

CHAPTER 5: STATE GOVERNMENT SOURCES

NC Department of Commerce Commerce Finance Center

Community Development Block Grant (CDBG) Program

Federal funds are made available annually through the US Department of Housing and Urban Development (HUD) to the state of North Carolina for the Small Cities Community Development Block Grant (CDBG) program. This indirect source of funds to small businesses is administered by the North Carolina Department of Commerce and is available in 98 counties. Twenty-three entitlement communities, however, receive CDBG program funds directly from HUD rather than through the North Carolina Department of Commerce. These CDBG funds can only be accessed by a local government applicant—in conjunction with a specific business—for projects expected to create new jobs. Proposed projects must include specific CDBG eligible activities that result in the creation or retention of permanent, full-time jobs, at least 60% of which will directly benefit persons determined to have earned 80% or less of the area's median income during the most recent 12 month period.

Local government applicants may apply for CDBG assistance for public facilities needed to serve a specific business or for direct loan assistance for specific business needs such as equipment purchases, building renovations, or new construction. General eligibility requirements for a CDBG participation loan include: 1) a letter from a North Carolina bank willing to provide 50% or more of the necessary loan; 2) a minimum capital investment from the company of 20% in the project; 3) a full business plan including three years of audited financial information, source of equity, and all supporting information to the assumptions; 4) collateral of 125% of appraised assets (machinery and equipment, real estate, etc.); 5) cash flow of 1.25 times debt service; and 6) personal guaranties of the principal owners of the company supported by personal financial statements. Of the eight grant categories, the program described below is the most relevant to this publication.

Small Business & Entrepreneurial Assistance

New for 2007, this grant was designed to assist local governments that are already in the process of developing a coordinated effort to support and grow their community's existing, small businesses.

With \$1 million in available funding, this grant is expected to help create and retain jobs within our state's most distressed communities. It enables local governments to formulate an economic development strategy to support locally owned and operated businesses. And it assists local governments ready to establish and nurture an entrepreneurial-friendly environment that will benefit small businesses/entrepreneurs now and in the future.

Eligibility Requirements: Local governments eligible for the State CDBG program that are Tier 1 or 21st Century Communities are eligible to apply. At least 70% of grant funds must go towards creating or retaining jobs for low-to-moderate income persons.

Program Intent: This grant was designed to assist local governments that are already in the process of developing a coordinated effort to support and grow their community's small businesses. The local government would identify small businesses ready to hire additional full-time people but in need of funding to make this possible.

Eligible Activities: Examples of activities that may be eligible under this program include:

- Infrastructure improvements (e.g., water, sewer, roads);
- Purchase of land;
- Construction of a building or other improvements;
- Renovation of an existing building to accommodate the business;
- Construction of tenant improvements/finishes;
- Leasing space in or purchasing an existing building;
- Purchasing capital equipment; and
- Providing job training that can be linked to specific jobs at a specific firm.

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<http://www.nccommerce.com/en/CommunityServices/CommunityDevelopmentGrants/CommunityDevelopmentBlockGrants/>

Industrial Development Fund

This fund is used to provide assistance to local governments of the 65 most economically distressed counties in the state in creating jobs in certain industries. Eligible industries include manufacturing, data processing, warehousing, central administrative offices, and air courier services (those from the Lee Act). The jobs created must be considered high quality, as proven by meeting a wage test. Up to \$5,000 per job created may be provided, with a maximum of \$500,000 per project.

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<http://www.nccommerce.com/en/CommunityServices/CommunityDevelopmentGrants/IndustrialDevelopmentFund/>

Job Development Investment Grants

The Job Development Investment Grant (JDIG) is a discretionary incentive that provides sustained annual grants to new and expanding businesses measured against a percentage of withholding taxes paid by new employees. The program stimulates economic activity and creates new jobs by promoting the expansion of existing business and industry and by recruiting and attracting new business and industry.

Overseeing the program is the Economic Investment Committee, comprised of five members, the Secretary of Commerce, the Secretary of Revenue, the Director of the

Office of State Budget and Management, and two private sector members appointed by the N.C. General Assembly.

Program Requirements: A proposed project must meet a **rigorous set of criteria**. The Economic Investment Committee must find:

- The project will result in a net increase in employment.
- The project will increase opportunities for employment and strengthen the state's economy.
- The project will be consistent with the economic development goals of the state and of the area in which it is located.
- The project will be competitive with another state(s) or country.
- The grant is necessary for the completion of the project in the state.

