

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

(Please note this Fiscal Note contains an "Attachment 1" that cannot be distributed through the Legislative Bill Status System, electronically Attachment 1 will be available in hard copy through the Office of Printed Bills and, in time, in the Principal Clerks' Offices)

BILL NUMBER: SB 1275 (Finance Committee Substitute, 6/29/96)

SHORT TITLE: Quality Jobs and Business Expansion

SPONSOR(S): Senator Kerr

FISCAL IMPACT: Expenditures: Increase () Decrease ()
 Revenues: Increase () Decrease (x)
 No Impact ()
 No Estimate Available ()

FUND AFFECTED: General Fund (x) Highway Fund () Local Govt. ()
 Other Funds ()

BILL SUMMARY:

(1)Provides state income tax incentives by restructuring and expanding existing job creation tax credit, establishing an investment tax credit, creating a research and development tax credit, and providing a worker training tax credit.

(2)Amends State Industrial Development Fund by raising limit for funds used for projects that directly result in the creation of new jobs to \$4,000 per new job up to a maximum of \$400,000 per project

(3)Amends Community Development Block Grant law to eliminate local match in 10 counties with highest level of economic distress.

EFFECTIVE DATE: Changes to the Industrial Development Fund and the Community Development Block Grants become effective July 1, 1996. The tax changes in the bill are effective for tax years beginning on or after January 1, 1996 and apply to jobs created on or after July 1, 1996 and new machinery and equipment placed in service on or after July 1, 1996. The tax changes are repealed effective January 1, 2002.

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:

FISCAL IMPACT

| <u>FY</u> | <u>FY</u> | <u>FY</u> | <u>FY</u> | <u>FY</u> |
|-----------|-----------|-----------|-----------|-----------|
| 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 |

REVENUES:

GENERAL FUND See Attachment 1 for detail [Revenue loss ranges from \$400,000 in 1996-97 to \$63 million in 2001-2002; then decreases to 0 in 2008-2009]

HIGHWAY FUND
HIGHWAY TRUST FUND
LOCAL
EXPENDITURES

ASSUMPTIONS AND METHODOLOGY: The estimated impact of the tax changes on state General Fund revenues of all tax changes except the research and development tax credit reflects a consensus between the Fiscal Research Division and the Governor's economic policy advisor, with a review of the estimates by the Department of Revenue and the Office of State Budget and Management. The research and development tax credit estimate is based on a Fiscal Research Division review of the cost of the same credit in a number of other states, adjusted to North Carolina based on research and development activity, state personal income, and differences in the tax credit size. An annual growth rate of 6% was used to project the cost of the credit into the future. In addition, the research and development estimate assumes the following utilization rates, based on a review of historical data from two other states:

| | |
|--------|------|
| Year 1 | 65% |
| Year 2 | 75% |
| Year 3 | 90% |
| Year 4 | 100% |
| Year 5 | 100% |

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Publication



Signed Copy Located in the NCGA Principal Clerk's Offices