

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1412 (First Edition)

SHORT TITLE: TIF Districts - UP Zones.

SPONSOR(S): Senator Hartsell

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES					**See Assumptions and Methodology**
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Revenue, Department of Commerce				
EFFECTIVE DATE:	January 1, 2008				

BILL SUMMARY:

Effective beginning with the 2008 tax year, amends GS 143B-437.09 (a) to include in the conditions for an urban progress zone the requirement that more than 15% of the population within the census tracts and block groups composing the zone is below the poverty level and the per capita income of the population is at least 10% below the income of the state. Also makes amendments to require that at least 50% of the area within one or more census tracts or block groups that compose part of the zone (was, of the area of the portion that is within the primary corporate limits of the municipality) be zoned nonresidential.

ASSUMPTIONS AND METHODOLOGY:

The effect of the bill's restructuring of Urban Progress Zones (UPZ) requirements is not known, but is expected to be minimal. Effective January 1, 2007, the Bill Lee Act was replaced with Article 3J legislation. In that legislation, the distressed development zones program was replaced by UPZ designation. The change meant that smaller areas were covered and a lower number of zones would be eligible. The impact of this change has not been in effect long enough to measure; therefore, research staff reviewed tax credit experience from the previous development zone designation. Based on the most recent report from the Department of Revenue, Development Zone

projects for 2006, generated activity from only 4 employers totaling \$25,703 in new credits. Even fewer credits were actually taken in 2006. Five employers claimed \$10,791 in tax credits.

Given the minimal utilization of the development zone tax credits and the more restrictive UPZ designation requirements, the changes to the UPZ designation set forth in this bill are not expected to have a significant impact on revenue collections.

SOURCES OF DATA:

TECHNICAL CONSIDERATIONS: None

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DATE: May 7, 2007



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