The company must meet certain state health insurance and workplace safety requirements. The proposed project's benefits must outweigh its costs, thus rendering the grant appropriate. A cost benefit analysis is done for each project, and the committee identifies and selects projects that are most beneficial, after considering a number of different evaluation factors.

Statute requires that the business maintain operations at the project location, or at another approved site, for at least 150% of the term of the grant. Also, the agreement must include a claw-back provision to recapture all or part of the grant, at the committee's discretion, if the business fails to remain at the site for the required years. The final Community Economic Development agreement must be reviewed and signed by the state Attorney General.

Maximum Amounts: The committee is authorized to award up to 25 grants in a single grant year. These grants can result in payments to a business for up to 12 years. The total amount paid out in any one of those years cannot exceed \$15 million, giving the committee up to \$180 million to allocate in benefits to the 25 businesses over a 12-year period.

The statute authorizes awards from 10% to 75% of withholdings for eligible positions. Similarly, the term of the grant may not exceed 12 years. Even with statutory requirements, the committee has discretion in weighing factors to award projects and fix the amounts, terms and time periods of grants.

For more detailed information, contact:

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Shell Building Program

The Shell Building Program is an adjunct to the Industrial Development Fund grant program, and was originally founded with funds from the Economic Development Administration (EDA). Loans for publicly owned industrial shell buildings are available from the CDBG Revolving Loan Fund (RLF) based on the projected number of jobs to be created. These loans will be at a 2% interest rate with a maximum term of 5 years. A dollar for dollar match is required by the local government applicant. Up to \$500,000 from the RLF is available for industrial site certification. Loans to eligible communities can assist with the costs associated with certifying industrial sites.

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Industrial Revenue Bond (IRB) Program

This is the largest financing tool, measured by dollar amount per project, available to the North Carolina Department of Commerce. IRBs are a source of long-term, low-interest financing that can be used only by a company engaged in some manner of manufacturing. The proceeds may be used only for fixed assets, land, building, new equipment, existing equipment (in place and installed as part of an integrated production line), architectural and engineering fees, and issuance costs. Counties make IRB financing available for qualifying projects. Such projects include new or expanding manufacturing facilities, distribution centers, and research and development facilities necessary to the manufacturing process. The state supervises and approves bond applications, but the bond authority in the county in which the plant is located issues the bonds. The rules governing bond issuance are a combination of federal regulations and North Carolina statutes. Interest rates are negotiated between the firm's agent and the bond buyer.

The company must agree to pay its employees a wage greater than or equal to 10 percent above the average weekly manufacturing wage of the county or state. Certain high-unemployment counties, however, may waive this wage requirement. Applications normally are approved in eight to ten weeks. Although there is no set minimum, a bond issue generally needs to be for about \$1.5 million to be cost effective. Bonds can be taxable or tax exempt. The maximum tax-exempt bond amount is \$10 million in any given jurisdiction. Taxable bonds are not subject to this limit. Approximately \$89 million of the state's bond allowance of \$382 million for the year was approved through mid-2000.

SIGNIFICANT REQUIREMENTS (Manufacturing IRBs)

- **Manufacturing** – Must be at least 75% manufacturing.
- **Letter of Credit** – Since all bond issues must be supported by a letter of credit, it is important to secure an early commitment from a bank which is rated investment grade or better. Most often, the bank that issues the letter of credit will place the bonds and may purchase them.

- **Environmental Approval** – No IRB project may be approved without environmental certification by the North Carolina Department of Environment and Natural Resources (DENR). If the company must obtain required permits, the process could take 60 to 90 days. DENR representatives will guide the company through the process.
- **Abandonment** – Company must certify that in building the facility, it is not abandoning another facility (or, if it is, that it is impossible for the company to remain at its present location because of limitation on land use, etc.).
- **Jobs Test** – Must create or retain number of jobs with the size of financing (currently one job for every \$250,000 in financing).
- **IRB Proceeds** -- May be used only for land, building and equipment (fixed assets).

