

House Select Committee on Small Business



**REPORT TO THE 2010 REGULAR SESSION OF THE
2009 GENERAL ASSEMBLY OF NORTH CAROLINA**

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AN ACT TO PROVIDE H.E.L.P (HEALTH CARE, EMPLOYMENT, LEVERAGE, AND PREPARATION) FOR SMALL BUSINESS IN NORTH CAROLINA, AS RECOMMENDED BY THE HOUSE SELECT COMMITTEE ON SMALL BUSINESS.

APPENDICES

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HOUSE SELECT COMMITTEE ON SMALL BUSINESS
State Legislative Building
Raleigh, North Carolina 27603

May 12, 2010

TO THE MEMBERS OF THE 2009 GENERAL ASSEMBLY:

The House Select Committee on Small Business submits to you for your consideration its report.

Respectfully Submitted,

Rep. Hugh Holliman, Chair

2009-2010

HOUSE SELECT COMMITTEE ON SMALL BUSINESS

MEMBERSHIP

Rep. Hugh Holliman, Chair
Rep. Kelly M. Alexander, Jr.
Rep. James L. Boles, Jr.
Rep. R. Van Braxton
Rep. Nelson Cole
Rep. James W. Crawford, Jr.
Rep. Phillip Frye
Rep. Pryor Gibson
Rep. Bruce Goforth
Rep. Dewey L. Hill
Rep. Carolyn K. Justus
Rep. Daniel F. McComas
Rep. Bill Owens
Rep. Deborah K. Ross
Rep. Mitchell S. Setzer
Rep. William L. Wainwright
Rep. Roger West
Rep. Jane Whilden

Staff:

Carol Bowers, Committee Clerk

Ryan Blackledge, Legislative Drafting
Karen Cochrane-Brown, Research
Trina Griffin, Research
Canaan Huie, Speaker's Office
Kristine Leggett, Fiscal Research
Barbara Riley, Research
Don Willis, Majority Leader's Office

COMMITTEE PROCEEDINGS

The House Select Committee on Small Business was established by the Speaker of the House on January 22, 2010. The Committee grew out of a small group of legislators that had met informally to discuss the needs faced by small businesses in the current economy. The Committee met six times prior to the convening of the 2010 Regular Session of the 2009 General Assembly, including meetings held in Lexington and Kinston. The Committee focused on a review of existing State programs and received input from small business owners about their needs.

The Committee recognizes that small businesses are a critical component of our communities. Small businesses form the backbone of State and local economies. Ninety-eight percent of business entities in North Carolina have fewer than 100 employees. These businesses account for over 60% of all jobs in the State. But the mere numbers fail to adequately describe the importance of these businesses. These homegrown businesses provide stable employment for residents while also providing valuable services to customers within this State. They contribute to a creative and innovative culture. They are actively involved in their communities. They make North Carolina a better place to live and work.

DEFINITION OF SMALL BUSINESS

The Committee discussed the fact that there is no common understanding of the term “small business.” There is no consensus on the measures that delineate a small business from a large or mid-size business. Some programs rely on the number of employees, while others look to annual receipts or total assets. Some programs define small businesses as those with fewer than 25 employees while other programs include businesses with as many as 500 employees in the definition. The definition often varies depending not only on a measure of size, but based on industry classification as well. The Committee recognized that different definitions are appropriate in different contexts and did not try to establish a uniform

definition. However, the committee largely focused its efforts on businesses with fewer than 50 employees.

REVIEW OF STATE SUPPORT FOR SMALL BUSINESS

Committee staff gave presentations to the committee on State programs, both appropriations and tax benefits, that assist small businesses. In addition to programs that support specific industries or types of small businesses, the Department of Commerce helps to coordinate the provision of services to all small businesses. Commerce operates the Business ServiCenter and www.blnc.gov, which provide information to small businesses about State programs and contact information in other agencies and institutions. In addition, Commerce employs a small business ombudsman who works with small businesses to improve interactions with State government. While the Department of Commerce is the lead agency with respect to economic development in the State, a number of other agencies also play important roles with respect to supporting small business. The Departments of Agriculture and Consumer Services, Environment and Natural Resources, and Labor all have programs designed specifically for small businesses. The General Assembly has enacted numerous tax provisions designed to encourage the start-up and growth of small businesses.

