

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 1520 (Second Edition)

**SHORT TITLE:** Extend Qualified Business Venture Tax

**SPONSOR(S):** Representatives Allen, Luebke, et al.

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>
<b>REVENUES</b>					
General Fund		(\$6,000,000)			
<b>EXPENDITURES</b>					
<b>POSITIONS:</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	Department of Revenue, Department of the Secretary of State				
<b>EFFECTIVE DATE:</b>	The act is effective when it becomes law.				

**BILL SUMMARY:** The bill extends the individual income tax credit for Qualified Business investments from January 1, 2003, to January 1, 2004. The definition of Qualified Grantee Business is revised to replace specific named entities with general descriptions of entities that would encompass the North Carolina Biotechnology Center, MCNC, and the Kenan Institute for Engineering, Technology and Science. The new definition does not include the Technological Development Authority.

**ASSUMPTIONS AND METHODOLOGY:**

The amount of Qualified Business credits given each year is capped at \$6 million. Requests for credits have exceeded the \$6 million cap for four out of the last five years. In fact, the amount of credit requested (\$19 million) in 2001 was approximately three times the amount of credit available. Given the recent investor interest in the credit program, it is likely that the \$6 million annual cost of the program will continue until its sunset in 2004. The General Fund fiscal impact occurs in FY 2003-04 because the investments made in 2003 will be awarded credits on returns filed in the spring of 2004. Credit demand will not be affected by the exclusion of firms receiving grants from the Technological Development Authority. Most of these firms should qualify for the credit by applying for Qualified Business Venture status with the Secretary of State.

**SOURCES OF DATA:** Department of Revenue

**TECHNICAL CONSIDERATIONS:**

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**APPROVED BY:** James D. Johnson

**DATE:** June 26, 2002



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