

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 474 (Finance Committee Substitute)

SHORT TITLE: Industrial Revenue Bonds

SPONSOR(S): Rep. Sutton

FISCAL IMPACT

Yes () No (X) No Estimate Available ()

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Commerce
Local Government Commission
County Bond Authorities

EFFECTIVE DATE: Effective upon ratification

BILL SUMMARY: The bill clarifies the expenditures that may be financed with industrial revenue bonds 60 days prior to an inducement agreement.

BACKGROUND: An inducement agreement is an official letter of intent between a company and a county bond authority to signify that an industrial revenue bond is requested for a project. The Internal Revenue Service recognizes this agreement as the first official action in establishing such bonds. Federal law allows companies to receive reimbursement for expenses they incur 60 days before an inducement agreement is signed. States bordering North Carolina conform to the federal law in this matter.

ASSUMPTIONS AND METHODOLOGY: The bill makes a technical change that broadens the use of bond proceeds. In any event, there would be no cost to the state or to counties because industrial revenue bonds are backed by bank letters of credit arranged by the companies seeking the bonds.

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