

North Carolina

**Economic Incentives Report
Overview**

2012



**Policy Analysis and
Statistics Division**

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Introduction

North Carolina General Statute § 105-256(a)(2a) requires the Department of Revenue to produce an economic incentives report each year that contains information on certain tax credits and refunds, itemized by taxpayer, for the previous calendar year. This overview report provides summary information for each of these credits and refunds. The reports itemized by taxpayer can be downloaded from the Department of Revenue's website.

In order to provide timely information, the data for these reports come from tax returns received and processed by the Department of Revenue during calendar year 2011. These returns are for 2010 and earlier tax years. Information from taxpayer returns, including taxpayer errors and omissions, is shown as reported. All returns remain subject to audit.

This report does not include two credits that are new for tax year 2011, since no information on these credits is available yet. These credits are (1) the interactive digital media credit, and (2) the credit for a renewable energy property facility.

The estimates of credits taken do not include the effect of G.S. 105-130.5(a)(10). This provision effectively increases the income tax liability of corporations by the amount of credit multiplied by the tax rate (6.9%).

The descriptions of each tax credit in this report are intended to be both brief and informative. They are not an official interpretation of any law and do not represent the position of the Department of Revenue.

Creating Jobs (Article 3A)

Statute: G.S. § 105-129.8

Description: For each additional full-time job created by an eligible taxpayer, a tax credit is awarded in dollar increments, based on the economic well-being (enterprise tier) of the county where the job was created. The amount of the tax credit for each tier is given in the following table:

Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
\$12,500	\$4,000	\$3,000	\$1,000	\$500

An additional \$4,000 is awarded if the job is located in a development or agrarian growth zone.

Eligible Businesses: A business primarily engaged in one of the following activities: (a) air courier services, (b) data processing, (c) manufacturing, (d) warehousing, (e) wholesale trade, (f) computer services, (g) research and development; a central office or aircraft facility that creates at least 40 new jobs; an electronic mail order house that creates at least 250 new jobs and is located in tiers 1-3; a customer service center whose primary business is telecommunications or financial services and is located in tiers 1-3.

Enacting Legislation: S.L. 1996-13es2

Sunset for Generating Credits: January 1, 2007¹

Number of Installments: 4²

Carryforward Years: 5³

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	7,395,889	9,853,937
Number of Taxpayers	309	388

The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Credits taken: grouped by Tier
- Credits generated: grouped by Tier; also includes number of jobs created
- Article 3A credits generated: combined listing by taxpayer of all Article 3A credits

Machinery & Equipment Investment (Article 3A)

Statute: G.S. § 105-129.9

Description: For investments in machinery & equipment made by an eligible taxpayer, a tax credit is awarded, based on the economic well-being (enterprise tier) of the county where the machinery & equipment were installed. The credit is only applicable to investments in excess of a threshold amount. The threshold amounts and credit rates for each tier is given in the following table:

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Threshold	0	\$100,000	\$200,000	\$1,000,000	\$2,000,000
Credit Rate	7%	7%	6%	5%	4%

Machinery & equipment located in a development or agrarian growth zone receive the same benefits as Tier 1, regardless of the county tier.

Eligible Businesses: A business primarily engaged in one of the following activities: (a) air courier services, (b) data processing, (c) manufacturing, (d) warehousing, (e) wholesale trade, (f) computer services, (g) research and development; a central office or aircraft facility that creates at least 40 new jobs; an electronic mail order house that creates at least 250 new jobs and is located in tiers 1-3; a customer service center whose primary business is telecommunications or financial services and is located in tiers 1-3.

Enacting Legislation: S.L. 1996-13es2

Sunset for Generating Credits: January 1, 2007¹

Number of Installments: 4²

Carryforward Years: 5³

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	46,915,007	40,026,406
Number of Taxpayers	682	787

The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Credits taken: grouped by Tier
- Credits generated: grouped by Tier; also includes amount of eligible investment (above the threshold amount)
- Article 3A credits generated: combined listing by taxpayer of all Article 3A credits

Other Article 3A Credits

All of the following credits sunsetted on January 1, 2007. The number of installments and years that unused credits may be carried forward differ and are listed below each credit, when applicable.

Research & Development (G.S. § 105-129.10)

Description: A taxpayer is allowed a credit of 5% of the State's apportioned share of expenditures for increasing research activities over their base amount. A taxpayer who claims the alternative incremental credit under section 41(c)(4) of the Code is allowed a credit of 25% of the State's apportioned share of the federal credit.

Carryforward Years: 15

Worker Training (G.S. § 105-129.11)

Description: A taxpayer who provides worker training to 5 or more of its eligible employees is allowed a credit equal to the wages of the workers during the training period. The credit may not exceed \$1,000 if the worker is employed in a Tier 1 county or \$500 if the worker is employed in any other county.

Carryforward Years: 5

Investing in Central Office or Aircraft Facility (G.S. § 105-129.12)

Description: A taxpayer who purchases or leases real property for use as a central office or aircraft facility is allowed a credit of 7% of the investment amount, not to exceed \$500,000.

