

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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HOUSE BILL 1012*

Short Title: Make Better Use of Economic Incentives. (Public)

Sponsors: Representatives Owens, Weiss (Primary Sponsors); Adams, Cole, Gillespie,
Holliman, Hughes, Lucas, Luebke, Pierce, Tarleton, Tolson, Wainwright, and
Wray.

Referred to: Commerce, Small Business, and Entrepreneurship, if favorable, Finance.

April 2, 2009

A BILL TO BE ENTITLED

AN ACT TO REALLOCATE NORTH CAROLINA'S ECONOMIC INCENTIVES PORTFOLIO TO MAKE IT MORE EFFECTIVE, TARGETED, AND MEASURABLE BY ELIMINATING INEFFECTIVE TAX CREDITS, REDUCING THE CORPORATE INCOME TAX RATE, TARGETING DISTRESSED AREAS AND STRATEGIC INDUSTRIES, AND PROVIDING ONGOING LEGISLATIVE ASSESSMENT OF THE STATE'S ECONOMIC INCENTIVES PORTFOLIO.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-129.82(a) reads as rewritten:

"(a) Sunset. – This Article is repealed effective for business activities that occur on or after ~~January 1, 2011~~ January 1, 2009."

SECTION 2. G.S. 105-130.3 reads as rewritten:

"§ 105-130.3. Corporations.

A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999	6.9%
<u>Before 2011</u>	<u>6.9%</u>
<u>In 2011</u>	<u>6.8%</u>
<u>In 2012</u>	<u>6.7%</u>
<u>After 2012</u>	<u>6.6%.</u> "

SECTION 3. G.S. 143B-437.51 is amended by adding a new subdivision to read:

"§ 143B-437.51. Definitions.

The following definitions apply in this Part:

...

(4b) Economically disadvantaged area. – An area that is in economic distress, as defined in G.S. 143B-434.01.

...."

SECTION 4. G.S. 143B-437.52 reads as rewritten:

"§ 143B-437.52. Job Development Investment Grant Program.



1 (a) Program. – There is established the Job Development Investment Grant Program to
2 be administered by the Economic Investment Committee. In order to foster job creation and
3 investment in the economy of this State, the Committee may enter into negotiated agreements
4 with businesses to provide grants in accordance with the provisions of this Part. The
5 Committee, in consultation with the Attorney General, shall develop criteria to be used in
6 determining whether the conditions of this section are satisfied and whether the project
7 described in the application is otherwise consistent with the purposes of this Part. Before
8 entering into an agreement, the Committee must find that all the following conditions are met:

9 (1) The project proposed by the business will create, during the term of the
10 agreement, a net increase in employment in this State by the business.

11 (2) ~~The project will benefit the people of this State by increasing opportunities~~
12 ~~for employment and by strengthening this State's economy by, for example,~~
13 ~~providing worker training opportunities, constructing and enhancing critical~~
14 ~~infrastructure, increasing development in strategically important industries,~~
15 ~~or increasing the State and local tax base.~~ The project proposed by the
16 business meets at least one of the following economic development
17 objectives:

18 a. It will increase development in an industry identified by the
19 Department of Commerce as strategically important to the State.

20 b. It will locate in an economically disadvantaged area of the State.

21 (3) ~~The project is consistent with economic development goals for the State and~~
22 ~~for the area where it will be located.~~

23 (4) A grant under this Part is necessary for the completion of the project in this
24 State.

25 (5) The total benefits of the project to the State outweigh its costs and render the
26 grant appropriate for the project.

27 (b) ~~Cap.~~ Cap and Priority. – The maximum number of agreements the Committee may
28 enter into each calendar year is ~~25~~30. The Committee may enter into 25 agreements during this
29 period for grants for projects located anywhere in the State and may enter into an additional
30 five agreements during this period only for grants for projects located in an economically
31 disadvantaged area of the State.

32 (c) Ceiling. – ~~Except as provided in this section, the~~ The maximum amount of total
33 annual liability for grants for agreements entered into in any single calendar year, including
34 amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, may not exceed
35 fifteen million dollars (\$15,000,000). ~~twenty-five million dollars (\$25,000,000).~~ The maximum
36 amount of total annual liability for grants for agreements entered into in 2006, including
37 amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, may not exceed
38 thirty million dollars (\$30,000,000). No agreement may be entered into that, when considered
39 together with other existing agreements entered into during that calendar year, could cause the
40 State's potential total annual liability for grants entered into in that calendar year to exceed this
41 amount.