Representatives from the Community College System presented on the work done by the Small Business Centers and the North Carolina Military Business Center. Small Business Centers are located at every community college in the State and are an invaluable resource for new entrepreneurs. The Centers are particularly adept at providing training to potential entrepreneurs and assisting with initial business plans. Most of the services provided by the Centers are free or available at a minimal cost. The North Carolina Military Business Center is headquartered at Fayetteville Technical Community College but has offices at a total of 11 community college campuses. In addition to helping to recruit defense firms to the State and to transition retiring military personnel into the civilian workforce, the NCMBC works to help small businesses compete for federal contracts with military installations.

The Committee heard from representatives from the Small Business and Technology Development Centers. The SBTDC is a university system, multi-campus center of The

University of North Carolina. The SBTDC is the official State representative for many federal small business programs and is the lead resource in tracking federal-related funds. The SBTDC often work with small businesses that are growing to the next level. Clients of the SBTDC employ over 45,000 people and have annual receipts in excess of \$6 billion.

Finally, the Committee heard from outside groups that use State funds to support small businesses. The Rural Economic Development Center and the Institute of Minority Economic Development informed the Committee about their programs. These agencies support small businesses by training entrepreneurs, assisting in the development of business plans, and providing access to capital in underserved areas.

INSIGHTS FROM SMALL BUSINESSES

People who own and run small businesses were asked to address the committee about the needs of small businesses. The following are key points raised by presenters:

- *Access to capital.* In the aftermath of the financial crisis and recession, many small businesses have found it difficult to obtain financing at any rates. This capital crunch applies not only to new or expanding businesses with a need to invest in machinery and equipment or real property, but also to existing businesses that have a greater need for working capital as customers delay payment for goods or services.
- *Access to affordable health care.* Numerous small business owners reported problems with obtaining quality, affordable health insurance for their employees. These businesses noted the rapidly rising costs of coverage and suggested ways in which individual businesses could band together to increase their strength in negotiating for lower rates.
- *Less regulation of small businesses.* Several small businesses owners suggested that government regulations hamper their ability to remain profitable. These speakers stated that reducing the regulations with which businesses must comply would be more beneficial than most assistance programs.

- *Ensuring that we have communities that attract and retain talent.* One business owner focused on the importance of fostering creativity and innovation in the State. This speaker stated that ensuring the necessary physical, social, and intellectual infrastructure was in place was key to retaining small businesses, and their workers, in innovative fields

LEGISLATIVE PROPOSAL

H.E.L.P. SMALL BUSINESS ACT

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H

D

BILL DRAFT 2009-MExz-83 [v.8] (4/26)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
4/29/2010 9:38:01 AM

Short Title: H.E.L.P. Small Business Act. (Public)

Sponsors: Representative.

Referred to:

A BILL TO BE ENTITLED
AN ACT TO PROVIDE H.E.L.P. (H EALTH CARE, E MPLOYMENT, L EVERAGE, AND
P REPARATION) FOR SMALL BUSINESSES IN NORTH CAROLINA, AS
RECOMMENDED BY THE HOUSE SELECT COMMITTEE ON SMALL BUSINESS.

Whereas, small businesses are the backbone of North Carolina's economy; and

Whereas, over sixty percent of all North Carolinians are employed by a business with fewer than one hundred employees; and

Whereas, small businesses have been hit particularly hard by the recent financial crisis and ensuing credit crunch; and

Whereas, small businesses impact communities not just economically but through their social and civic engagement; Now, therefore,
The General Assembly of North Carolina enacts:

PART 1: TAX BENEFITS FOR SMALL BUSINESSES

INCREASE TAX BENEFITS FOR SMALL BUSINESS EQUIPMENT PURCHASES

SECTION 1.1. G.S. 105-228.90(b)(1b) reads as rewritten:

"§ 105-228.90. **Scope and definitions.**

...

(b) Definitions. – The following definitions apply in this Article:

...

(1b) Code. – The Internal Revenue Code as enacted as of [May 1, 2009](#), [May 1, 2010](#), including any provisions enacted as of that date which become effective either before or after that date."

INCREASE TAX BENEFITS FOR INVESTMENTS IN SMALL BUSINESSES

SECTION 1.2. G.S. 105-163.012(b) reads as rewritten:

"§ 105-163.012. **Limit; carry-over; ceiling; reduction in basis.**

...

(b) The total amount of all tax credits allowed to taxpayers under G.S. 105-163.011 for investments made in a calendar year may not exceed ~~seven million five hundred thousand dollars (\$7,500,000)~~. eight million dollars (\$8,000,000). The Secretary of Revenue shall calculate the total amount of tax credits claimed from the applications filed pursuant to G.S. 105-163.011(c). If the total amount of tax credits claimed for investments made in a calendar year exceeds this maximum amount, the Secretary shall allow a portion of the credits claimed by allocating the maximum amount in tax credits in proportion to the size of the credit claimed by each taxpayer."