Number of Installments: 7

Carryforward Years: 5

Technology Commercialization (G.S. § 105-129.9A)

Description: This provision provides higher credit rates for machinery & equipment that are directly related to production based on technology developed by and licensed from a research university.

Carryforward Years: 20

Substantial Investment in Other Property (G.S. § 105-129.12A)

Description: A taxpayer who purchases or leases real property for use in a Tier 1 or Tier 2 county is allowed a credit of 30% of the investment amount.

Number of Installments: 7

Carryforward Years: 20

Development Zone Projects (G.S. § 105-129.13)

Description: A taxpayer who donates cash or property to a development zone agency for an improvement project in a development zone is allowed a credit of 25% of the value of the donation. The total amount of all tax credits allowed to taxpayers for contributions in a given calendar year may not exceed \$4 million.

Carryforward Years: 20

Statistics Summary:

	Current Year Report		Prior Year Report	
	Credits Taken	Number of Taxpayers	Credits Taken	Number of Taxpayers
Research & Development	3,508,152	91	5,447,693	101
Worker Training	466,545	11	255,744	23
Central Office or Aircraft Facility	789,214	22	793,657	27
Technology Commercialization	2,195	3	9,614	11
Substantial Investment	2,197,589	5	458,557	4
Development Zone Project	0	0	0	0

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Renewable Energy Property (Article 3B)

Statute: G.S. § 105-129.16A

Description: If a taxpayer that has constructed, purchased, or leased renewable energy property places it in service in this State, the taxpayer is allowed a credit equal to 35% of the cost of the property. Renewable energy property is defined in G.S. § 105-129.15(7).

Ceilings: The renewable energy property credit may not exceed the following limits:

1. \$1,400 per dwelling unit for solar energy equipment for domestic water heating, including pool heating
2. \$3,500 per dwelling unit for solar energy equipment for active space heating, combined active space and domestic hot water systems, and passive space heating
3. \$8,400 for each installation of geothermal equipment for a nonbusiness purpose
4. \$10,500 for each installation of any other renewable energy property for a nonbusiness purpose
5. \$2,500,000 for each installation of renewable energy property for a business purpose
6. \$5,000,000 for each installation of renewable energy property placed in service at an Eco-Industrial Park (effective for taxable years beginning on or after Jan. 1, 2011).

Enacting Legislation: S.L. 1999-342 [Replaced existing tax credits for renewable energy]

Sunset for Generating Credits: January 1, 2016

Number of Installments: 5 for business property

Carryforward Years: 5

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	11,295,327	5,232,172
Number of Taxpayers	1,123	929

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken; also includes the cost of renewable energy property with respect to which credits were taken. These costs are reported by the taxpayer in the year in which the credits are generated.

Constructing a Renewable Fuel Facility (Article 3B)

Statute: G.S. § 105-129.16D

Description: A taxpayer that constructs and places in service in North Carolina a qualified commercial facility for dispensing renewable fuel is allowed a credit of 15% of the cost of constructing and installing the part of the dispensing facility that is directly and exclusively used for dispensing or storing renewable fuel.

A taxpayer that constructs and places in service in North Carolina a commercial facility for processing renewable fuel is allowed a credit equal to 25% of the cost of constructing and equipping the facility.

An alternative credit of 35% is available to a taxpayer that constructs at least 3 processing facilities and invests at least \$400 million.

The term “renewable fuel” is defined in G.S. § 105-129.15(8).

Enacting Legislation: S.L. 2004-153 [Effective for taxable years beginning on or after Jan. 1, 2005]

Sunset for Generating Credits: January 1, 2013

Number of Installments: 3 for dispensing facility; 7 for processing facility

Carryforward Years: 5 for dispensing facility credit and general processing facility credit; 10 for alternative processing facility credit.

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	3,758,510	50,919
Number of Taxpayers	56	13

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Small Business Employee Health Insurance (Article 3B)

Statute: G.S. § 105-129.16E

Description: A small business that pays at least 50% of the health care premiums for its employees is allowed a credit of \$250 for each employee whose wages or salary does not exceed \$40,000 on an annual basis. The credit may not exceed the taxpayer's costs of providing health benefits for the employee during the taxable year.

A small business is defined as a taxpayer that employs no more than 25 eligible employees throughout the taxable year.

Enacting Legislation: S.L. 2006-66 [Effective for taxable years beginning on or after Jan. 1, 2007]

Sunset for Generating Credits: January 1, 2010

Number of Installments: none

Carryforward Years: 5

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	1,182,134	3,656,202
Number of Taxpayers	2,481	6,443

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Biodiesel Producers (Article 3B)

Statute: G.S. § 105-129.16F

Description: A taxpayer that produces at least 100,000 gallons of biodiesel during the taxable year is allowed a credit equal to the amount of motor fuels excise tax paid by the taxpayer on the biodiesel.

For this credit, biodiesel is defined as liquid fuel derived in whole from agricultural products, animal fats, or wastes from agricultural products or animal fats.

The credit may not exceed \$500,000.