42 (d) Measuring Employment. – For the purposes of subdivision (a)(1) of this section and
43 G.S. 143B-437.51(5), 143B-437.51(7), and 143B-437.57(a)(11), the Committee may designate
44 that the increase or maintenance of employment is measured at the level of a division or
45 another operating unit of a business, rather than at the business level, if both of the following
46 conditions are met:

47 (1) The Committee makes an explicit finding that the designation is necessary to
48 secure the project in this State.

49 (2) The agreement contains terms to ensure that the business does not create
50 eligible positions by transferring or shifting to the project existing positions
51 from another project of the business or a related member of the business."

reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment."

SECTION 8.(c) G.S. 120-70.106 reads as rewritten:

"§ 120-70.106. Purpose and powers of Committee.

(a) The ~~Revenue Laws~~ Finance and Economic Development Study Committee may:

- (1) Study the revenue laws of North Carolina and the administration of those laws.
- (2) Review the State's revenue laws to determine which laws need clarification, technical amendment, repeal, or other change to make the laws concise, intelligible, easy to administer, and equitable.
- (3) Call upon the Department of Revenue to cooperate with it in the study of the revenue laws.
- (4) Study the economic development incentives offered by the State, units of local governments, and other entities to determine which incentives promote the economic development objectives of the State and which ones need to be clarified, amended, repealed, or changed.
- (5) To assess the performance of economic development incentives and the entities that implement the incentives to determine the extent to which they further the economic development policies and priorities identified by the General Assembly.
- (6) Call upon the Department of Commerce to cooperate with it in the study of economic development incentives.
- (7) Report to the General Assembly at the beginning of each regular session concerning its determinations of needed changes in the State's revenue laws, laws and economic development policies and priorities.

These powers, which are enumerated by way of illustration, shall be liberally construed to provide for the maximum review by the Committee of all revenue law and economic development matters in this State.

(b) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly may contain any legislation needed to implement a recommendation of the Committee. When a recommendation of the Committee, if enacted, would result in an increase or decrease in State revenues, the report of the Committee must include an estimate of the amount of the increase or decrease.

(c) The ~~Revenue Laws~~ Finance and Economic Development Study Committee must review the effect Article 42 of Chapter 66 of the General Statutes, as enacted by S.L. 2006-151, has on the issues listed in this section to determine if any changes to the law are needed:

- (1) Competition in video programming services.
- (2) The number of cable service subscribers, the price of cable service by service tier, and the technology used to deliver the service.
- (3) The deployment of broadband in the State.

The Committee must review the impact of this Article on these issues every two years and report its findings to the North Carolina General Assembly. The Committee must make its first report to the 2008 Session of the North Carolina General Assembly."

SECTION 8.(d) G.S. 120-70.107 reads as rewritten:

"§ 120-70.107. Organization of Committee.

1 (a) The President Pro Tempore of the Senate and the Speaker of the House of
2 Representatives shall each designate a cochair of the ~~Revenue-Laws-Finance and Economic~~
3 Development Study Committee. The Committee shall meet upon the joint call of the cochairs.

4 (b) A quorum of the Committee is ~~nine~~11 members. No action may be taken except by
5 a majority vote at a meeting at which a quorum is present. While in the discharge of its official
6 duties, the Committee has the powers of a joint committee under G.S. 120-19 and
7 G.S. 120-19.1 through G.S. 120-19.4.

8 (c) The Committee shall be funded by the Legislative Services Commission from
9 appropriations made to the General Assembly for that purpose. Members of the Committee
10 receive subsistence and travel expenses as provided in G.S. 120-3.1 and G.S. 138-5. The
11 Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02.
12 Upon approval of the Legislative Services Commission, the Legislative Services Officer shall
13 assign professional staff to assist the Committee in its work. Upon the direction of the
14 Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of
15 Representatives shall assign clerical staff to the Committee. The expenses for clerical
16 employees shall be borne by the Committee."

17 **SECTION 8.(e)** Article 12O of Chapter 120 of the General Statutes is repealed.

18 **SECTION 9.** Section 1 of this act is effective when it becomes law. The remainder
19 of this act becomes effective July 1, 2009.