



HOUSE BILL 1721: H.E.L.P. Small Business Act

2009-2010 General Assembly

Committee:	House Commerce, Small Business, and Entrepreneurship, if favorable, Finance, if favorable, Appropriations	Date:	May 18, 2010
Introduced by:	Reps. Holliman, Braxton, Stewart, Underhill	Prepared by:	Ryan Blackledge Counsel to Original
Analysis of:	First Edition		Study Committee

SUMMARY: *House Bill 1721, the H.E.L.P. Small Businesses Act, was recommended by the House Select Committee on Small Businesses, which met during the 2009-10 interim. The bill provides tax benefits to small businesses, including additional expensing of purchases, an increase of the overall cap on the Qualified Business Investments tax credit, a tax credit for providing health insurance, and a jobs creation tax credit. The bill also provides appropriations to organizations that provide programming and access to additional capital for small businesses, including the Department of Commerce, the Community College System, and the NC Rural Economic Development Center. The bill also directs the Department of Commerce to increase its advertising for the BLNC program, which provides an information portal to small business owners.*

BILL ANALYSIS: Part I of House Bill 1721 provides additional tax benefits to small businesses. Part II provides appropriations to programs that support small businesses and also directs the Department of Commerce to increase advertisement of available programs.

Section 1.1 conforms North Carolina income tax law to the current Internal Revenue Code. The change would allow North Carolina taxpayers to take advantage of an extended increase in the expensing limit under Section 179 of the Internal Revenue Code.¹ Section 179 allows the expensing of the purchase price of some business assets, in the year of purchase rather than taking depreciation throughout the life of the asset. In other words, expensing trades a smaller yearly deduction over time for a larger deduction in year one. This change also simplifies tax reporting because a taxpayer does not need to account for differing Federal and State treatment of the same asset.

Section 1.2 increases the overall cap for "Qualified Business Investments" tax credit from \$7.5 million to \$8.0 million. The tax credit applies to taxpayers who invest in a business with less than \$5 million in annual revenues and that is primarily engaged in manufacturing, processing, warehousing, wholesaling, research and development, and some service-related industries. If all taxpayers for a given year claim more than the overall cap, then each taxpayer receives a reduction in their allowed credit based on how much everyone else claimed. The cap has been changed several times in the past and total claims last year were just under \$7.5 million. Additionally, **Section 1.3** would extend the credit's sunset from January 1, 2011, to January 1, 2013.

Section 1.4 reenacts the expired tax credit available to a small business of no more than 25 employees that provides health benefits to employees who make less than \$40,000 per year.² The employer must provide at least 50% of the premiums in order to qualify for a credit of up to \$250 per employee per year. This section sets a new sunset of January 1, 2014.

¹ The Federal H.I.R.E. Act of 2010 extended the 2008 and 2009 expense limit of \$250k for the 2010 tax year.

² The federal government is also offering a tax credit beginning in 2010 for small businesses who offer health insurance.

House Bill 1721

Page 2

Section 1.5 would create a new \$1000 tax credit for each new, full-time job that lasts for three years and that is created by a business with no more than 25 full-time employees. The new credit includes forfeiture provisions and would sunset January 1, 2013. A taxpayer may not claim more than \$25,000 under this credit and cannot claim any other job creation credits in addition to this credit for the same job created.

Section 2.1 appropriates money to the Department of Commerce to be used for the One NC Small Business Account, which is used to provide matching grants and matching funds to businesses applying for federal Small Business Innovative Research (SBIR) grants or Small Business Technology Transfer Research (STTR) grants.³ This program is managed by the NC Board of Science and Technology.

Section 2.2 appropriates money to the Community College System for the Small Business Centers program. The Small Business Centers provide confidential counseling, library access, and seminars to help with both start-up and ongoing business needs.

Section 2.3 provides money to the NC Rural Economic Development Center, Inc. to help increase small businesses' access to capital. The Rural Center offers several "capacity building programs" to small businesses, including investment options for small business owners that might not otherwise qualify for bank loans due to the small amount of the loan or due to their equity, rather than debt, needs.

Section 2.4 instructs the Department of Commerce to increase the advertising for the Business Link North Carolina (BLNC) Program.⁴ BLNC provides a portal to business resources offered throughout the state. The House Select Committee on Small Business study committee concluded that BLNC offers excellent resources, but that many small business owners do not know about the program.

Section 3.1 is a boilerplate provision included each time the General Assembly conforms to an update to the Internal Revenue Code to ensure that the changes do not result in a *ex post facto* increase of the prior tax year's liability.

EFFECTIVE DATE: **Section 3.2** provides three different enactment dates. First, the tax provisions apply to taxable years beginning on or after January 1, 2010, as well as jobs created and investments made after January 1, 2010. Second, the appropriations become effective July 1, 2010. Third, the remainder of the bill is effective when the act becomes law.

BACKGROUND: The House Select Committee on Small Business was established by the Speaker of the House on January 22, 2010, and met six times during the 2009-10 interim, including meetings at the Davidson Community College and the Global TransPark Center. The committee heard from various speakers, including executive branch officials, small business assistance programs, lending institutions, small business owners, and staff. Overall, the committee concluded that small businesses would continue to benefit (i) from targeted tax credits and (ii) from programs that provide small businesses the tools they need to succeed, including access to information, counseling, and capital.

H1721-SMME-4(e1) v5

³ See Part 2I of Article 10 of Chapter 143 of the General Statutes for more details.

⁴ BLNC's partners include: Department of Commerce, Community College System, Small Business & Technology Development Center, Employment Security Commission of North Carolina, Department of Agriculture & Consumer Services, Department of Revenue, Department of the Secretary of State, N.C. Community Development Initiative, N.C. Biotechnology Center, N.C. Institute of Minority Economic Development, Rural Economic Development Center, N.C. State University's Industrial Extension Service, UNC System