SECTION 1.3. G.S. 105-163.015 reads as rewritten:

"§ 105-163.015. Sunset.

This Part is repealed effective for investments made on or after ~~January 1, 2011~~. January 1, 2013."

TAX BENEFITS FOR SMALL BUSINESSES THAT PROVIDE HEALTH INSURANCE

SECTION 1.4. G.S. 105-129.16E(d) reads as rewritten:

"§ 105-129.16E. Credit for small business employee health benefits.

...

(d) **Sunset.** – This section expires for taxable years beginning on or after ~~January 1, 2010~~. January 1, 2014."

TAX BENEFITS FOR PUTTING PEOPLE BACK TO WORK

SECTION 1.5. Article 3B of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-129.16J. Credit for small businesses that create jobs.

(a) Definitions. – The following definitions apply in this section:

(1) Full-time job. – Defined in G.S. 105-129.81.

(2) Small business. – A taxpayer that employed no more than 25 full-time employees at the beginning of the taxable year.

(b) Credit. – A taxpayer that meets the eligibility requirements of this section and creates a new, full-time job in this State is allowed a credit. The amount of the credit is equal to one thousand dollars (\$1,000) for each new full-time job created and maintained for a period of at least three years. The credit is taken in the taxable year in which the job is created.

(c) Calculation. – The number of new jobs a taxpayer creates or maintains during the taxable year is determined by subtracting the average number of full-time employees the taxpayer had in this State during the 12-month period preceding the beginning of the taxable year from the average number of full-time employees the taxpayer has in this State during the taxable year.

(d) Eligibility Requirements. – In order to be eligible for a credit under this section, the taxpayer must satisfy the following eligibility requirements:

(1) Environmental Impact. – The taxpayer must satisfy the environmental impact requirement under G.S. 105-129.83.

(2) Safety and Health Programs. – The taxpayer must satisfy the safety and health programs requirement under G.S. 105-129.83.

(3) Overdue Tax Debts. – The taxpayer must not have any overdue tax debts that have not been satisfied or otherwise resolved.

(e) Forfeiture. – A taxpayer forfeits a credit allowed under this section if the taxpayer was not eligible for the credit for the calendar year in which the taxpayer created the job. In addition,

a taxpayer forfeits a credit if the taxpayer fails to maintain the job for at least three years. A taxpayer that forfeits a credit under this Article is liable for all past taxes avoided as a result of the credit plus interest at the rate established under G.S. 105-241.21, computed from the date the taxes would have been due if the credit had not been allowed. The past taxes and interest are due 30 days after the date the credit is forfeited; a taxpayer that fails to pay the past taxes and interest by the due date is subject to the penalties provided in G.S. 105-236.

(f) Limitations. – A taxpayer may not claim a credit under this section with respect to a job for which the taxpayer claims any other credit under this Chapter for job creation. The credit allowed by this section may not exceed twenty-five thousand dollars (\$25,000).

(g) Report. – The Department must publish by May 1 of each year the total credits claimed under this section, itemized by taxpayer, for the 12-month period ending the previous December 31.

(h) Sunset. – This section is repealed for jobs created on or after January 1, 2013."

PART 2: INCREASE FUNDING FOR SMALL BUSINESS SUPPORT PROGRAMS

LEVERAGE FEDERAL FUNDS TO CREATE RESEARCH JOBS

SECTION 2.1. There is appropriated to the Department of Commerce the sum of one million five hundred thousand dollars (\$1,500,000) for fiscal year 2010-2011 to be allocated to the One North Carolina Small Business Account.

INCREASE FUNDING FOR SUPPORT SERVICES FOR SMALL BUSINESSES

SECTION 2.2. There is appropriated to the Community College System the sum of four hundred two thousand eight hundred sixty-one dollars (\$402,861) for fiscal year 2010-2011 to be used for the Small Business Centers program.

INCREASE ACCESS TO CAPITAL FOR SMALL BUSINESSES

SECTION 2.3. There is appropriated to the North Carolina Rural Economic Development Center, Inc., a nonprofit corporation, the sum of one million dollars (\$1,000,000) for fiscal year 2010-2011 to be used to support existing small businesses by expanding access to capital.

