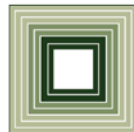


# **Joint Legislative Economic Development & Global Engagement Oversight Committee**

January 7, 2016



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Recent General Assembly Actions Related to Economic Development

## Topics to Cover

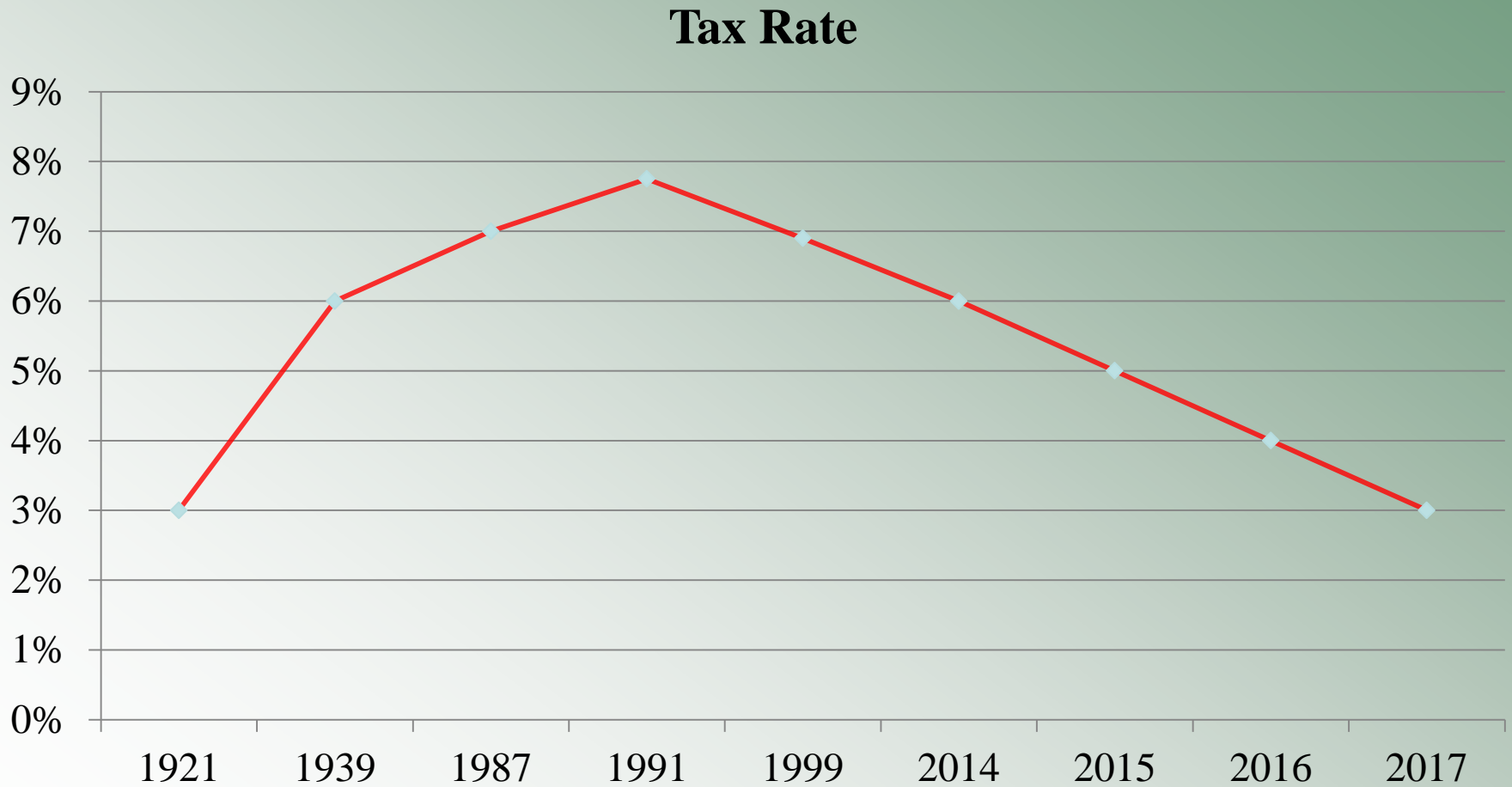
- Tax Policy
- Agency Structure
- Regions
- Funding Programs

# How to Incent Businesses?

- Simplify tax laws and reduce tax rates
- Use State appropriations rather than tax expenditures
  - More focused
  - More accountability
  - More transparent
  - More deliberative



# CIT Rate: Before and After Reform



# Business Tax Base: Before and After Reform

## Tax Base Before

Local privilege license taxes

Privilege tax on banks

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### Credits & Deductions Available

Tax credits for ports charges, recycling oyster shells, renewable fuels, work opportunity, interactive digital media, Article 3J, qualified business venture, film, renewable energy, historic and mill rehabilitation, low income housing, research & development, construction of dwelling units for handicapped, real property donations, conservation tillage equipment, gleaned crops, and construction of poultry composting facility,

Deductions for amortization in excess of depreciation allowed under the Code on the cost of sewage or waste treatment plant, air cleaning devices, recycling facilities, emergency facilities acquired before 1955, reforestation and cultivation of commercially grown trees; eligible income of an international banking facility, tobacco marketing assessments, settlement agreements, hurricane assistance, interest earned on deposits by a savings and loan association

## Tax Base After

### Credits & Deductions Available

Historic rehabilitation, miscellaneous others that are administrative in nature

# Single Sales Factor Apportionment

- Arguably SSF makes a state more attractive for a business to expand its property and payroll
- Majority of states with a CIT have SSF (21 states)
- NC has a double-weighted apportionment formula
- Beginning 2016, NC will phase-in SSF over 3 years:
  - 2016: Sales factor counted three times
  - 2017: Sales factor counted four times
  - 2018: Property and Payroll no longer part of calculation of apportionment formula





# Agency Structure: Department of Commerce

- **INSOURCING** (Functions Formerly External to Commerce)
  - Rural Economic Development Division & the Rural Infrastructure Authority
- **OUTSOURCING** (Functions formerly within Commerce)
  - Economic Development Partnership of North Carolina, Inc.: Sales & marketing arm of the State, responsible for business recruitment, existing industry & small business support, import & export assistance, marketing, tourism, film and sports development.

