March 24, 2005

S 1049. BUSINESS GROWTH AND INVESTMENT ACT OF 2005. *TO REPLACE THE TAX CREDITS GENERALLY AVAILABLE UNDER THE WILLIAM S. LEE QUALITY JOBS AND BUSINESS EXPANSION ACT WITH MORE NARROWLY FOCUSED CREDITS FOR JOB CREATION AND BUSINESS INVESTMENT; AND TO EXTEND THE JOB DEVELOPMENT INVESTMENT GRANT PROGRAM*. Extends the sunset of the Job Development Investment Grant program in Part 2G of Article 10 of GS Chapter 143B from January 1, 2006, to January 1, 2008. Enacts a new Article 3H of GS Chapter 105, "Tax Credits for Growing Businesses," similar to the existing Bill Lee Act in Article 3B, which is set to expire January 1, 2006, for most businesses and January 1, 2010, for interstate air couriers and certain manufacturers that make large investments. The new Article 3H credits become effective January 1, 2006, and sunset January 1, 2010. A taxpayer cannot take a credit under both the Bill Lee Act and the New Article 3H for the same activity. The new credits differ from the existing Bill Lee Act credits in several ways, including: (1) All counties are in enterprise tier one, two, or three. Forty counties are in tier one and forty counties are in tier two, except that additional counties may remain in tier one for an extra year after they no longer qualify. Any counties not in tier one or two are in tier three. County ad valorem tax value per capita is an additional factor in ranking counties into tiers. (2) The credits are limited to certain types of business activities at business establishments, but may be taken by any type of business. Allowable business activities are those allowed under the Bill Lee Act as well as motorsports racing teams and aircraft maintenance and repair. Call centers and electronic mail order houses are allowed credits for activities in any county, not just in low-tier counties. (3) Rather than taking the credit against only one of three possible taxes (income, franchise, premiums) as under Bill Lee, the taxpayer can take the credit against all three taxes at once. The credit cannot reduce any of the taxes by more than 50%, and the excess is carried forward for only five years. (4) The comparable jobs tax credit is modified by increasing the credit amount for jobs in most counties, imposing higher thresholds for qualifying for the credit in tiers two and three, but allowing credits for all jobs, not just those above the threshold. The comparable machinery and equipment credit (investment tax credit) is expanded by broadening the types of equipment that qualify for the credit and shortening the annual installments from seven years to four years. The threshold for qualifying will be lower in some counties and higher in others, but once it is met, the entire investment, not just the excess over the threshold, qualifies for the credit. There is no credit for worker training. (5) Various provisions are updated, clarified, and simplified as compared to the Bill Lee Act.

Intro. by Hoyle.

Ref. to Finance GS 105, 143B