

1 If, in one of the four years in which the installment of a credit accrues, the number of
 2 the taxpayer's full-time employees falls below the number of full-time employees the
 3 taxpayer had in the year in which the taxpayer qualified for the credit, the credit expires
 4 and the taxpayer may not take any remaining installment of the credit. The taxpayer
 5 may, however, take the portion of an installment that accrued in a previous year and was
 6 carried forward to the extent permitted under G.S. 105-129.5.

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

13 (a1) Threshold. – The applicable threshold is the appropriate number of new jobs
 14 created set out in the following table based on the enterprise tier where the new jobs are
 15 created. If the taxpayer creates new jobs at more than one establishment in an enterprise
 16 tier during the taxable year, the threshold applies separately to the eligible jobs created
 17 at each establishment.

<u>Area Enterprise Tier</u>	<u>Threshold</u>
<u>Tier One</u>	<u>0</u>
<u>Tier Two</u>	<u>5</u>
<u>Tier Three</u>	<u>10</u>
<u>Tier Four</u>	<u>15</u>
<u>Tier Five</u>	<u>25</u>

24 (b) Repealed by Session Laws 1989, c. 111, s. 1.

25 (b1), (c) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.3.

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

42 (e), (f) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.3."

43 **SECTION 2.** G.S. 105-129.9(a) and (c) read as rewritten:

"(a) General Credit. – If a taxpayer that has purchased or leased eligible machinery and equipment places them in service in this State during the taxable year, the taxpayer is allowed a credit equal to ~~seven percent (7%)~~ the applicable percent of the excess of the eligible investment amount over the applicable threshold. Machinery and equipment are eligible if they are capitalized by the taxpayer for tax purposes under the Code and not leased to another party. In addition, in the case of a large investment, machinery and equipment that are not capitalized by the taxpayer are eligible if the taxpayer leases them from another party. The credit may not be taken for the taxable year in which the machinery and equipment are placed in service but shall be taken in equal installments over the seven years following the taxable year in which they are placed in service. The applicable percent is as follows:

<u>Area Enterprise Tier</u>	<u>Applicable Percent</u>
<u>Tier One</u>	<u>7%</u>
<u>Tier Two</u>	<u>7%</u>
<u>Tier Three</u>	<u>6%</u>
<u>Tier Four</u>	<u>5%</u>
<u>Tier Five</u>	<u>4%</u>

...

(c) Threshold. – The applicable threshold is the appropriate amount set out in the following table based on the enterprise tier where the eligible machinery and equipment are placed in service during the taxable year. If the taxpayer places eligible machinery and equipment in service at more than one establishment in an enterprise tier during the taxable year, the threshold applies separately to the eligible machinery and equipment placed in service at each establishment. If the taxpayer places eligible machinery and equipment in service at an establishment over the course of a two-year period, the applicable threshold for the second taxable year is reduced by the eligible investment amount for the previous taxable year.

Area Enterprise Tier	Threshold
Tier One	\$ -0-
Tier Two	100,000
Tier Three	200,000
Tier Four	500,000 1,000,000
Tier Five	1,000,000 2,000,000"

SECTION 3. This act is effective for business activities that occur on or after January 1, 2002.