Enacting Legislation: S.L. 2006-66 [Effective for taxable years beginning on or after Jan. 1, 2008]

Sunset for Generating Credits: January 1, 2013

Number of Installments: none

Carryforward Years: 5

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	67,603	108,833
Number of Taxpayers	5	6

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Work Opportunity (Article 3B)

Statute: G.S. § 105-129.16G

Description: A taxpayer is allowed a credit of 6% of the amount of the taxpayer’s federal Work Opportunity Tax Credit for wages paid during the taxable year for positions located in North Carolina.

Enacting Legislation: S.L. 2007-323 [Effective for taxable years beginning on or after Jan. 1, 2007]

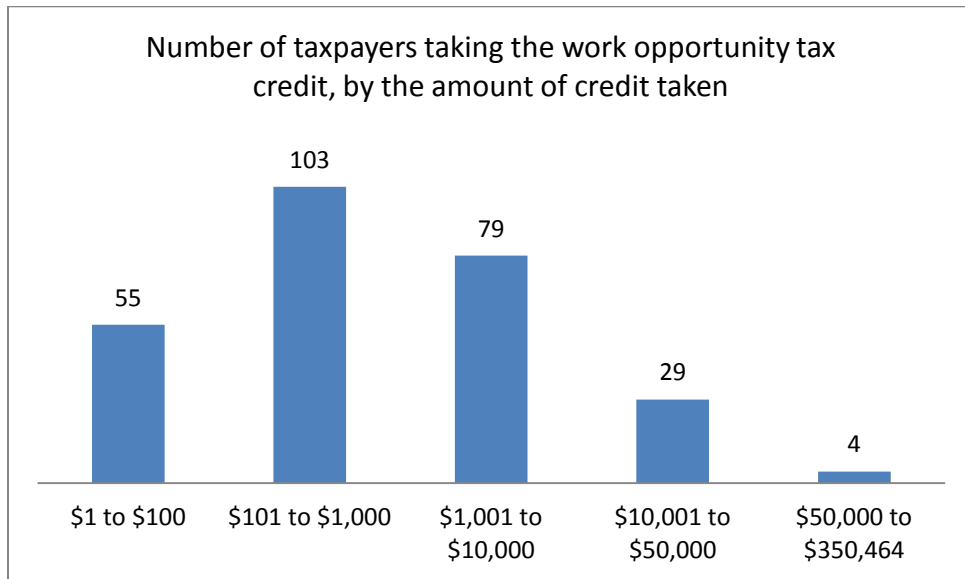
Sunset for Generating Credits: January 1, 2012

Number of Installments: none

Carryforward Years: 5

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	1,615,721	2,067,240
Number of Taxpayers	270	286



The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Donating Funds for Renewable Energy Property (Article 3B)

Statute: G.S. § 105-129.16H

Description: A taxpayer who donates money to a nonprofit organization or a unit of State or local government is allowed a credit if the funds are used by the donee to construct, purchase, or lease renewable energy property.

The amount of credit is equal to the proportional amount the taxpayer would be entitled to under G.S. 105-129.16A if the nonprofit organization or governmental unit were subject to tax. The installment requirements of G.S. 105-129.16A for nonresidential property do not apply.

Enacting Legislation: S.L. 2007-397 Effective for taxable years beginning on or after Jan. 1, 2008]

Sunset for Generating Credits: January 1, 2013

Number of Installments: none

Carryforward Years: 5

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	6,633	3,146
Number of Taxpayers	8	7

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Small Business Unemployment Insurance (Article 3B)

Statute: G.S. § 105-129.16J

Description: A small business that makes contributions during the taxable year to the State Unemployment Insurance Fund with respect to wages paid for employment in North Carolina is allowed a credit equal to 25% of the contributions. The tax credit is refundable.

A small business is defined as a taxpayer whose gross receipts from business activity do not exceed \$1 million during the taxable year.

Enacting Legislation: S.L. 2010-31

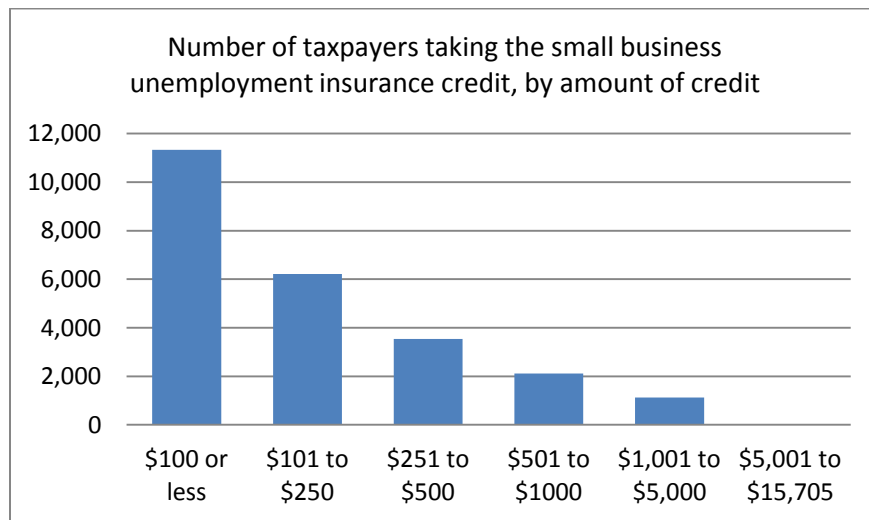
Sunset for Generating Credits: January 1, 2012

Number of Installments: none

Carryforward Years: not applicable since the credit is refundable

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	5,724,072	not applicable
Number of Taxpayers	22,535	



The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Investing in a Major Recycling Facility (Article 3C)

Statute: G.S. § 105-129.27

Description: An owner that purchases or leases machinery and equipment for a major recycling facility located in North Carolina is allowed a credit of 50% of the cost of the machinery and equipment.

