowed. The taxpayer must elect the tax against which a credit will
42 be claimed when filing the return on which the first installment of the credit is claimed.
43 This election is binding. Any carryforwards of the credit must be claimed against the
44 same tax.

1 (b) Cap. – The credits allowed under this Article may not exceed fifty percent
2 (50%) of the tax against which they are claimed for the taxable year, reduced by the
3 sum of all other credits allowed against that tax, except tax payments made by or on
4 behalf of the taxpayer. This limitation applies to the cumulative amount of credit,
5 including carryforwards, claimed by the taxpayer under this Article and Articles 3A and
6 3B of this Chapter against each tax for the taxable year. Any unused portion of a credit
7 may be carried forward for the succeeding five years.

8 **"§ 105-129.45. Application; reports.**

9 (a) Application. – To claim a credit allowed by this Article, the taxpayer must
10 provide with the tax return the certification of the Secretary of Commerce that the
11 taxpayer meets all of the eligibility requirements of G.S. 105-129.43 with respect to
12 each credit. A taxpayer must apply to the Secretary of Commerce for certification of
13 eligibility. The application must be on a form provided by the Secretary of Commerce
14 and contain any information necessary for the Secretary of Commerce to determine
15 whether the taxpayer meets the eligibility requirements. In addition, the application
16 must state the number of full-time jobs to be created that are located within a
17 development zone, the number of full-time jobs to be created that are expected to be
18 filled by employees residing within the development zone, and the number of full-time
19 jobs to be created that are expected to be filled by employees residing within a census
20 tract or census block group that has more than twenty percent (20%) of its population
21 below the poverty level according to the most recent federal decennial census.

22 If the Secretary of Commerce determines that the taxpayer meets all of the eligibility
23 requirements of G.S. 105-129.43 with respect to a credit, the Secretary must issue a
24 certificate describing the location with respect to which the credit is claimed, outlining
25 the eligibility requirements for the credit, and stating that the taxpayer meets the
26 eligibility requirements. If the Secretary of Commerce determines that the taxpayer does
27 not meet all of the eligibility requirements of G.S. 105-129.43 with respect to a credit,
28 the Secretary must advise the taxpayer in writing of the eligibility requirements the
29 taxpayer fails to meet. The Secretary of Commerce may adopt rules in accordance with
30 Chapter 150B of the General Statutes that are needed to carry out the Secretary of
31 Commerce's responsibilities under this section.

32 (b) Fee. – When filing an application for certification under this section, the
33 taxpayer must pay the Department of Commerce a fee of five hundred dollars (\$500.00)
34 for each credit the taxpayer intends to claim with respect to a location that is not in an
35 enterprise zone or in an enterprise tier one or two area, subject to a maximum fee of one
36 thousand five hundred dollars (\$1,500) per taxpayer per taxable year. If the taxpayer
37 applies for certification for a credit that relates to locations in more than one enterprise
38 tier area, the fee is based on the highest-numbered enterprise tier area.

39 The Secretary of Commerce must retain one-fourth of the proceeds of the fee
40 imposed in this section for the costs of administering this section. The Secretary of
41 Commerce must credit the remaining proceeds of the fee imposed in this section to the
42 Department of Revenue for the costs of administering and auditing the credits allowed
43 in this Article. The proceeds of the fee are receipts of the Department to which they are
44 credited.

1 (c) Reports. – The Department of Commerce must report to the Department of
2 Revenue and to the Fiscal Research Division of the General Assembly by May 1 of each
3 year the following information for the 12-month period ending the preceding April 1:

4 (1) The number of applications for each credit allowed in this Article.

5 (2) The number and enterprise tier area of new jobs with respect to which
6 credits were applied for.

7 (3) The cost of tourism property with respect to which credits were
8 applied for.

9 (4) The number of new jobs created within development zones and the
10 percentage of those jobs that were filled by residents of the zones.