MORE MARKETING FOR BUSINESS LINK NORTH CAROLINA PROGRAM

SECTION 2.4. The General Assembly finds that access to information on small business assistance programs is vitally important to the success of the State's small businesses. The General Assembly finds further that the Business Link North Carolina program ("BLNC") serves as an excellent clearinghouse for information on small businesses, but that many of the State's small business owners have not heard of BLNC. The General Assembly, therefore, directs the Department of Commerce, to increase its marketing expenditures on the BLNC program so as to reach the North Carolinians who can best benefit from BLNC's services.

PART 3: GENERAL PROVISIONS

SECTION 3.1. Notwithstanding section 1.1 of this act, any amendments to the Internal Revenue Code enacted after May 1, 2009, that increase North Carolina taxable income for the 2009 taxable year become effective for taxable years beginning on or after January 1, 2010.

SECTION 3.2. Section 1.2 is effective for investments made on or after January 1, 2010. Section 1.5 is effective for taxes imposed for taxable years beginning on or after January 1, 2010, and for jobs created on or after January 1, 2010. Sections 2.1, 2.2, and 2.3 become effective July 1, 2010. The remainder of this act is effective when it becomes law.

APPENDIX A

AUTHORIZATION



**Office of Speaker Joe Hackney
North Carolina House of Representatives
Raleigh, North Carolina 27601-1096**

HOUSE SELECT COMMITTEE ON SMALL BUSINESS

**TO THE HONORABLE MEMBERS OF THE
NORTH CAROLINA HOUSE OF REPRESENTATIVES**

Section 1. The House Select Committee on Small Business (hereinafter "Committee") is established by the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1) and Rule 26(a) of the Rules of the House of Representatives of the 2009 General Assembly.

Section 2. The Committee consists of 18 members appointed by the Speaker of the House of Representatives. The membership of the committee shall include the legislators specified below. Members serve at the pleasure of the Speaker of the House of Representatives. The Speaker of the House of Representatives may dissolve the Committee at any time. Vacancies are filled by the Speaker of the House of Representatives.

Representative Holliman	Chair
Representative K. Alexander	
Representative Boles	
Representative Braxton	
Representative Cole	
Representative Crawford	
Representative Frye	
Representative Gibson	
Representative Goforth	
Representative Hill	
Representative Justus	
Representative McComas	
Representative Owens	
Representative Ross	
Representative Setzer	
Representative Wainwright	
Representative West	
Representative Whilden	

Section 3. The Committee may study issues related to small business including: access to credit; technical assistance and support needs of small businesses; the impact of existing economic development efforts on small business development; and tax credits to small

businesses to spur job creation. The Committee may also examine any other issue it deems relevant to its study.

Section 4. The Committee shall meet upon the call of its Chair. A quorum of the Committee shall be a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

Section 5. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes.

Section 6. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1.

Section 7. The expenses of the Committee including per diem, subsistence, travel allowances for Committee members, and contracts for professional or consultant services shall be paid upon the written approval of the Speaker of the House of Representatives pursuant to G.S. 120-32.02(c) and G.S. 120-35 from funds available to the House of Representatives for its operations. Individual expenses of \$5,000 or less, including per diem, travel, and subsistence expenses of members of the Committee, and clerical expenses shall be paid upon the authorization of the Chair of the Committee. Individual expenses in excess of \$5,000 shall be paid upon the written approval of the Speaker of the House of Representatives.

Section 8. The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives shall assign clerical support staff to the Committee.

Section 9. The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations.

Section 10. The Committee may submit an interim report on the results of the study, including any proposed legislation, on or before May 1, 2010, by filing a copy of the report with the Office of the Speaker of the House of Representatives, the House Principal Clerk, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the House of Representatives prior to the convening of the 2011 General Assembly by filing the final report with the Office of the Speaker of the House of Representatives, the House Principal Clerk, and

the Legislative Library. The Committee terminates upon the convening of the 2011 General Assembly or upon the filing of its final report, whichever occurs first.

Effective this the 22nd day of January, 2010.

Joe Hackney
Speaker

APPENDIX B

COMMITTEE MEETING AGENDAS

House Select Committee on Small Business

Thursday, February 11, 2010
10:00 a.m.

