

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

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**HOUSE BILL 1520
Committee Substitute Favorable 6/26/02**

Short Title: Extend Qualified Business Venture Tax Credit.

(Public)

Sponsors:

Referred to:

June 5, 2002

A BILL TO BE ENTITLED

1 AN ACT TO EXTEND THE SUNSET ON TAX CREDITS FOR QUALIFIED
2 BUSINESS INVESTMENTS AND TO AMEND THE DEFINITION OF
3 QUALIFIED GRANTEE BUSINESS.
4

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Section 7 of Chapter 443 of the 1993 Session Laws, as
7 amended by Section 29A.15 of S.L. 1998-212, is repealed.

8 **SECTION 2.** Section 10 of Chapter 443 of the 1993 Session Laws, as
9 amended by Section 29A.15 of S.L. 1998-212, reads as rewritten:

10 "Sec. 10. Section 6 of this act is effective upon ratification. ~~Section 7 of this act~~
11 ~~becomes effective for investments made on or after January 1, 2003.~~ The remainder of
12 this act becomes effective for taxable years beginning on or after January 1, 1994.

13 A business registered as a qualified business venture or a qualified grantee business
14 before January 1, 1994, retains its registration until the renewal date for the registration
15 of that business under Part 5 of Article 4 of Chapter 105 of the General Statutes as in
16 effect before January 1, 1994. The Secretary of State shall not grant renewal of a
17 registration as a qualified business venture or a qualified grantee business unless at the
18 time of filing the renewal application, the business meets the requirements then in effect
19 for a new registration.

20 Notwithstanding the provisions of G.S. 105-163.014(a), as amended by this act, a
21 credit under Part 5 of Article 4 of Chapter 105 of the General Statutes for an investment
22 made before January 1, 1994, is not forfeited solely on the grounds that a sibling of the
23 taxpayer provides services for compensation to the business in which the taxpayer
24 invested.

25 Notwithstanding the provisions of G.S. 105-163.014(d), as amended by this act, a
26 credit under Part 5 of Article 4 of Chapter 105 of the General Statutes for an investment
27 made before January 1, 1994, is not forfeited solely on the grounds that a redemption of
28 the securities received in the investment is made within five years after the investment
29 was made.

1 The Secretary of State may require a qualified business venture or a qualified
2 grantee business that is unable to renew its registration after January 1, 1994, to file
3 reports the Secretary of State considers appropriate to determine the location of the
4 headquarters and principal business operations of the business until three years after the
5 date of the last investment in the business that qualified for the tax credit allowed under
6 Part 5 of Article 4 of Chapter 105 of the General Statutes."

7 **SECTION 3.** G.S. 105-163.010(9) reads as rewritten:

8 **"§ 105-163.010. Definitions.**

9 The following definitions apply in this Part:

10 ...

11 (9) Qualified grantee business. – A business that (i) ~~has received during~~
12 ~~the preceding three years a grant or other funding from the North~~
13 ~~Carolina Technological Development Authority, the North Carolina~~
14 ~~Technological Development Authority, Inc., North Carolina First~~
15 ~~Flight, Inc., the North Carolina Biotechnology Center, the~~
16 ~~Microelectronics Center of North Carolina, the Kenan Institute for~~
17 ~~Engineering, Technology and Science, or the Federal Small Business~~
18 ~~Innovation Research Program, and (ii) is registered with the Secretary~~
19 ~~of State under G.S. 105-163.013-105-163.013, and (ii) has received~~
20 ~~during the preceding three years a grant or other funding from a~~
21 ~~federal agency under the Small Business Innovation Research Program~~
22 ~~administered by the United States Small Business Administration or~~
23 ~~from an organization that meets any of the following qualifications:~~

24 a. It is a domestic or foreign corporation that (i) is tax-exempt
25 pursuant to section 501(c)(3) of the Code, (ii) has as its
26 principal purpose the stimulation of the development of the
27 biotechnology industry, and (iii) in furtherance of that purpose
28 has received, or is a successor in interest to an organization that
29 has received, direct appropriations from the State in at least
30 three fiscal years..

31 b. It is a domestic or foreign corporation that (i) is tax-exempt
32 pursuant to section 501(c)(3) of the Code, (ii) has as its
33 principal purpose the stimulation of the development of the
34 microelectronics and communication industries, and (iii) in
35 furtherance of that purpose has received, or is a successor in
36 interest to an organization that has received, direct
37 appropriations from the State in at least three fiscal years.

38 c. It is an institute that (i) is administratively located within a
39 constituent institution of The University of North Carolina, (ii)
40 is financed in part by a domestic or foreign corporation that is
41 tax-exempt pursuant to section 501(c)(3) of the Code, (iii) has
42 as a principal purpose the stimulation of economic development
43 based on the advancement of science, engineering, and
44 technology, and (iv) funds, either directly or in collaboration

1 with other entities, small businesses engaging in developing
2 technology."

3 **SECTION 4.** G.S. 105-163.013(c) reads as rewritten:

4 "(c) Qualified Grantee Businesses. - In order to qualify as a qualified grantee
5 business under this Part, a business must be registered with the Securities Division of
6 the Department of the Secretary of State. To register, the business must file with the
7 Secretary of State an application and any supporting documents the Secretary of State
8 may require from time to time to determine that the business meets the requirements for
9 registration as a qualified grantee business. ~~A business meets the requirements for~~
10 ~~registration as a qualified grantee business if it has received during the preceding three~~
11 ~~years a grant or other funding from the North Carolina Technological Development~~
12 ~~Authority, the North Carolina Technological Development Authority, Inc., North~~
13 ~~Carolina First Flight, Inc., the North Carolina Biotechnology Center, the~~
14 ~~Microelectronics Center of North Carolina, the Kenan Institute for Engineering,~~
15 ~~Technology and Science, or the Federal Small Business Innovation Research~~
16 ~~Program.~~ The requirements for registration as a qualified grantee business are set out in
17 G.S. 105-163.010(9).

18 The effective date of registration for a qualified grantee business whose application
19 is accepted for registration is the filing date of its application. No credit is allowed under
20 this Part for an investment made before the effective date of the registration or after the
21 registration is revoked.

22 To remain qualified as a qualified grantee business, the business must renew its
23 registration annually as prescribed by rule by filing an application for renewal in which
24 the business certifies the facts listed in this subsection."

25 **SECTION 5.** Part 5 of Article 4 of Chapter 105 of the General Statutes is
26 amended by adding a new section to read:

27 **"§ 105-163.015. Sunset.**

28 This Part is repealed effective for investments made on or after January 1, 2004."

29 **SECTION 6.** Sections 3 and 4 of this act become effective January 1, 2003.
30 Notwithstanding the amendments to G.S. 105-163.010 and G.S. 105-163.013 in
31 Sections 3 and 4 of this act, a business to which a grant or other funding was committed
32 before January 1, 2003, by the North Carolina Technological Development Authority,
33 the North Carolina Technological Development Authority, Inc., North Carolina First
34 Flight, Inc., the North Carolina Biotechnology Center, the Microelectronics Center of
35 North Carolina, the Kenan Institute for Engineering, Technology and Science, or the
36 Federal Small Business Innovation Research Program may still qualify as a qualified
37 grantee business under the provisions of G.S. 105-163.010 and G.S. 105-163.013 as
38 they existed before the enactment of this act. The remainder of this act is effective
39 when it becomes law.