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<http://www.nccommerce.com/en/BusinessServices/SupportYourBusiness/FinancingBusinessGrowth/IndustrialRevenueBondsProgram/>

**NC Board of Science and Technology
SBIR/STTR Matching Funds Program**

North Carolina based small businesses will be eligible to receive significant follow-on grant assistance in support of their SBIR or STTR projects. Under the One North Carolina Small Business Matching Funds Program, the State of North Carolina issues a grant of 100% of the amount a NC-based small business receives in a federal SBIR/STTR Phase I award up to a maximum of \$100,000, based upon the availability of program funds. These grants are disbursed in two stages: 75% of the total goes to the company upon proof of Phase I award, and the remaining 25% goes to the company upon submission of the Phase II application and acceptance of the Phase I report by the federal SBIR/STTR program agency. The North Carolina Board of Science and Technology administers these grants. Since the inception of the program in early 2006, the program has issued over 75 Phase I matching grants to North Carolina small businesses totaling in excess of \$5.5 million. The average grant award in FY0607 was over \$89,000.

The General Assembly appropriated \$4.83 million to the One North Carolina Small Business Program for FY 2007-08. The Match Program Solicitation for FY0708, as well as general information about the program and application instructions on the Board's website at www.ncscienceandtechnology.com.

SBIR/STTR Incentive Funding Program for NC Small Businesses

Starting with the 2007-08 fiscal year, North Carolina small businesses participating in the Federal SBIR and STTR program are eligible to receive a grant reimbursement for a portion of the costs they incur in preparing and submitting their Federal Phase I SBIR/STTR proposals. Under the One North Carolina Small Business Incentive Funds Program, new this year, the State will issue qualified applicants a grant in the amount equal to 50% of their approved Phase I Proposal preparation costs, up to \$3,000. These grants are awarded to qualified applicants on a first-come, first-served basis, up to the limits of available funding.

The FY 2007-08 solicitation for this program, covering the period July 2, 2007 through June 30, 2008, as well as information about the program, application instructions, and supporting materials is available on the Board's website at:
www.ncscienceandtechnology.com.

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NC Qualified Investment Tax Credit

The NC Qualified Investment Tax Credit offers investors in certain types of businesses a credit against state tax liability. Up to \$6 million of credits are available annually for investments in "Qualified Businesses Ventures" or "Qualified Grantee Businesses." The guidelines are fully described in the North Carolina General Statutes sections 105-163.010 through 105-163.014.

A Qualified Business Venture is a business organized to engage primarily in manufacturing, processing, warehousing, wholesaling, R&D, or a service-related industry. To be eligible for registration as a qualified business venture, the business cannot have generated more than \$5 million in gross revenues as of its last fiscal year. It also cannot be engaged to a substantial degree in providing professional services, contracting or construction, selling or leasing at retail, investing, entertainment, or managing real estate. The business no longer needs to have its headquarters or principal business operations in North Carolina. A Qualified Grantee Business is one that received funding or grants from certain specified sources during the preceding three years.

An individual who directly purchases the equity securities or subordinated debt of a Qualified Business Venture or Qualified Grantee Business is allowed a credit equal to as much as 25 percent of the amount invested, with an annual cap of \$50,000 per individual investor. Unused credits can be carried forward for five years before they expire. No credit is allowed for a purchase of securities if a broker's fee or commission is paid. A pass-through entity with less than \$5 million of capital under management that purchases the securities of a Qualified Business Venture or a Qualified Grantee

Business is also eligible for a tax credit of up to 25 percent of the amount invested. The aggregate amount of the tax credit allowed a pass-through in a single tax year is \$750,000.

North Carolina Department of the Secretary of State

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William S. Lee Quality Jobs & Business Expansion Tax Credit

The William S. Lee Act was the cornerstone of North Carolina's economic development legislation. Ratified by the General Assembly in 1996 to increase North Carolina's global competitiveness, the Act had been amended numerous times. However, the law expired at the end of 2006 and was replaced by Article 3J (Tax Credits for Growing Businesses).

Tax Credits for Growing Businesses (Article 3J tax credits)

Under the new Tax Credits for Growing Businesses (commonly referred to as Article 3J tax credits) approved by the General Assembly in the summer of 2007, the five-tier system of the William S. Lee Act has been replaced by a three-tier system. Using a statutory formula outlined in the new law, the Department of Commerce assembles the required statistics for each of North Carolina's 100 counties, applies the formula and assigns a tier designation ranking from one to three with Tier 1 being the most economically distressed and Tier 3 being the least.³

The rankings are based on an assessment of each county's unemployment rate, median household income, population growth and assessed property value per capita. In addition, any county with a population of less than 12,000 or a county with a population of fewer than 50,000 residents with 19 percent or more of those people living below the federal poverty level automatically are designated as one of the 40 most distressed counties.