11 **"§ 105-129.46. Substantiation.**

12 (a) To claim a credit allowed by this Article, the taxpayer must provide any
13 information required by the Secretary of Revenue. Every taxpayer claiming a credit
14 under this Article must maintain and make available for inspection by the Secretary of
15 Revenue any records the Secretary considers necessary to determine and verify the
16 amount of the credit to which the taxpayer is entitled. The burden of proving eligibility
17 for the credit and the amount of the credit is on the taxpayer, and no credit is allowed to
18 a taxpayer that fails to maintain adequate records or to make them available for
19 inspection.

20 (b) Each taxpayer must provide with the tax return qualifying information for
21 each credit claimed under this Article for the first taxable year the credit is claimed and
22 for every year in which a subsequent installment or a carryforward of that credit is
23 claimed. The qualifying information must be in the form prescribed by the Secretary,
24 must cover each taxable year beginning with the first taxable year the credit is claimed,
25 and must be signed and affirmed by the individual who signs the taxpayer's tax return.
26 The information required by this subsection is information demonstrating that the
27 taxpayer has met the conditions for qualifying for an initial credit and any installments
28 and carryforwards and includes the following:

29 (1) The physical location of the jobs and investment with respect to which
30 the credit is claimed, including the enterprise tier designation of the
31 location and whether it is in a development zone. In addition, for each
32 individual who fills a job at a location with respect to which a credit is
33 claimed, the place where the individual resided before taking the job,
34 including any enterprise tier or development zone designation of that
35 place.

36 (2) The type of business with respect to which the credit is claimed, as
37 required by G.S. 105-129.43(a), and wage information described in
38 G.S. 105-129.43(b).

39 (3) Qualifying information required for the credit for creating tourism jobs
40 and the tourism investment credit allowed under this Article.

41 **"§ 105-129.47. Credit for creating tourism jobs.**

42 (a) Credit. – A taxpayer that meets the eligibility requirements set out in G.S.
43 105-129.43, has five or more full-time employees, and hires an additional full-time
44 employee during the taxable year to fill a position located in an enterprise tier one, two,

1 or three area or in a development zone is allowed a credit for creating a new full-time
 2 job. The amount of the credit for each new full-time job created is set out in the table
 3 below and is based on the enterprise tier of the area in which the position is located. In
 4 addition, if the position is located in a development zone, the amount of the credit is
 5 increased by four thousand dollars (\$4,000) per job.

<u>Area Enterprise Tier</u>	<u>Amount of Credit</u>
<u>Tier One</u>	<u>\$12,500</u>
<u>Tier Two</u>	<u>4,000</u>
<u>Tier Three</u>	<u>3,000</u>
<u>Tier Four</u>	<u>-0-</u>
<u>Tier Five</u>	<u>-0-</u>

12 A position is located in an area if more than fifty percent (50%) of the employee's
 13 duties are performed in the area. The credit may not be taken in the taxable year in
 14 which the additional employee is hired. Instead, the credit must be taken in equal
 15 installments over the four years following the taxable year in which the additional
 16 employee was hired and is conditioned on the continued employment by the taxpayer of
 17 the number of full-time employees the taxpayer had upon hiring the employee that
 18 caused the taxpayer to qualify for the credit.

19 If, in one of the four years in which the installment of a credit accrues, the number of
 20 the taxpayer's full-time employees falls below the number of full-time employees the
 21 taxpayer had in the year in which the taxpayer qualified for the credit, the credit expires,
 22 and the taxpayer may not take any remaining installment of the credit. The taxpayer
 23 may, however, take the portion of an installment that accrued in a previous year and was
 24 carried forward to the extent permitted under G.S. 105-129.44.

25 Jobs transferred from one area in the State to another area in the State are not new
 26 jobs for purposes of this section. If, in one of the four years in which the installment of a
 27 credit accrues, the position filled by the employee is moved to an area in a higher- or
 28 lower-numbered enterprise tier or is moved from a development zone to an area that is
 29 not a development zone, the remaining installments of the credit must be calculated as if
 30 the position had been created initially in the area to which it was moved.