The following conditions must be met to qualify for the “major recycling facility” status:

- The facility is located in an enterprise tier 1 area pursuant to G.S. 105-129.3
- The taxpayer is certified that it will invest at least \$300 million within 4 years of beginning construction and create at least 250 new, full-time jobs
- The jobs at the facility meet the wage standard pursuant to G.S. 105-129.4(b).

The amount of this tax credit that a taxpayer may take in a given tax year is not limited to 50% of tax liability, but may not exceed tax liability.

Enacting Legislation: S.L. 1998-55 [Effective for taxable years beginning on or after Jan. 1, 1998]

Sunset for Generating Credits: none

Number of Installments: none

Carryforward Years: 25

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	700,093	725,238
Number of Taxpayers	1	1

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken.

Historic Rehabilitation Credits (Article 3D)

Credit rates and other conditions are determined by whether the property is used to produce income or not. Credits can only be taken against corporate income tax or individual income tax. Credits cannot exceed tax liability, but are not limited to 50% of tax liability.

Sunset for Generating Credits: January 1, 2014

Income-Producing Property (G.S. § 105-129.35)

Description: A taxpayer who is allowed a federal income tax credit under section 47 of the Code for making qualified rehabilitation expenditures for a certified historic structure located in North Carolina is allowed a credit of 20% of the expenditures. A 40% credit is allowed for taxpayers rehabilitating a former State training school for juvenile offenders

Enacting Legislation: S.L. 1993-527

Number of Installments: 5

Carryforward Years: 5

Non-Income-Producing Property (G.S. § 105-129.35)

Description: A taxpayer who is not allowed a federal income tax credit under section 47 of the Code and who makes qualified rehabilitation expenditures for a certified historic structure located in North Carolina is allowed a credit of 30% of the expenditures. A 40% credit is allowed for taxpayers rehabilitating a former State training school for juvenile offenders. Expenditures must exceed \$25,000 over a 24-month period.

Enacting Legislation: S.L. 1997-139

Number of Installments: 5

Carryforward Years: 5

Statistics Summary:

	Current Year Report		Prior Year Report	
	Credits Taken	Number of Taxpayers	Credits Taken	Number of Taxpayers
Income-Producing Property	5,033,772	224	5,143,449	256
Non-Income-Producing Property	5,775,196	586	6,614,016	536

The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Income-Producing Property: Credits taken and amount of expenditures
- Non-Income-Producing Property: Credits taken and amount of expenditures

Low-Income Housing (Article 3E)

Sunset for Generating Credits: January 1, 2015

Low-income housing awarded a federal credit allocation prior to Jan. 1, 2003 (G.S. § 105-129.41)

Description: A taxpayer who is allowed a federal income tax credit under section 42 of the Code for low-income housing located in North Carolina is allowed a credit equal to a percentage of the federal credit. The North Carolina credit percentage is 75% for buildings located in a Tier 1 or Tier 2 enterprise area, as defined in G.S. 105-129.3. The credit percentage is 25% for buildings in other tiers, which meet certain low-income residency conditions.

Enacting Legislation: S.L. 1999-360

Number of Installments: 5

Carryforward Years: 5

Low-income housing awarded a federal credit allocation on or after Jan. 1, 2003 (G.S. § 105-129.41)

Description: A taxpayer who is allowed a federal income tax credit under section 42 of the Code for low-income housing located in North Carolina is allowed a credit equal to a percentage of the federal qualified basis. The North Carolina credit percentage is 30% for buildings located in a low-income county or city; 20% for buildings in a moderate-income county or city; and 10% for buildings in a high-income county or city. Certain low-income residency conditions must also be met. A taxpayer may receive the tax credit in the form of either a direct tax refund or a loan generated by transferring the credit to the Housing Finance Agency.

Enacting Legislation: S.L. 2002-87

Number of Installments: none

Carryforward Years: not applicable

Statistics Summary:

	Current Year Report		Prior Year Report	
	Credits Taken	Number of Taxpayers	Credits Taken	Number of Taxpayers
Low-income housing awarded a federal credit allocation prior to Jan. 1, 2003	4,972,114	20	7,822,284	20
Low-income housing awarded a federal credit allocation on or after Jan. 1, 2003	33,380,067	31	35,430,731	31

The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Awarded prior to Jan. 1, 2003: credits taken
- Awarded on or after Jan. 1, 2003: credits taken; city where development is located; sorted by low-income, moderate-income, and high-income areas.