Legislative Building, Room 1425

AGENDA

-
- I. Welcome**
Representative Hugh Holliman, Chairman
 - II. Karen Cochran-Brown, Research Division, Overview of the Committee Charge**
 - III. Keith Crisco, Secretary, Department of Commerce**
 - IV. Kristine Leggett, Fiscal Research Division,
State Resources for Small Businesses**
 - V. Willa Dickens, Associate Vice President, Workforce Development, NCCCS
Community Colleges' Small Business Centers**
 - VI. Scott Daugherty, Assistant Vice Chancellor, Extension, Engagement and Economic
Development, UNC-GA and Executive Director, Small Business & Technology
Development Center (SBTDC)**
 - VII. Committee Discussion**
 - VIII. Future Meeting Date**
 - IX. Adjournment**

House Select Committee on Small Business

Thursday, February 25, 2010

1:00 p.m.

Legislative Building, Room 1228/1327

AGENDA

-
- I. Welcome**
Representative Hugh Holliman, Chairman
 - II.** Canaan Huie, Tax Counsel, Speaker's Office, Tax Credits for Small Businesses
 - III.** Billy Ray Hall, President, Rural Economic Development Center,
Rural Center services for small businesses and the Small Business Assistance Fund
 - IV.** Karen O'Mansky, Director of Commercial Programs, Center for Community Self-Help,
Small Business Assistance Fund
 - V.** Andrea Harris, President, Institute for Minority Economic Development,
Institute's Programs for Small Businesses
 - VI. Committee Discussion**
Future Meeting Date
 - VII. Adjournment**

House Select Committee on Small Business

Thursday, March 11, 2010

10:00 a.m.

Davidson County Community College
Conference Center

AGENDA

I.	Welcome and Opening Remarks: <i>Representative Hugh Holliman, Chairman</i>
II.	Approval of minutes
III.	Welcome to Davidson County Community College: Jeannie Woody, Interim Vice-President for Academic Programs and Services
IV.	Remarks from Chamber of Commerce Executives: Doug Croft - Thomasville Chamber of Commerce Burr Sullivan - Lexington Chamber of Commerce
V.	Presentations from Local Small Business Owners: Chuck Miller - President & CEO, Allied Wenco International Stamey Hardin - Co-owner, Carolina Autocare of Thomasville Philip Young - Partner, Carolina Safety Sport Stephen Grimes - Co-owner, Pallet Resources Mac & Beth Parrott - Co-owners, Parrott Insurance and Benefits Rod Lambeth - Co-owner, Tomlinson, Erwin, Lambeth
VI.	Presentations from Local Bankers: Frank Cagle - BB&T, Executive in Charge, Davidson County Bill McMurray - City Executive, Bank of North Carolina Pressley Ridgill - President & CEO, NewBridge Bank
VII.	Scott Daugherty, NC Commissioner for Small Business
VIII.	Committee Discussion
IX.	Adjourn

House Select Committee on Small Business

Thursday, March 25, 2010

12:00 p.m.

Room 1228, Legislative Building

AGENDA

- I. Small Business Initiatives**
Lt. Governor Walter Dalton
- II. Military Business Center**
Scott Dorney, Executive Director
- III. Small Business Lending by Credit Unions**
Peter Van Graefeiland, Coastal Federal Credit Union
- IV. Perspective from a Business Owner**
Aly Khalifa, Gamil Design
- V. Committee Discussion – Definition of a Small Business**
Ryan Blackledge, Bill Drafting
- VI. Adjourn**

House Select Committee on Small Business

Thursday, April 15, 2010

10:00 a.m.

Global TransPark Center

Kinston, NC

AGENDA

I. Welcome and Opening Remarks:

Representative Hugh Holliman, Chairman

II. Approval of minutes

III. Welcome to the North Carolina Global TransPark Center

Darlene Waddell, Executive Director

IV. Presentations from Local Small Business Owners:

Gail Bisbee – President, Confidential Records Management Inc.

Garry Curry – Bridgepoint Hotel and Marina

Tina Metts – Carolina Diabetic Supply Group

Tom Vermillion - DEPS Security Systems

Marty Askew - Lenoir Tire and Appliance

Dr. Jim Sylvia - Sylvia Chiropractic

V. Presentations from Local Bankers:

Al Nichols - First South Bank, New Bern

Brian Wiggins - RBC Centura Bank

Loyd Godley - Wachovia Bank

VI. Frank Wiesner, Past President of NCHBA

VII. Committee Discussion

VIII. Adjournment

House Select Committee on Small Business

Thursday, April 29, 2010

1:00 p.m.

Room 1228, Legislative Building

AGENDA

I. Welcome

Rep. Hugh Holliman, Chair

II. Approval of minutes

III. Presentation of Committee Report

Canaan Huie, Tax Counsel, Speaker's Office

IV. Committee Discussion

V. Adjourn