31 (b) Planned Expansion. – A taxpayer that signs a letter of commitment with the
 32 Department of Commerce to create at least 20 new full-time jobs in a specific area
 33 within two years after the date the letter is signed qualifies for the credit in the amount
 34 allowed by this section based on the area's enterprise tier and development zone
 35 designation for that year even though the employees are not hired that year. The credit is
 36 available in the taxable year after at least 20 employees have been hired if the hirings
 37 are within the two-year commitment period. The conditions outlined in subsection (a) of
 38 this section apply to a credit taken under this subsection except that if the area is
 39 redesignated to a higher-numbered enterprise tier or loses its development zone
 40 designation after the year the letter of commitment was signed, the credit is allowed
 41 based on the area's enterprise tier and development zone designation for the year the
 42 letter was signed. If the taxpayer does not hire the employees within the two-year
 43 period, the taxpayer does not qualify for the credit. However, if the taxpayer qualifies

1 for a credit under subsection (a) of this section in the year any new employees are hired,
 2 the taxpayer may take the credit under that subsection.

3 **"§ 105-129.48. Credit for tourism investment.**

4 (a) Credit. – If a taxpayer that has purchased or leased eligible tourism property
 5 places it in service in an enterprise tier one, two, or three area during the taxable year,
 6 the taxpayer is allowed a credit equal to seven percent (7%) of the excess of the eligible
 7 investment amount over the applicable threshold. For the purpose of this section, a
 8 development zone is considered an enterprise tier one area. Tourism property is eligible
 9 if it is capitalized by the taxpayer for tax purposes under the Code and not leased to
 10 another party. The credit may not be taken for the taxable year in which the property is
 11 placed in service but must be taken in equal installments over the seven years following
 12 the taxable year in which it is placed in service.

13 (b) Eligible Investment Amount. – The eligible investment amount is the lesser
 14 of (i) the cost of the eligible tourism property and (ii) the amount by which the cost of
 15 all of the taxpayer's eligible tourism property that is in service in this State on the last
 16 day of the taxable year exceeds the cost of all of the taxpayer's eligible tourism property
 17 that was in service in this State on the last day of the base year. The base year is that
 18 year, of the three immediately preceding taxable years, in which the taxpayer had the
 19 most eligible tourism property in service in this State. A taxpayer that claims a credit
 20 under this section must include with the application for certification required under G.S.
 21 105-129.45 specific documentation supporting the taxpayer's calculation of the eligible
 22 investment amount under this subsection.

23 (c) Threshold. – The applicable threshold is the appropriate amount set out in the
 24 following table based on the enterprise tier of the area where the eligible tourism
 25 property is placed in service during the taxable year. If the taxpayer places eligible
 26 tourism property in service in more than one county during the taxable year, the
 27 threshold applies separately to the eligible tourism property placed in service in each
 28 county. If the taxpayer places eligible tourism property in service in a county over the
 29 course of a two-year period, the applicable threshold for the second taxable year is
 30 reduced by the eligible investment amount for the previous taxable year.

<u>Area Enterprise Tier</u>	<u>Threshold</u>
<u>Tier One</u>	<u>\$ -0-</u>
<u>Tier Two</u>	<u>100,000</u>
<u>Tier Three</u>	<u>200,000</u>

35 (d) Expiration. – If, in one of the seven years in which the installment of a credit
 36 accrues, the tourism property with respect to which the credit was claimed is disposed
 37 of, taken out of service, or moved to an area that is not an enterprise tier one, two, or
 38 three area, the credit expires, and the taxpayer may not take any remaining installment
 39 of the credit for that tourism property unless the cost of that tourism property is offset in
 40 the same taxable year by the taxpayer's new investment in eligible tourism property
 41 placed in service in the same enterprise tier, as provided in this subsection. If, during the
 42 taxable year the taxpayer disposed of the tourism property for which installments
 43 remain, there has been a net reduction in the cost of all the taxpayer's eligible tourism
 44 property that is in service in the same enterprise tier as the tourism property that was