The law calls for the 40 most distressed counties to become Tier 1 counties, the middle 40 counties to be designated as Tier 2 and the 20 most prosperous counties to become Tier 3 counties. For 2007 only, 41 counties have been designated as Tier 1 counties.

The new law also increases the number of businesses eligible to receive tax credits. Qualifying companies under the Article 3J law include those involved in manufacturing,

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<http://www.nccommerce.com/en/PressRoom/PressReleases/PR2006CommerceAnnounces2007EconomicDevelopmentTierRankings.htm>



motorsports, aircraft maintenance and repair, air courier services, warehousing, customer service call centers, research and development, electronic shopping and mail order houses, wholesale trade and information technology. All eligible companies are required to offer employees health insurance and pay at least 50 percent of the premiums, cannot owe back taxes and cannot have received a significant environmental violation notice from the state Department of Environment and Natural Resources. In Tier 2 and Tier 3 counties, with a few exceptions, companies also must meet a wage test.

Tier designations determine the available amount of tax credits for job creation and business property investment. Businesses locating or expanding in counties that are more economically distressed receive greater tax credits than those that locate in more prosperous areas. Potential benefits to companies under each tier designation include:

- Tier 1 - \$12,500 tax credit per new job with a requirement to create at least five jobs, and a 7 percent tax credit for eligible business property expenditures.
- Tier 2 - \$5,000 tax credit per new job with a requirement to create at least 10 jobs, and a 5 percent tax credit for eligible business property expenditures of more than \$1 million.
- Tier 3 - \$750 tax credit per new job with a requirement to create at least 15 jobs, and a 3.5 percent tax credit for eligible business property expenditures of more than \$2 million.
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ARTICLE 3J TIERS , COUNTY RANKINGS, 2007

2007 Tier Designation	County	Jobs Tax Credit (per new job)	Investment Tax Credit	Minimum Local Match	Credit for Investing in Real Property
Tier 1	Alleghany	\$12,500	7%	\$0	Eligible
	Anson	\$12,500	7%	\$0	Eligible
	Beaufort	\$12,500	7%	\$0	Eligible
	Bertie	\$12,500	7%	\$0	Eligible
	Bladen	\$12,500	7%	\$0	Eligible
	Burke	\$12,500	7%	\$0	Eligible
	Caldwell	\$12,500	7%	\$0	Eligible
	Camden	\$12,500	7%	\$0	Eligible
	Caswell	\$12,500	7%	\$0	Eligible
	Clay	\$12,500	7%	\$0	Eligible
	Cleveland	\$12,500	7%	\$0	Eligible
	Columbus	\$12,500	7%	\$0	Eligible
	Cumberland	\$12,500	7%	\$0	Eligible
	Duplin	\$12,500	7%	\$0	Eligible
	Edgecombe	\$12,500	7%	\$0	Eligible
	Gates	\$12,500	7%	\$0	Eligible
	Graham	\$12,500	7%	\$0	Eligible
	Greene	\$12,500	7%	\$0	Eligible
	Halifax	\$12,500	7%	\$0	Eligible
	Hertford	\$12,500	7%	\$0	Eligible
Hyde	\$12,500	7%	\$0	Eligible	