Research & Development (Article 3F)

Statute: G.S. § 105-129.55

Description: A taxpayer that has qualified North Carolina research expenses during the taxable year is allowed a credit equal to a percentage of the expenses. The credit rate is based on several criteria:

- Small business – tax credit equals 3.25% of expenses
- Low-tier research – for expenses related to research conducted in a development tier 1 county, the tax credit is 3.25% of expenses
- University research – tax credit equals 20% of North Carolina university research expenses
- Eco-Industrial Park – tax credit equals 35% of expenses for research conducted in an Eco-Industrial Park
- Other research – all other research expenses are allowed a credit of 1.25% for the first \$50 million of expenses, 2.25% for the next \$150 million of expenses, and 3.25% for expenses over \$200 million.

Enacting Legislation: S.L. 2004-124 [Replaced R&D credit in Article 3A]

Sunset for Generating Credits: January 1, 2016

Number of Installments: none

Carryforward Years: 15

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	36,142,253	18,863,397
Number of Taxpayers	577	514

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken, grouped by the categories of small business, low-tier, university research, Eco-Industrial Park, and other.

Mill Rehabilitation Credits (Article 3H)

Credit rates and other conditions are determined by whether the property is used to produce income or not. Credits can only be taken against corporate income tax or individual income tax. Credits cannot exceed tax liability, but are not limited to 50% of tax liability.

Sunset for Generating Credits: January 1, 2014

Income-Producing Property (G.S. § 105-129.71)

Description: A taxpayer who is allowed a federal income tax credit under section 47 of the Code for making qualified rehabilitation expenditures of at least \$3 million for an eligible site located in North Carolina is allowed a credit. A site located in a Tier 1 or Tier 2 county, as defined by G.S. 143B-437.08, is eligible for a credit of 40% of the qualified expenditures; a site located in a Tier 3 county is eligible for a 30% credit.

Enacting Legislation: S.L. 2006-40

Number of Installments: none

Carryforward Years: 9

Non-Income-Producing Property (G.S. § 105-129.72)

Description: A taxpayer who is not allowed a federal income tax credit under section 47 of the Code and who makes qualified rehabilitation expenditures of at least \$3 million for an eligible site located in North Carolina is allowed a credit. A site located in a Tier 1 or Tier 2 county, as defined by G.S. 143B-437.08, is eligible for a credit of 40% of the qualified expenditures; no credit is allowed for a site in a Tier 3 county.

Enacting Legislation: S.L. 2006-40

Number of Installments: 5

Carryforward Years: 9

Statistics Summary:

	Current Year Report		Prior Year Report	
	Credits Taken	Number of Taxpayers	Credits Taken	Number of Taxpayers
Income-Producing Property	2,568,465	20	1,221,436	25
Non-Income-Producing Property	663,308	23	397,997	34

The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Income-Producing Property: Credits taken and amount of expenditures
- Non-Income-Producing Property: Credits taken and amount of expenditures

Creating Jobs (Article 3J)

Statute: G.S. § 105-129.87

Description: For each additional full-time job created by an eligible taxpayer, a tax credit is awarded in dollar increments, based on the economic well-being (enterprise tier) of the county where the job was created. The amount of the tax credit for each tier is given in the following table:

Tier 1	Tier 2	Tier 3
\$12,500	\$5,000	\$750

An additional \$1,000 is awarded if the job is located in a special economic development zone--urban progress zone, agrarian growth zone, or port enhancement zone. Also, if a job located in one of the economic development zones is filled by a resident of that zone or by a long-term unemployed worker, an additional \$2,000 credit is available. Taxpayers must also meet certain eligibility requirements and must satisfy a job creation threshold – the number of new jobs must be equal to or greater than the number in the following table:

Tier 1	Tier 2	Tier 3
5	10	15

Eligible Businesses: A business primarily engaged in one of the following activities: (a) air courier services hub, (b) aircraft maintenance and repair, (c) company headquarters, if certain additional conditions are met, (d) customer service call center, (e) electronic shopping and mail order house, (f) information technology and services, (g) manufacturing, (h) motorsports facility, (i) motorsports racing team, (j) research and development, (k) warehousing, (l) wholesale trade.