1 disposed of, and the amount of this reduction is greater than twenty percent (20%) of the
2 cost of the tourism property that was disposed of, then the taxpayer forfeits the
3 remaining installments of the credit for the tourism property that was disposed of. If the
4 amount of the net reduction is equal to twenty percent (20%) or less of the cost of the
5 tourism property that was disposed of, or if there is no net reduction, then the taxpayer
6 does not forfeit the remaining installments of the expired credit. In determining the
7 amount of any net reduction during the taxable year, the cost of tourism property the
8 taxpayer placed in service during the taxable year and for which the taxpayer claims a
9 credit under Article 3B of this Chapter may not be included in the cost of all the
10 taxpayer's eligible tourism property that is in service. If in a single taxable year tourism
11 property with respect to two or more credits in the same tier is disposed of, the net
12 reduction in the cost of all the taxpayer's eligible tourism property that is in service in
13 the same tier is compared to the total cost of all the tourism property for which credits
14 expired in order to determine whether the remaining installments of the credits are
15 forfeited.

16 The expiration of a credit does not prevent the taxpayer from taking the portion of an
17 installment that accrued in a previous year and was carried forward to the extent
18 permitted under G.S. 105-129.44.

19 If, in one of the seven years in which the installment of a credit accrues, the tourism
20 property with respect to which the credit was claimed is moved to a higher-numbered
21 enterprise tier area, the remaining installments of the credit are allowed only to the
22 extent they would have been allowed if the tourism property had been placed in service
23 initially in the area to which it was moved.

24 (e) **Planned Expansion.** – A taxpayer that signs a letter of commitment with the
25 Department of Commerce to place specific eligible tourism property in service in an
26 area within two years after the date the letter is signed may, in the year the eligible
27 tourism property is placed in service in that area, calculate the credit for which the
28 taxpayer qualifies based on the area's enterprise tier designation for the year the letter
29 was signed. All other conditions apply to the credit, but if the area has been
30 redesignated to a higher-numbered enterprise tier after the year the letter of commitment
31 was signed, the credit is allowed based on the area's enterprise tier for the year the letter
32 was signed. If the taxpayer does not place part or all of the specified eligible tourism
33 property in service within the two-year period, the taxpayer does not qualify for the
34 benefit of this subsection with respect to the tourism property not placed in service
35 within the two-year period. However, if the taxpayer qualifies for a credit in the year the
36 eligible tourism property is placed in service, the taxpayer may take the credit for that
37 year as if no letter of commitment had been signed pursuant to this subsection."

38 **SECTION 2.** G.S. 105-129.16(c) reads as rewritten:

39 "(c) **No Double Credit.** – A taxpayer that claims ~~the~~ a credit allowed under Article
40 3A or Article 3E of this Chapter with respect to business property may not take the
41 credit allowed in this section with respect to the same property. A taxpayer may not take
42 the credit allowed in this section for business property the taxpayer leases from another
43 unless the taxpayer obtains the lessor's written certification that the lessor will not

1 capitalize the property for tax purposes under the Code and the lessor will not claim the
2 credit allowed in this section with respect to the property."

3 **SECTION 3.** Chapter 143B of the General Statutes is amended by adding a
4 new section to read:

5 **"§ 143B-434.3. Travel and Tourism Capital Incentive Grant Program.**

6 (a) There is established in the Department of Commerce the Travel and Tourism
7 Capital Incentive Grant Program. Grant funds shall be allocated to local government
8 units for the purpose of inducing the creation of new or the expansion or renovation of
9 existing travel and tourism qualified projects. Grants shall be made available to city and
10 county governments that provide public funding, in whole or in part, that directly
11 supports a qualified tourism project. Grant funds shall be used only for the support of
12 qualified tourism projects. The Department of Commerce shall adopt rules for the
13 administration of the program. The rules shall include the following provisions:

14 (1) Local government units may apply to the Department of Commerce
15 for Travel and Tourism Capital Incentive Grants no sooner than one
16 year after the qualified tourism project is opened to the public and no
17 later than five years after it is opened to the public. The application
18 shall contain all necessary information regarding the nature and cost of
19 the tourism project, the estimated revenues to be generated by the
20 project, the estimated economic benefit to the community, and the
21 purposes for which the local government unit will use the grant funds.