# Current

## Department of Commerce

- Administration
- Finance Center
- Rural Economic Development Division
- Office of Science, Technology & Innovation
- Labor & Economic Analysis Division
- Travel Inquiry Section
- Welcome Centers
- Division of Workforce Solutions
- Division of Employment Security



# Regionalization

- **FORMERLY:**

- Regional Economic Development Commissions*

- Seven organizations that represented geographic regions and received annual funding, which was used for personnel and activities dedicated to that area's economic development efforts.

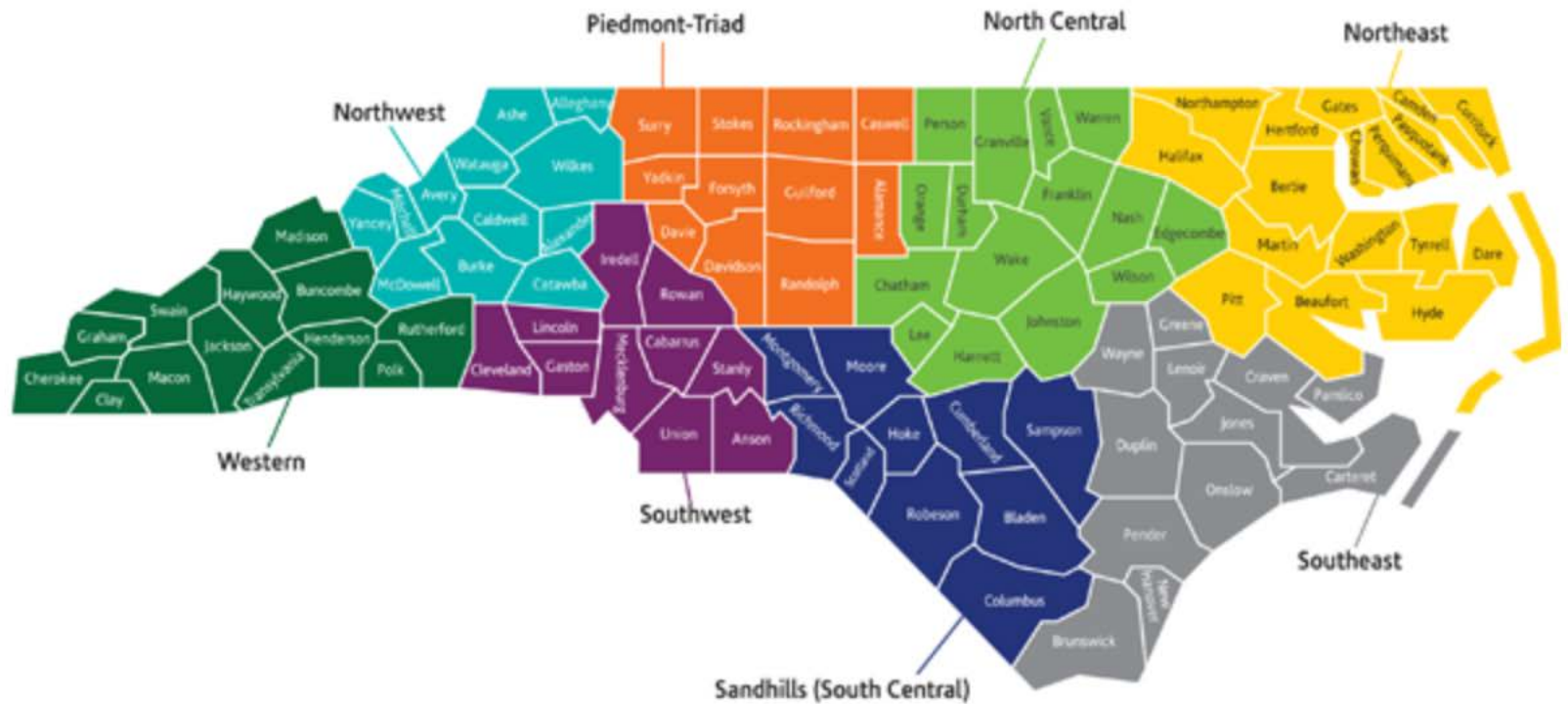
- **CURRENTLY:**

- Collaboration for Prosperity Zones*

- Eight designated geographical areas within which entities\* are mandated to liaise in order to coordinate across government, create administrative efficiencies, and establish one-stop sources for citizens & businesses.

- \*Includes Commerce, Department of Environmental Quality, Transportation, Community Colleges and State Board of Education.

# North Carolina Prosperity Zones



# Funding Programs

- *Job Development Investment Grant*
  - Extended authority to grant new awards by three years to January, 2019
  - Created a new category for high-yield projects (creation of 1,750 jobs and investment of \$500 M); associated liability cap is up to \$35 M annually for 20 years.
  - Increased liability cap for “regular” projects to \$20 M annually for up to 12 years (formerly \$15 M)
- *One North Carolina Fund*
  - Requires local government match based on Tier Designation (formerly uniform requirement of \$1:\$1 match)
- *Film & Entertainment Grant Program*
  - Provided \$30 M in nonrecurring funding for each year of the biennium.

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