Enacting Legislation: S.L. 2006-252

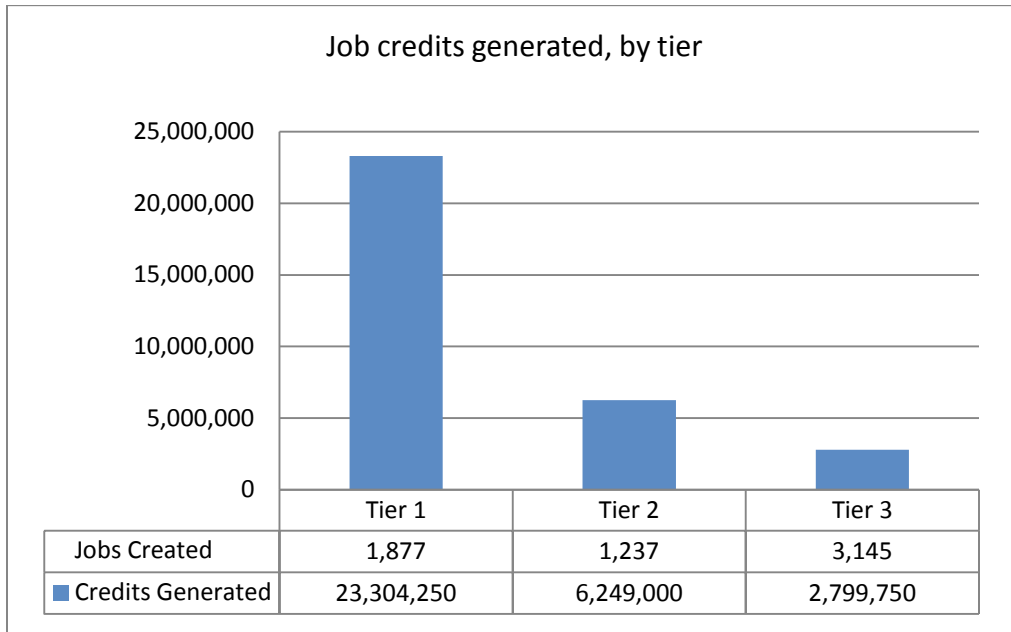
Sunset for Generating Credits: January 1, 2013

Number of Installments: 4²

Carryforward Years: 5⁴

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	3,314,032	2,182,538
Number of Taxpayers	197	177



The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Credits taken: grouped by Tier
- Credits generated: grouped by Tier; also includes number of jobs created

Investing in Business Property (Article 3J)

Statute: G.S. § 105-129.88

Description: A taxpayer that has purchased or leased business property and placed it in service in North Carolina is allowed a credit, which is a percentage of the amount over an applicable threshold. The threshold and credit rate for each tier is given in the following table:

	Tier 1	Tier 2	Tier 3
Threshold	0	\$1 million	\$2 million
Credit Rate	7%	5%	3.5%

The taxpayer is eligible for the Tier 1 credit rate and threshold if the business property is placed in a special economic development zone--urban progress zone, agrarian growth zone, or port enhancement zone.

Eligible Businesses: A business primarily engaged in one of the following activities: (a) air courier services hub, (b) aircraft maintenance and repair, (c) company headquarters, if certain additional conditions are met, (d) customer service call center, (e) electronic shopping and mail order house, (f) information technology and services, (g) manufacturing, (h) motorsports facility, (i) motorsports racing team, (j) research and development, (k) warehousing, (l) wholesale trade.

Enacting Legislation: S.L. 2006-252

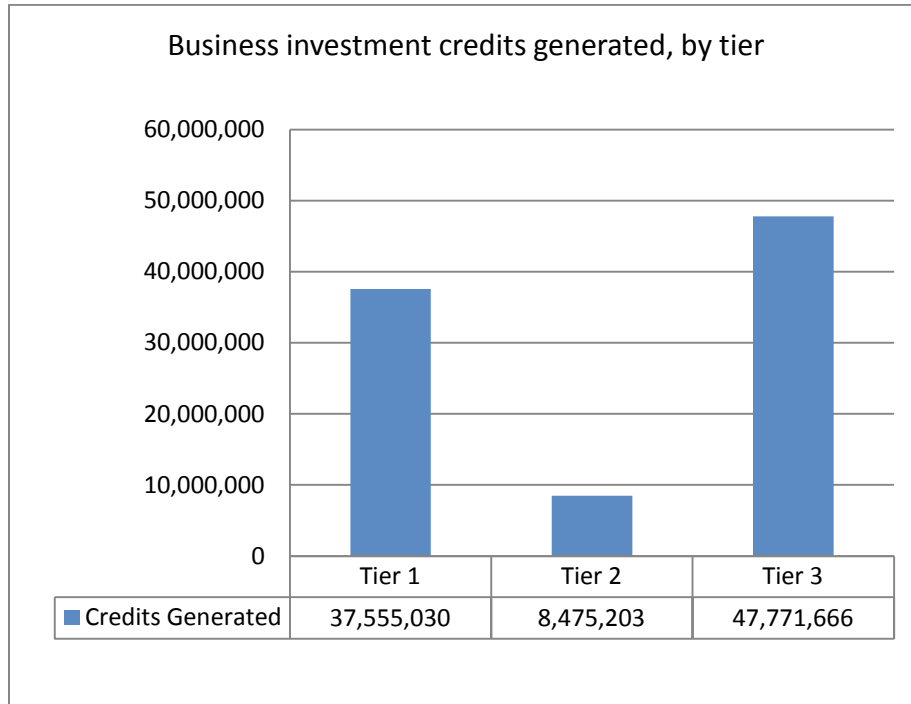
Sunset for Generating Credits: January 1, 2013

Number of Installments: 4²

Carryforward Years: 5⁴

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	21,440,657	11,352,906
Number of Taxpayers	345	252



The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Credits taken: grouped by Tier
- Credits generated: grouped by Tier; also includes amount of eligible investment (above the threshold amount)

Investing in Real Property (Article 3J)

Statute: G.S. § 105-129.89

Description: An eligible taxpayer that has purchased or leased real property in a Tier 1 county in North Carolina is allowed a credit of 30% of the eligible investment amount. A taxpayer is eligible for this credit only if the Secretary of Commerce makes a determination that the taxpayer is expected to purchase or lease and use in an eligible business within a 3-year period at least \$10 million in real property and will create at least 200 new jobs in the first 2 years of operation.

