

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: Senate Bill 345 (First Edition)

SHORT TITLE: Encourage Invest to Retain Art 3A Installment.

SPONSOR(S): Senators Garrou and Allran

FISCAL IMPACT (\$millions)					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
REVENUES:					
General Fund	-0.4	-0.4	-0.4	-0.4	-0.4
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: Taxable years beginning on or after January 1, 2009					

BILL SUMMARY: The William Lee Act is a package of tax credits designed to benefit new and expanding businesses. It includes a tax credit for “substantial investment in other property” that is available to taxpayers that meet certain eligibility requirements. One of these requirements is that a taxpayer has to create 200 jobs within two years of the time the qualifying property is placed in service. Additionally, a taxpayer must invest at least \$10 million in real property within a three year period. The credit is equal to 30% of the real property investment. The credit is taken in seven equal installments beginning the year after the property is placed in service. If an installment cannot be used because it exceeds 50% of the taxpayer’s tax liability for the year, each installment may be carried forward for 20 years.

The credit expires if during one of the seven years in which an installment accrues, the total number employed by the taxpayer falls below 200. Expiration means that the taxpayer cannot take any remaining installments of the credit. The taxpayer is not required to forfeit installments of credits that accrued in previous years. The proposal would modify the expiration provision. The taxpayer would not be required to maintain 200 employees to take remaining credit installments if the taxpayer makes an investment equal to or greater than twice the amount of the remaining installments at the facility within two years of the employment level falling below 200.

ASSUMPTIONS AND METHODOLOGY:

Fiscal Research is aware of one taxpayer that would be impacted by the legislation. The bill would allow the taxpayer to remain eligible to take five remaining credit installments of \$424,000 each. Without the bill, the taxpayer would become ineligible for the installments and their tax liability would increase. Although the amount of timing and amount of credits taken each year will vary depending on when returns are filed and tax liability, the fiscal impact is estimated to be approximately \$400,000 annually for five years beginning in FY 2010-11.

SOURCES OF DATA: NC Department of Revenue

TECHNICAL CONSIDERATIONS: None

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