GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2001

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HOUSE BILL 1753

Short Title: Bill Lee Act Changes. (Public)

Sponsors: Representative Luebke.

Referred to: Finance.

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June 17, 2002

A BILL TO BE ENTITLED

AN ACT TO MAKE CHANGES TO THE BILL LEE ACT TAX CREDITS FOR INVESTING IN MACHINERY AND EQUIPMENT AND FOR JOB CREATION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-129.8 reads as rewritten:

"§ 105-129.8. Credit for creating jobs.

(a) Credit. – A taxpayer that meets the eligibility requirements set out in G.S. 105-129.4, has five or more full-time employees, and hires an additional full-time employee in excess of the applicable threshold during the taxable year to fill a position located in this State is allowed a credit for creating a new full-time job for each new full-time job created in excess of the applicable threshold. The amount of the credit for each new full-time job created in excess of the applicable threshold is set out in the table below and is based on the enterprise tier of the area in which the position is located. In addition, if the position is located in a development zone, the amount of the credit is increased by four thousand dollars (\$4,000) per job.

16	Area Enterprise Tier	Amount of Credit
17	Tier One	\$12,500
18	Tier Two	4,000
19	Tier Three	3,000
20	Tier Four	1,000
21	Tier Five	500

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

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

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

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

3	Area Enterprise Tier	<u>Threshold</u>
)	<u>Tier One</u>	$\underline{0}$
)	<u>Tier Two</u>	<u>5</u>
	<u>Tier Three</u>	<u>10</u>
2	<u>Tier Four</u>	<u>15</u>
3	<u>Tier Five</u>	<u>25</u>

- (b) Repealed by Session Laws 1989, c. 111, s. 1.
- (b1), (c) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.3.
- Planned Expansion. A taxpayer that signs a letter of commitment with the Department of Commerce to create at least twenty new full-time jobs in excess of the applicable threshold in a specific area within two years of the date the letter is signed qualifies for the credit in the amount allowed by this section based on the area's enterprise tier and development zone designation for that year even though the employees are not hired that year. The credit shall be available in the taxable year after at least twenty employees in excess of the applicable threshold have been hired if the hirings are within the two-year commitment period. The conditions outlined in subsection (a) apply to a credit taken under this subsection except that if the area is redesignated to a higher-numbered enterprise tier or loses its development zone designation after the year the letter of commitment was signed, the credit is allowed based on the area's enterprise tier and development zone designation for the year the letter was signed. If the taxpayer does not hire the employees within the two-year period, the taxpayer does not qualify for the credit. However, if the taxpayer qualifies for a credit under subsection (a) in the year any new employees are hired, the taxpayer may take the credit under that subsection.
 - (e), (f) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.3." **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:

12	Area Enterprise Tier	Applicable Percent
13	<u>Tier One</u>	<u>7%</u>
14	<u>Tier Two</u>	<u>7%</u>
15	<u>Tier Three</u>	<u>6%</u>
16	<u>Tier Four</u>	<u>5%</u>
17	<u>Tier Five</u>	<u>4%</u>

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(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.

28	Area Enterprise Tier	Threshold
29	Tier One	\$ -0-
30	Tier Two	100,000
31	Tier Three	200,000
32	Tier Four	-500,000 1,000,000
33	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.