

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE DRH80347-LY-251 (4/28)

Short Title: Central Administrative Office Credit.

(Public)

Sponsors: Representative Vinson.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CREATE A TAX CREDIT FOR INVESTING IN CENTRAL ADMINISTRATIVE OFFICE PROPERTY AND TO MAKE TECHNICAL AND CONFORMING CHANGES.

The General Assembly of North Carolina enacts:

SECTION 1. Article 3B of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-129.16E. Credit for investing in central administrative office property.

(a) Credit. – If a taxpayer that has satisfied the eligibility requirements of G.S. 105-129.4 and has purchased or leased real property in this State begins to use the property as a central administrative office during the taxable year, the taxpayer is allowed a credit equal to seven percent (7%) of the eligible investment amount. The eligible investment amount is the lesser of (i) the cost of the property and (ii) the amount by which the cost of all of the property the taxpayer is using in this State as central administrative offices on the last day of the taxable year exceeds the cost of all of the property the taxpayer was using in this State as central administrative offices on the last day of the base year. The base year is that year, of the three immediately preceding taxable years, in which the taxpayer was using the most property in this State as central administrative offices. In the case of property that is leased, the cost of the property is not determined as provided in G.S. 105-129.2 but is considered to be the taxpayer's lease payments over a seven-year period, plus any expenditures made by the taxpayer to improve the property before it is used as the taxpayer's central administrative office if the expenditures are not reimbursed or credited by the lessor. The maximum credit allowed a taxpayer under this section for property used as a central administrative office is five hundred thousand dollars (\$500,000). The entire credit may not be taken for the taxable year in which the property is first used as a central administrative office but shall be taken in equal installments over the seven years

1 following the taxable year in which the property is first used as a central administrative
 2 office. The basis in any real property for which a credit is allowed under this section
 3 shall be reduced by the amount of credit allowable.

4 (b) Mixed Use Property. – If the taxpayer uses only part of the property as the
 5 taxpayer's central administrative office, the amount of the credit allowed under this
 6 section is reduced by multiplying it by a fraction the numerator of which is the square
 7 footage of the property used as the taxpayer's central administrative office and the
 8 denominator of which is the total square footage of the property.

9 (c) Expiration. – If, in one of the seven years in which the installment of a credit
 10 accrues, the property with respect to which the credit was claimed is no longer used as a
 11 central administrative office, the credit expires and the taxpayer may not take any
 12 remaining installment of the credit. If, in one of the seven years in which the installment
 13 of a credit accrues, part of the property with respect to which the credit was claimed is
 14 no longer used as a central administrative office, the remaining installments of the credit
 15 shall be reduced by multiplying it by the fraction described in subsection (b) of this
 16 section.

17 In each of these cases, the taxpayer may nonetheless take the portion of an
 18 installment that accrued in a previous year and was carried-forward to the extent
 19 permitted under G.S. 105-129.17.

20 (d) Coordination With Article 3A. – The expiration and forfeiture provisions of
 21 G.S. 105-129.4 relating to the credit allowed under G.S. 105-129.12 for central office or
 22 aircraft facility property apply to a credit allowed under this section. A taxpayer that
 23 claims a credit under this section may not also claim a credit with respect to the same
 24 property under G.S. 105-129.12. The definitions of Article 3A also apply in this section.

25 (e) Sunset. – This section is repealed effective for central administrative offices
 26 placed into service on or after January 1, 2006."

27 **SECTION 2.** G.S. 105-129.15 is amended by adding new subdivisions to
 28 read:

29 "**§ 105-129.15. (See note for repeal) Definitions.**

30 The following definitions apply in this Article:

31 ...

32 (1a) Central administrative office. – A corporate, subsidiary, or regional
 33 managing office as defined by NAICS.

34 ...

35 (4b) NAICS. – Defined in G.S. 105-129.2."

36 **SECTION 3.** G.S. 105-129.15A is repealed.

37 **SECTION 4.** G.S. 105-129.16 is repealed.

38 **SECTION 5.** G.S. 105-129.16A is amended by adding a new subsection to

39 read:

40 "(e) Sunset. – This section is repealed for renewable energy property placed in
 41 service on or after January 1, 2006."

42 **SECTION 6.** G.S. 105-129.16C is amended by adding a new subsection to

43 read:

1 "(d) Sunset. – This section is repealed for taxable years beginning on or after
2 January 1, 2006."

3 **SECTION 7.** Sections 1 and 2 of this act are effective for taxable years
4 beginning on or after January 1, 2006, and apply to central administrative office
5 property placed into service on or after that date. The remainder of this act is effective
6 when it becomes law.