22 (2) Local government units may enter into agreements with private
23 investors to develop new or expand or renovate existing tourism
24 projects. If the tourism project is the result of a public private
25 partnership, the grant application shall set forth in detail the respective
26 rights and obligations of the parties and the specific terms of the
27 agreement.

28 (3) A qualified tourism project must meet the following conditions:

29 a. The project will attract at least twenty-five percent (25%) of its
30 visitors from among persons who reside more than 100 miles
31 from the tourism project;

32 b. The project will have a profitable business plan and once
33 opened must demonstrate profitability within three years;

34 c. The project must have impact projections regarding estimated
35 State and local tax revenues;

36 d. The project will have a significant and positive impact on the
37 community, considering among other factors, the extent to
38 which the tourism project will compete directly with existing
39 tourism attractions in the area and the amount by which tax
40 revenues from the tourism project will exceed the amount of the
41 grant provided to the local government unit;

42 e. The project will produce sufficient revenues and public
43 demand to be operating and open to the public for a
44 minimum of 100 days per year;

1 f. The project will generate at least 10 new jobs in the local
2 area.

3 g. The project will have a minimum cost based on the
4 following:

<u>Enterprise Tier</u>	<u>Minimum Cost</u>
<u>1 and 2:</u>	<u>one million dollars</u> <u>(\$1,000,000);</u>
<u>3 and 4</u>	<u>fifteen million dollars</u> <u>(\$15,000,000);</u>
<u>5</u>	<u>thirty million dollars</u> <u>(\$30,000,000).</u>

12 (b) The amount of each grant shall be determined as an amount equal to a
13 percentage of the total amount of the following taxes generated by the qualified tourism
14 project: (i) the net State sales tax collected by the qualified tourism project, in
15 accordance with Article 5 of Chapter 105 of the General Statutes, (ii) the net privilege
16 tax paid by a qualified tourism project in accordance with G.S. 105-37.1, and (iii) the
17 amount withheld from the wages of each employee of the qualified tourism project, in
18 accordance with G.S. 105-163.2. The percentage shall vary depending on the enterprise
19 tier, as defined in G.S. 105-129.3, in which the qualified tourism project is located. If
20 the project is located in a tier one or two county, the local government unit is eligible for
21 a grant in an amount equal to no more than thirty-five percent (35%) of the eligible
22 taxes generated by the project. If the project is located in a tier three or four county, the
23 local government unit is eligible for a grant in an amount equal to no more than thirty
24 percent (30%) of the eligible taxes generated by the project. If the project is located in a
25 tier five county, the local government unit is eligible for a grant in an amount equal to
26 no more than twenty-five percent (25%) of the eligible taxes generated by the project.

27 (c) The Department of Commerce may reserve and allocate up to ten percent (10%)
28 of the funds available to the Travel and Tourism Capital Incentive Grant Program to
29 State and local administrative costs to implement the Program.

30 (d) The Department of Commerce shall report annually to the General Assembly
31 concerning the applications made to the fund and the payments made from the fund.
32 The Department of Commerce shall also report quarterly to the Joint Legislative
33 Commission on Governmental Operations and the Fiscal Research Division of the
34 General Assembly on the use of moneys in the fund, including information regarding to
35 whom payments were made, in what amounts, and for what purposes."

36 **SECTION 4.** This act becomes effective for taxable years beginning on or
37 after January 1, 2002.