CAPITAL OPPORTUNITIES FOR SMALL BUSINESSES

2007 Tier Designation	County	Jobs Tax Credit (per new job)	Investment Tax Credit	Minimum Local Match	Credit for Investing in Real Property
Tier 1 (cont.)	Jones	\$12,500	7%	\$0	Eligible
	Lenoir	\$12,500	7%	\$0	Eligible
	Martin	\$12,500	7%	\$0	Eligible
	McDowell	\$12,500	7%	\$0	Eligible
	Mitchell	\$12,500	7%	\$0	Eligible
	Montgomery	\$12,500	7%	\$0	Eligible
	Northampton	\$12,500	7%	\$0	Eligible
	Richmond	\$12,500	7%	\$0	Eligible
	Robeson	\$12,500	7%	\$0	Eligible
	Rockingham	\$12,500	7%	\$0	Eligible
	Rutherford	\$12,500	7%	\$0	Eligible
	Scotland	\$12,500	7%	\$0	Eligible
	Surrey	\$12,500	7%	\$0	Eligible
	Tyrell	\$12,500	7%	\$0	Eligible
	Vance	\$12,500	7%	\$0	Eligible
	Warren	\$12,500	7%	\$0	Eligible
	Washington	\$12,500	7%	\$0	Eligible
	Wayne	\$12,500	7%	\$0	Eligible
	Wilson	\$12,500	7%	\$0	Eligible
	Yancey	\$12,500	7%	\$0	Eligible
Tier 2	Alamance	\$5,000	5%	25%	Not Eligible
	Alexander	\$5,000	5%	25%	Not Eligible
	Ashe	\$5,000	5%	25%	Not Eligible
	Avery	\$5,000	5%	25%	Not Eligible
	Catawba	\$5,000	5%	25%	Not Eligible
	Cherokee	\$5,000	5%	25%	Not Eligible
	Chowan	\$5,000	5%	25%	Not Eligible
	Craven	\$5,000	5%	25%	Not Eligible
	Currituck	\$5,000	5%	25%	Not Eligible
	Dare	\$5,000	5%	25%	Not Eligible
	Davidson	\$5,000	5%	25%	Not Eligible
	Davie	\$5,000	5%	25%	Not Eligible
	Gaston	\$5,000	5%	25%	Not Eligible
	Granville	\$5,000	5%	25%	Not Eligible
	Harnett	\$5,000	5%	25%	Not Eligible
	Hoke	\$5,000	5%	25%	Not Eligible
	Jackson	\$5,000	5%	25%	Not Eligible
	Lee	\$5,000	5%	25%	Not Eligible
	Macon	\$5,000	5%	25%	Not Eligible
	Madison	\$5,000	5%	25%	Not Eligible
	Nash	\$5,000	5%	25%	Not Eligible
	Onslow	\$5,000	5%	25%	Not Eligible
	Pamlico	\$5,000	5%	25%	Not Eligible
	Pasquotank	\$5,000	5%	25%	Not Eligible
Pender	\$5,000	5%	25%	Not Eligible	
Perquimans	\$5,000	5%	25%	Not Eligible	



2007 Tier Designation	County	Jobs Tax Credit (per new job)	Investment Tax Credit	Minimum Local Match	Credit for Investing in Real Property
Tier 2 (cont.)	Person	\$5,000	5%	25%	Not Eligible
	Pitt	\$5,000	5%	25%	Not Eligible
	Polk	\$5,000	5%	25%	Not Eligible
	Randolph	\$5,000	5%	25%	Not Eligible
	Rowan	\$5,000	5%	25%	Not Eligible
	Sampson	\$5,000	5%	25%	Not Eligible
	Stanley	\$5,000	5%	25%	Not Eligible
	Stokes	\$5,000	5%	25%	Not Eligible
	Swain	\$5,000	5%	25%	Not Eligible
	Transylvania	\$5,000	5%	25%	Not Eligible
	Watauga	\$5,000	5%	25%	Not Eligible
	Wilkes	\$5,000	5%	25%	Not Eligible
	Yadkin	\$5,000	5%	25%	Not Eligible
	Tier 3	Brunswick	\$750	3.5%	N/A
Buncombe		\$750	3.5%	N/A	Not Eligible
Cabarrus		\$750	3.5%	N/A	Not Eligible
Carteret		\$750	3.5%	N/A	Not Eligible
Chatham		\$750	3.5%	N/A	Not Eligible
Durham		\$750	3.5%	N/A	Not Eligible
Forsyth		\$750	3.5%	N/A	Not Eligible
Franklin		\$750	3.5%	N/A	Not Eligible
Guilford		\$750	3.5%	N/A	Not Eligible
Haywood		\$750	3.5%	N/A	Not Eligible
Henderson		\$750	3.5%	N/A	Not Eligible
Iredell		\$750	3.5%	N/A	Not Eligible
Johnston		\$750	3.5%	N/A	Not Eligible
Lincoln		\$750	3.5%	N/A	Not Eligible
Mecklenburg		\$750	3.5%	N/A	Not Eligible
Moore		\$750	3.5%	N/A	Not Eligible
New Hanover		\$750	3.5%	N/A	Not Eligible
Orange		\$750	3.5%	N/A	Not Eligible
Union	\$750	3.5%	N/A	Not Eligible	
Wake	\$750	3.5%	N/A	Not Eligible	

Technology Commercialization Credit

In 1999 the legislature added this credit as an alternative to the tax credit for investments in machinery and equipment. This credit applies only to investments in machinery and equipment, located in a tier one, two, or three enterprise area, and used in production based on technology licensed from a research university. The eligible investment amount must be at least \$10 million in the taxable year. The credit is 15 percent for an investment of at least \$100 million over four years, or 20 percent for investments above \$150 million over four years. The credit is taken for the taxable year in which the machinery and equipment are placed in service. The credit is not taken in installments.

