

North Carolina Tax Credits

Credits for Growing Businesses (Article 3J Credits)

Credits for Growing Businesses (Article 3J Credits) are designed to attract certain types of new businesses to North Carolina and to foster expansions of certain types of businesses in North Carolina. Tax credits may be taken by expanding or relocating companies that hire within the North Carolina workforce to fill positions. These credits replace the William S. Lee Act Tax Credits and were designed to make the North Carolina tax credits program a more straight forward incentives program.

Tax credits are available for:

- Creating jobs
- Investing in Business Property
- Investing in Real Property

These credits may be combined to offset up to 50% of the taxpayer's state income and franchise tax liability and unused credits may be carried forward for up to five years.

Eligibility

To qualify for Article 3J Credits, the following eligibility requirements must be met:

1) The primary activity at the business establishment must be an eligible type of business. Eligible business types include:

- aircraft maintenance and repair
- air courier services hub
- company headquarters that creates at least 75 new headquarters jobs
- customer service call centers
- electronic shopping and mail order houses
- information technology and services
- manufacturing
- motorsports facility/motorsports racing team
- research and development
- warehousing
- wholesale trade.

2) The average wage of all full-time workers employed by the taxpayer at the establishment during the taxable year must meet or exceed the applicable wage standard of the county in which the establishment is located.

- 3) The taxpayer must offer qualifying health insurance for all full-time positions at the establishment and pay at least fifty percent (50%) of employee premiums.
- 4) The taxpayer must not have received any significant environmental violations with the North Carolina Department of Environment and Natural Resources within the prior five years.
- 5) The taxpayer must not have received any “willful” or “failure to abate” serious OSHA violations at the establishment within the prior three years.
- 6) The taxpayer may not have overdue taxes.

The credits are based on a system that ranks North Carolina’s 100 counties based on economic well-being and assigns a **tier designation** to each where tier one being the most economically distressed and tier three being the least economically distressed. Eligibility requirements are easier to meet and credits are increased for business expansion occurring in the lower tiers. Within each tier, there may be designated zones that define areas of economic need within a tier. Companies eligible for tax credits gain additional enhancements when located in a designated zone.

Urban Progress Zones (UPZ) and Agrarian Growth Zones (AGZ)

Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones. Counties that do not have a municipality with a population of at least 10,000 have the ability to define qualifying areas of poverty as Agrarian Growth Zones. Projects located within these zones receive enhanced Article 3J Credits.

Credit for Creating Jobs

Eligible companies that meet a **minimum threshold of new full-time jobs created** during the taxable year may claim a credit for each new job created. The credit is taken in equal installments over four years following the year the jobs are created. The job threshold and the credit amount per job are determined by the tier designation of the county in which the jobs are created.

	County Tier Designation			UPZ/AGZ
	1	2	3	
Job Threshold	5	10	15	5
Credit per Job	\$12,500	\$5,000	\$750	+ \$1,000*

**If the job is filled by a resident of the zone or a long-term unemployed worker, add an additional \$2,000.*

Credit for Investing in Business Property

Eligible companies may claim a credit based on a **percentage of the cost of capitalized tangible personal property that is placed in service** during the taxable year, in excess of an applicable threshold. This credit is taken in equal installments over four years, beginning the year after the property is first placed in service. The credit percentage and threshold are based on the tier designation of the county where the property is placed in service.

		County Tier Designation			UPZ/AGZ
		1	2	3	
Threshold		\$0	\$1 million	\$2 million	\$0
Credit %		7%	5%	3.5%	7%

Credit for Investment in Real Property (Tier 1 only)

Eligible companies that invest **at least \$10 million in real property within a three-year period and create at least 200 new jobs within two years at an establishment** located in a tier 1 county are allowed a credit equal to 30% of the eligible real property investment. This credit is taken in equal installments over seven years, beginning the year after the property is used in an eligible business. To qualify for this credit, the taxpayer must obtain a written determination from the Department of Commerce.

For more information, visit: http://www.nccommerce.com/finance/pdf/3J_CreditSummary.pdf