

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 1061
Committee Substitute Favorable 6/15/95

Short Title: Manufacturing Jobs Tax Credit.

(Public)

Sponsors:

Referred to:

May 15, 1995

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE AN INCOME TAX CREDIT FOR RETAINING
3 THREATENED MANUFACTURING JOBS IN DISTRESSED COUNTIES.

4 The General Assembly of North Carolina enacts:

5 Section 1. Division I of Article 4 of Chapter 105 of the General Statutes is
6 amended by adding a new section to read:

7 "**§ 105-130.40A. Credit for retaining threatened manufacturing jobs in distressed**
8 **county.**

9 (a) Definitions. – The following definitions apply in this section:

10 (1) Full-time position. – Defined in G.S. 105-130.40.

11 (2) Located. – A position is located in a county if at least fifty percent
12 (50%) of the employee's duties are performed in the county or the
13 employee is a resident of the county.

14 (3) Severely distressed county. – A county designated as severely distressed
15 pursuant to G.S. 105-130.40.

16 (b) Credit. – A corporation engaged in the business of manufacturing in a severely
17 distressed county whose business is threatened because its principal product has become
18 obsolete or uncompetitive due to technological advances is allowed a credit against the
19 tax imposed by this Division equal to twenty percent (20%) of the corporation's expenses

1 during the taxable year necessary to retain its threatened jobs in the county. For the
2 purpose of this section, expenses to retain threatened jobs include the costs of purchasing
3 and installing business equipment and making capital improvements to modify a
4 manufacturing facility for production of a different or an upgraded product. Expenses are
5 necessary to retain threatened jobs if the corporation's failure to modify the
6 manufacturing facility would cause the loss of at least 10 jobs in the county.

7 (c) Eligibility. – A corporation is eligible for this credit only if the number of its
8 full-time employees located in the county has not decreased during the three-year period
9 preceding the year the expenses are incurred.

10 (d) Installments; Condition. – The credit allowed under this section may not
11 exceed two thousand eight hundred dollars (\$2,800) for each threatened full-time job
12 retained by the corporation in the distressed county. The credit may not be taken in the
13 taxable year in which the expenses are incurred. Instead, the credit shall be taken in
14 equal installments over the four years following the taxable year in which the expenses
15 were incurred and shall be conditioned on the continued employment by the corporation
16 in the county and in the State of the number of full-time employees the corporation had in
17 the county and in the State during the taxable year the expenses were incurred. If, in one
18 of the four years in which the installment of a credit accrues, the number of the
19 corporation's full-time employees in the county or in the State falls below this number,
20 the credit expires and the corporation may not take any remaining installment of the
21 credit. The corporation may, however, take the portion of an installment that accrued in a
22 previous year and was carried forward to the extent permitted under subsection (e) of this
23 section.

24 (e) Limit; Carryforward. – The credit allowed under this section may not exceed
25 fifty percent (50%) of the amount of tax imposed by this Division for the taxable year
26 reduced by the sum of all credits allowed, except payments of tax made by or on behalf
27 of the taxpayer. Any unused portion of the credit may be carried forward for the
28 succeeding five taxable years.

29 (f) Certification. – In order to qualify for this credit, the taxpayer must provide
30 written certification from the Secretary of Commerce that it meets the conditions of this
31 section and that it has incurred the expenses for which credit is claimed. In addition, the
32 taxpayer must provide any other documentation required by the Secretary of Revenue.

33 (g) Documentation. – To obtain the certification of the Secretary of Commerce
34 that it meets the conditions of this section and that it has incurred the expenses for which
35 credit is claimed, a corporation must provide any information and documentation the
36 Secretary of Commerce requires. This information and documentation must be submitted
37 to the Secretary of Commerce through the local economic development officer for the
38 county in which the jobs are located.

39 Each year for four years after the expenses are incurred, the corporation shall provide
40 the Secretary of Commerce with documentation establishing that it has met the
41 continuing employment condition of subsection (d) of this section. The Secretary of
42 Commerce shall notify the Secretary of Revenue immediately of any corporation that
43 fails to establish that it meets this continuing employment condition.