Research and Development Tax Credit

Credit is based on a percentage of qualified research expenses with the highest amounts for research performed by North Carolina universities.

Businesses with qualified North Carolina research expenses are allowed a credit equal to a percentage of those expenses. The allowable credits are determined by:

- **Small business (annual receipts less than \$1 million):** Qualified businesses on the last day of the taxable year are allowed a credit of 3%.
- **Low-tier research:** For expenses for research performed in a Tier 1 county, any size business is permitted a credit of 3%.
- **Other research:** For expenses not covered above, refer to the table below for qualified research expenses during a taxable year:

Qualified Expenses	Rate
\$0-\$50 million	1%
\$50 - \$200 million	2%
More than \$200 million	3%

A business with **North Carolina university research expenses** for the taxable year is allowed a credit equal to 15% of those expenses.

One North Carolina Fund

The One North Carolina Fund (formerly the Governor's Industrial Recruitment Competitiveness Fund) helps **recruit and expand quality jobs in high value-added, knowledge-driven industries**. It also provides financial assistance to those businesses or industries deemed vital to a healthy economy that are making significant efforts to expand in North Carolina. The fund currently consists of nonrecurring appropriations made by the N.C. General Assembly for companies seeking to undertake new expansion or locate new operations in the state. The fund is competitive and the location or expansion must be in competition with another location outside the state.

Program Requirements: Companies can receive money for:

- Installation or purchase of equipment.
- Structural repairs, improvements, or renovations of existing buildings to be used for expansion.
- Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment for existing buildings.

For a company to be considered:

- The company must agree to meet the weighted hourly average wage test as required for Article 3J (House Bill 2170 § 105-129.83).

- Local units of government (city or county) must agree to match financial assistance to the company.

Credit for Worker Training

A taxpayer who provides worker training for five or more of its eligible employees during the taxable year is allowed a credit equal to the wages paid to the eligible employees during the training. Wages paid to an employee performing his or her job while being trained are not eligible for the credit. For positions located in tier one, the credit may not exceed \$1,000 per employee trained during the taxable year. For positions located in other tiers, the credit may not exceed \$500 per employee trained during the taxable year.

An employee is eligible if the employee is in a full-time position not classified as exempt under the Fair Labor Standards Act and meets one of the following conditions: the employee occupies a job for which the taxpayer is eligible to claim an installment of the credit for creating jobs; or the employee is being trained to operate machinery and equipment for which the taxpayer is eligible to claim an installment of the credit for investing in machinery and equipment. The credit is taken for the taxable year in which the machinery and equipment are placed in service. The credit is not taken in installments.

Credit for Investing in Central Office or Aircraft Facility Property

If a taxpayer who has purchased or leased real property in the State begins to use the property as a central office or aircraft facility during the taxable year, the taxpayer is allowed a credit equal to 7 percent of the eligible investment amount. A central office must have the role of administering, overseeing, and managing branches of the same company or enterprise. To be eligible, the taxpayer must create a minimum of 40 new jobs at the office either in the year the taxpayer first uses the property as a central office or aircraft facility, or in the preceding 24 months while using temporary space for central office functions. If the taxpayer uses only part of the property as a central office or aircraft facility, the amount of credit is reduced in proportion to the percentage of the property put to other use. If during the seven years in which this installment credit accrues, either the property is no longer used as a central office or the total number of the taxpayer's central office employees in the State drops below 40, the credit expires. The maximum credit allowed a taxpayer under this section for property used as a central office or aircraft facility is \$500,000. The credit is taken in seven equal installments beginning the year after the taxpayer qualifies for the credit.