Eligible Businesses: A business primarily engaged in one of the following activities: (a) air courier services hub, (b) aircraft maintenance and repair, (c) company headquarters, if certain additional conditions are met, (d) customer service call center, (e) electronic shopping and mail order house, (f) information technology and services, (g) manufacturing, (h) motorsports facility, (i) motorsports racing team, (j) research and development, (k) warehousing, (l) wholesale trade.

Enacting Legislation: S.L. 2006-252

Sunset for Generating Credits: January 1, 2013

Number of Installments: 7

Carryforward Years: 15⁴

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	595,728	724,921
Number of Taxpayers	6	5

The following relevant reports, itemized by taxpayer, are available online at www.dornrc.com:

- Credits taken
- Credits generated

Railroad Intermodal Facility (Article 3K)

Statute: G.S. § 105-129.27

Description: A taxpayer that constructs or leases an eligible railroad intermodal facility in North Carolina and places it in service during the taxable year is allowed a credit of 50% of the costs to the taxpayer of construction or amounts payable under the lease.

Enacting Legislation: S.L. 2007-323

Sunset for Generating Credits: January 1, 2038

Number of Installments: none

Carryforward Years: 10

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	0	0
Number of Taxpayers	0	0

NC State Ports Authority Charges

Statute: G.S. § 105-130.41 and G.S. § 105-151.22

Description: A taxpayer who uses a State-owned port terminal at Wilmington or Morehead City is allowed a credit equal to the excess of the wharfage, handling and throughput charges assessed on the cargo over an amount equal to the average charges for the current taxable year and the two prior taxable years.

The maximum cumulative credit that may be claimed by a corporation is \$2 million.

Enacting Legislation: S.L. 1991-977

Sunset for Generating Credits: January 1, 2014

Number of Installments: none

Carryforward Years: 5

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	561,818	431,690
Number of Taxpayers	32	37

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken, including amount of charges assessed for the taxable year, amount of charges attributable to imports, and amount of charges attributable to exports

Cigarette Exportation Credits

There are two alternative credits available to taxpayers manufacturing cigarettes.

Credit for manufacturing cigarettes for exportation (G.S. § 105-130.45)

Description: A credit of up to \$6,000,000 is allowed a company that exports cigarettes to a foreign country through the North Carolina State Ports. The amount of the credit depends on the volume of cigarettes exported compared to the volume in a base year.

Enacting Legislation: S.L. 1999-333 [Effective for taxable years beginning on or after Jan. 1, 1999]

Sunset for Generating Credits: January 1, 2018

Number of Installments: none

Carryforward Years: 10

Credit for manufacturing cigarettes for exportation while increasing employment (G.S. § 105-130.46)

Description: A credit of up to \$10,000,000 is allowed a company that exports cigarettes and other tobacco products to a foreign country through the North Carolina State Ports. The amount of the credit depends on the employment level at the company compared to the employment level in 2004.

Enacting Legislation: S.L. 2003-435 [Effective for taxable years beginning on or after Jan. 1, 2006]

Sunset for Generating Credits: January 1, 2018

Number of Installments: none

Carryforward Years: 10

Statistics Summary:

	Current Year Report		Prior Year Report	
	Credits Taken	Number of Taxpayers	Credits Taken	Number of Taxpayers
Cigarette Exportation	4,645,270	1	6,000,000	1
Cigarette Exportation while increasing employment	6,000,000	1	6,000,000	1

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken, including amount of cigarettes and other tobacco products exported

Film Production Credit

Statute: G.S. § 105-130.47 and G.S. § 105-151.29

Description: A film or television production company that spends at least \$250,000 in North Carolina on productions during the tax year is allowed a credit equal to up to 25% of the qualifying expenses. However, prior to January 1, 2010, the credit rate is 15%. A production company may include as qualifying expenses compensation paid to a highly compensated individual up to \$1 million. The cost of production-related insurance coverage constitutes a qualifying expense as long as the coverage is not purchased from a related member.

The maximum credit for a feature film production is \$20 million.

Any amount of the credit in excess of the taxpayer's income tax liability is refundable.

Enacting Legislation: S.L. 2005-276 [Effective for taxable years beginning on or after Jan. 1, 2005, and applies to expenses incurred on or after July 1, 2005]

Sunset for Generating Credits: January 1, 2014

Number of Installments: none

Carryforward Years: 5

Statistics Summary:

	Current Year Report	Prior Year Report
Credits Taken	30,344,798	2,389,178
Number of Taxpayers	22	10

The following relevant report, itemized by taxpayer, is available online at www.dornrc.com:

- Credits taken; also includes location of sites used in the production; qualifying expenses, classified by type; and number of people employed in the State

Economic Incentive Refunds (Sales & Use Tax)

All of the following sales & use tax refunds are available.