1 Information submitted to the Secretary of Commerce pursuant to this subsection is a
2 public record. The Secretary of Commerce may adopt rules to implement this
3 subsection."

4 Sec. 2. Division II of Article 4 of Chapter 105 of the General Statutes is
5 amended by adding a new section to read:

6 "**§ 105-151.17A. Credit for retaining threatened manufacturing jobs in distressed**
7 **county.**

8 (a) Definitions. – The following definitions apply in this section:

9 (1) Full-time position. – Defined in G.S. 105-151.17.

10 (2) Located. – A position is located in a county if at least fifty percent
11 (50%) of the employee's duties are performed in the county or the
12 employee is a resident of the county.

13 (3) Severely distressed county. – A county designated as severely distressed
14 pursuant to G.S. 105-151.17.

15 (b) Credit. – A taxpayer engaged in the business of manufacturing in a severely
16 distressed county whose business is threatened because its principal product has become
17 obsolete or uncompetitive due to technological advances is allowed a credit against the
18 tax imposed by this Division equal to twenty percent (20%) of the taxpayer's expenses
19 during the taxable year necessary to retain the taxpayer's threatened jobs in the county.
20 For the purpose of this section, expenses to retain threatened jobs include the costs of
21 purchasing and installing business equipment and making capital improvements to
22 modify a manufacturing facility for production of a different or an upgraded product.
23 Expenses are necessary to retain threatened jobs if the taxpayer's failure to modify the
24 manufacturing facility would cause the loss of at least 10 jobs in the county.

25 (c) Eligibility. – A taxpayer is eligible for this credit only if the number of the
26 taxpayer's full-time employees located in the county has not decreased during the three-
27 year period preceding the year the expenses are incurred.

28 (d) Installments; Condition. – The credit allowed under this section may not
29 exceed two thousand eight hundred dollars (\$2,800) for each threatened full-time job
30 retained by the taxpayer in the distressed county. The credit may not be taken in the
31 taxable year in which the expenses are incurred. Instead, the credit shall be taken in
32 equal installments over the four years following the taxable year in which the expenses
33 were incurred and shall be conditioned on the continued employment by the taxpayer in
34 the county and in the State of the number of full-time employees the taxpayer had in the
35 county and in the State during the taxable year the expenses were incurred. If, in one of
36 the four years in which the installment of a credit accrues, the number of the taxpayer's
37 full-time employees in the county or in the State falls below this number, the credit
38 expires and the taxpayer may not take any remaining installment of the credit. The
39 taxpayer may, however, take the portion of an installment that accrued in a previous year
40 and was carried forward to the extent permitted under subsection (e) of this section.

41 (e) Limit; Carryforward. – The credit allowed under this section may not exceed
42 fifty percent (50%) of the amount of tax imposed by this Division for the taxable year
43 reduced by the sum of all credits allowed, except payments of tax made by or on behalf

1 of the taxpayer. Any unused portion of the credit may be carried forward for the
2 succeeding five taxable years.

3 (f) Certification. – In order to qualify for this credit, the taxpayer must provide
4 written certification from the Secretary of Commerce that the taxpayer meets the
5 conditions of this section and has incurred the expenses for which credit is claimed. In
6 addition, the taxpayer must provide any other documentation required by the Secretary of
7 Revenue.

8 (g) Documentation. – To obtain the certification of the Secretary of Commerce
9 that the taxpayer meets the conditions of this section and has incurred the expenses for
10 which credit is claimed, the taxpayer must provide any information and documentation
11 the Secretary of Commerce requires. This information and documentation must be
12 submitted to the Secretary of Commerce through the local economic development officer
13 for the county in which the jobs are located.

14 Each year for four years after the expenses are incurred, the taxpayer shall provide the
15 Secretary of Commerce with documentation establishing that the taxpayer has met the
16 continuing employment condition of subsection (d) of this section. The Secretary of
17 Commerce shall notify the Secretary of Revenue immediately of any taxpayer that fails to
18 establish that this continuing employment condition has been met.

19 Information submitted to the Secretary of Commerce pursuant to this subsection is a
20 public record. The Secretary of Commerce may adopt rules to implement this
21 subsection."

22 Sec. 3. This act is effective for taxable years beginning on or after January 1,
23 1995.