Credit for Substantial Investment in other Property

A taxpayer who purchases or leases real property in an enterprise tier one or two area and begins to use the property in an eligible business during the taxable year is allowed a credit equal to 30 percent of the eligible investment amount. To be eligible for this credit, the taxpayer must receive a written determination from the Secretary of Commerce that the taxpayer is expected to purchase or lease and use in an eligible business at that location within a three-year period at least \$10 million of real property and that the location that is the subject of the credit will create at least 200 new jobs within two years of the time the property is first used in an eligible business. The credit is taken in seven equal installments beginning the year after the taxpayer qualifies for the

credit. The credit expires if the total number of employees at the property with respect to which the credit is claimed drops below 200.

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Other Tax Credits and Incentives for Businesses

North Carolina offers a number of opportunities to businesses in the form of tax credits and incentives.

North Carolina Ports Tax Credit

Importers and exporters who use the North Carolina ports at Morehead City and Wilmington can qualify for a tax credit. This tax credit can be earned on cargo wharfage and handling fees exceeding the company's average for the last three years inclusive of the current tax year. The excess of those fees for wharfage and handling paid directly or indirectly to the North Carolina State Ports Authority can be credited against the taxes due the state, up to 50 percent of the total tax liability for each tax year. Any unused credit may be carried forward for five years for a total credit of up to \$2 million.

North Carolina State Ports Authority

POB 9002
Wilmington, NC 28402
800.334.0682

<http://www.ncports.com>

NC Agricultural Finance Authority

Farm Ownership Loan Program

The program offers farm ownership loans up to \$300,000 for those unable to obtain credit from other sources. The loans are restricted to owners or prospective owners of family-sized farms. Loans may be used to buy, improve, or enlarge farms and are made at the prime rate plus 1.75 percent. The terms for repayment are 15 years. These loans are offered in conjunction with Farm Service Agency loan guarantees of up to 90 percent of the principal.

Agribusiness Loan Program

The North Carolina Agricultural Finance Authority (NCAFA) makes agribusiness loans to firms involved in processing and marketing activities, which provide "value added" products that increase the profitability to North Carolinians. The loans are made available through the USDA's Rural Development Business and Industrial Loan Program and are guaranteed by the USDA.

Agricultural Development Bonds

Agricultural Development Bonds (ADB) are tax-exempt bonds issued by the North Carolina Agricultural Finance Authority, which has authority under the North Carolina General Statutes (Chapter 122D) to issue bonds for many purposes. ADBs can be used



to finance a wide range of agricultural projects that involve the processing or manufacturing of agricultural products as long as the projects qualify for federal tax exemption under the Internal Revenue Code.

North Carolina Agricultural Finance Authority

POB 27908

Raleigh, NC 27611-7908

919.790.3949

<http://www.stateagfinance.org/types.html>

Renewable Energy Tax Credits

North Carolina's various renewable-energy tax credits are unified into a statute that addresses nearly all renewables. The statute provides a tax credit of 35% of the cost of renewable energy property constructed, purchased or leased by a taxpayer and placed into service in North Carolina during the taxable year. A maximum of \$2,500,000 is applicable for all solar, wind, hydro and biomass applications on commercial and industrial facilities, including photovoltaic (PV), daylighting, solar water-heating and space-heating technologies.

Expenditures eligible for the tax credit include:

- Cost of the equipment and associated design
- Construction costs
- Installation costs less any discounts
- Rebates
- Advertising
- Installation-assistance credits
- Name-referral allowances or other similar reductions.

Maximum Amounts: The credit is taken in five equal installments beginning with the year in which the property is placed in service. If the credit is not used entirely during these five years, the remaining amount may be carried over for the next five years. The credit can be taken against franchise tax, income tax or, if the taxpayer is an insurance company, against the gross premiums tax.

North Carolina Solar Center

Campus Box 7401

North Carolina State University

Raleigh, NC 27695-7401

919.515.3480

http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=NC19F&state=NC&CurrentPageID=1&RE=1&EE=0



NC Community College System

Economic & Workforce Development Services – Industry Training Program

Funds are available through the North Carolina Community College system for training workers in any new or expanding industry creating a minimum of 12 new jobs in North Carolina. The program provides for instructors' wages and travel expenses, for classroom materials, and for a suitable training facility.

NC Community College System

Economic & Workforce Development Division

5003 Mail Service Center

Raleigh, NC 27699-5003

919.807.7150

http://www.ncccs.cc.nc.us/Business_and_Industry/index.html