Passenger air carrier [G.S. § 105-164.14A(a)(1)]

Description: An interstate passenger air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of \$2.5 million. The amount of sales and use tax paid does not include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a).

Sunset for Generating Refunds: January 1, 2013

Major recycling facility [G.S. § 105-164.14A(a)(2)]

Description: The owner of a major recycling facility is allowed an annual refund of sales and use taxes paid by it on building materials, building supplies, fixtures, and equipment that became a part of the real property of the recycling facility.

Sunset for Generating Refunds: none

Business in low-tier area [G.S. § 105-164.14A(a)(3)]

Description: A taxpayer that is engaged primarily in one of the businesses listed in G.S. 105-129.83(a) in a development tier one area and that places machinery and equipment in service in that area is allowed a refund of the sales and use tax paid by it on the machinery and equipment.

Sunset for Generating Refunds: same as Article 3J

Aviation fuel for a motorsports team or sanctioning body [G.S. § 105-164.14A(a)(4)]

Description: A professional motorsports racing team or a motorsports sanctioning body is allowed a refund of the sales and use tax paid by it in this State on aviation fuel that is used to travel to or from a motorsports event in this State, to travel to a motorsports event in another state from a location in this State, or to travel to this State from a motorsports event in another state.

Sunset for Generating Refunds: January 1, 2013

Motorsports vehicle for a professional motorsports team [G.S. § 105-164.14A(a)(5)]

Description: A professional motorsports racing team may receive a refund of 50% of the sales tax paid on certain tangible personal property that comprises any part of a professional motor racing vehicle, except tires, instrumentation, telemetry, consumables and paint.

Sunset for Generating Refunds: January 1, 2014

Analytical services business [G.S. § 105-164.14A(a)(6)]

Description: A taxpayer engaged in analytical services in this State is allowed a refund of fifty percent (50%) of the eligible amount of sales and use tax paid by it in this State on tangible personal property that is consumed or transformed in analytical service activities. The eligible amount of sales and use tax paid by the taxpayer in this State is the amount by which sales and use taxes paid by the taxpayer in this State in the fiscal year exceed the amount paid by the taxpayer in this State in the 2006-07 State fiscal year. The taxpayer is also eligible for a refund of 50% of the amount of sales and use tax paid on medical reagents.

Sunset for Generating Refunds: January 1, 2013

Railroad intermodal facility [G.S. § 105-164.14A(a)(7)]

Description: The owner or lessee of an eligible railroad intermodal facility is allowed an annual refund of sales and use taxes paid by it under this Article on building materials, building supplies, fixtures, and equipment that become a part of the real property of the facility.

Sunset for Generating Refunds: January 1, 2038

Certain Industrial Facilities (G.S. § 105-164.14B)

Description: Refund for building materials, building supplies, fixtures, and equipment that become a part of the real property of the eligible facility: industries include (a) air courier services, (b) aircraft manufacturing, (c) bioprocessing, (d) financial services, securities operations, and related systems development, (e) motor vehicle manufacturing, (f) paper-from-pulp manufacturing, (g) pharmaceutical and medicine manufacturing and distribution of pharmaceuticals and medicines, (h) semiconductor manufacturing, (i) solar electricity-generating materials manufacturing, (j) turbine manufacturing.

Sunset for Generating Refunds: January 1, 2013

Statistics Summary: [see next page]

Statistics Summary:

	Current Year Report		Prior Year Report	
	Credits Taken	Number of Taxpayers	Credits Taken	Number of Taxpayers
Passenger air carrier	8,447,646	1	4,757,023	1
Major recycling facility	132,247	1	291,027	1
Business in low-tier area	149,541	8	63,285	9
Motorsports team or sanctioning body	153,147	9	38,111	5
Professional motorsports team	1,705,332	19	287,205	11
Analytical services business	124,508	2	120,803	1
Railroad intermodal facility	0	0	0	0
Certain industrial facilities	680,138	2	682,309	2
Prior year refunds supplement	6,168,407	20	309,572	6

The following relevant report, itemized by taxpayer and refund type, is available online at www.dorn.com:

- Refunds claimed and related expenses.

ENDNOTES

¹ Exceptions to Article 3A sunset: (1) extension of sunset to Jan. 1, 2008 for taxpayers who submit a letter of commitment to create jobs or make new investments to the Department of Commerce; (2) extension of sunset to Jan. 1, 2010 for an interstate air courier that has a real estate lease of at least 100 acres for a term in excess of 15 years; (3) extension of sunset to Jan. 1, 2010 for a taxpayer that qualifies as an eligible major industry; (4) extension of sunset to Jan. 1, 2010 for certain taxpayers located in a Development Zone.

² For Article 3A and Article 3J, installments begin one year after the credit was generated.

³ Exceptions to Article 3A carryforwards: large investments can have 20 years of carryforwards; taxpayers who invest at least \$50 million in real property, machinery and equipment, or central office or aircraft facility property can have 10 years of carryforwards.

⁴ Exception to Article 3J carryforwards: if the Secretary of Commerce certifies that the taxpayer's investment will exceed \$150 million, carryforwards may be taken for 20 years.