

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

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SENATE BILL 1050*

Short Title: North Carolina Tourism Development Act. (Public)

Sponsors: Senators Metcalf; Clodfelter and Garwood.

Referred to: Finance.

April 5, 2001

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE TAX INCENTIVES FOR CAPITAL TOURISM PROJECTS
3 IN TIER ONE, TWO, AND THREE COUNTIES, AND TO CREATE THE
4 TRAVEL AND TOURISM CAPITAL INCENTIVE GRANT PROGRAM.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Chapter 105 of the General Statutes is amended by adding a
7 new Article to read:

8 "Article 3E.

9 "Tax Incentives For New And Expanding Tourism Businesses.

10 **"§ 105-129.41. Definitions.**

11 The following definitions apply in this Article:

- 12 (1) Attractor. – A tourism facility that draws tourists to the local area for
13 one or more days on its own merits, is designed primarily to attract
14 tourists rather than local residents, and invests its own capital to
15 market its products and services. Examples of attractors include
16 museums, downtown areas, amusement parks, and facilities that
17 promote local crafts.
- 18 (2) Cost. – Defined in G.S. 105-129.2.
- 19 (3) Development zone. – Defined in G.S. 105-129.2.
- 20 (4) Enterprise tier. – Defined in G.S. 105-129.2.
- 21 (5) Full-time job. – Defined in G.S. 105-129.2.
- 22 (6) Machinery and equipment. – Defined in G.S. 105-129.2.
- 23 (7) NAICS. – Defined in G.S. 105-129.2.
- 24 (8) Purchase. – Defined in G.S. 105-129.2.
- 25 (9) Tourism facility. – A facility that attracts tourists from more than 100
26 miles away to the local area where they spend money on lodging, food,
27 and entertainment.

1 (10) Tourism property. – Buildings, machinery and equipment, furniture, or
2 fixtures used in engaging in business as an attractor or an associated
3 attractor.

4 **"§ 105-129.42. Sunset; no double credit.**

5 (a) Sunset. – This Article is repealed effective for applications for credits filed on or
6 after January 1, 2008.

7 (b) No Double Credit. – A taxpayer that takes a credit under this Article with respect
8 to jobs or property is not allowed a credit under any other Article of this Chapter with
9 respect to the same jobs or property.

10 **"§ 105-129.43. Eligibility; forfeiture.**

11 (a) Type of Business. – A taxpayer is eligible for a credit allowed by this Article
12 if the taxpayer is engaged in business primarily as an attractor or an associated attractor,
13 the jobs with respect to which a credit is claimed are created in that business, and the
14 tourism property with respect to which a credit is claimed are used in that business.

15 (b) Wage Standard. – A taxpayer is eligible for a credit allowed by this Article if
16 the jobs at the location with respect to which the credit is claimed meet the wage
17 standard provided in G.S. 105-129.4(b) at the time the taxpayer applies for the credit.

18 (c) Location. – A taxpayer is eligible for a credit allowed by this Article if the
19 location with respect to which the credit is claimed is in an enterprise tier one, two, or
20 three area or is in a development zone.

21 (d) Health Insurance. – A taxpayer is eligible for the credit for creating tourism
22 jobs under this Article if the taxpayer provides health insurance for the positions for
23 which the credit is claimed at the time the taxpayer applies for the credit. A taxpayer is
24 eligible for the tourism investment credit under this Article if the taxpayer provides
25 health insurance for all of the full-time positions at the location with respect to which
26 the credit is claimed at the time the taxpayer applies for the credit. For the purposes of
27 this subsection, a taxpayer provides health insurance if it pays at least fifty percent
28 (50%) of the premiums for health care coverage that equals or exceeds the minimum
29 provisions of the basic health care plan of coverage recommended by the Small
30 Employer Carrier Committee pursuant to G.S. 58-50-125.

31 Each year that a taxpayer claims an installment or carryforward of a credit allowed
32 under this Article the taxpayer must provide with the tax return the taxpayer's
33 certification that the taxpayer continues to provide health insurance for the jobs for
34 which the credit was claimed or the full-time jobs at the location with respect to which
35 the credit was claimed. If the taxpayer ceases to provide health insurance for the jobs
36 during a taxable year, the credit expires and the taxpayer may not take any remaining
37 installment or carryforward of the credit.

38 (e) Environmental Impact. – A taxpayer is eligible for a credit allowed under this
39 Article only if the taxpayer certifies that, at the time the taxpayer applies for the credit,
40 the taxpayer has no pending administrative, civil, or criminal enforcement action based
41 on alleged significant violations of any program implemented by an agency of the
42 Department of Environment and Natural Resources and has had no final determination
43 of responsibility for any significant administrative, civil, or criminal violation of any
44 program implemented by an agency of the Department of Environment and Natural

1 Resources within the last five years. A significant violation is a violation or alleged
2 violation that does not satisfy any of the conditions of G.S. 143-215.6B(d). The
3 Secretary of Commerce will provide the Department of Environment and Natural
4 Resources a list of all taxpayers making this certification. The Department of
5 Environment and Natural Resources may conduct random audit checks to verify
6 taxpayers' certifications. The Department of Environment and Natural Resources must
7 notify the Department of Revenue of any taxpayer certifications it determines are not
8 accurate.

9 (f) Safety and Health Programs. – A taxpayer is eligible for a credit allowed
10 under this Article only if the taxpayer certifies that, as of the time the taxpayer applies
11 for the credit, at the business location with respect to which the credit is claimed, the
12 taxpayer has no outstanding citations under the Occupational Safety and Health Act and
13 has had no serious violation as defined in G.S. 95-127 within the last three years. The
14 Secretary of Commerce will provide the Department of Labor a list of all taxpayers
15 making this certification. The Department of Labor may conduct random audit checks
16 to verify taxpayers' certifications. The Department of Labor must notify the Department
17 of Revenue of any taxpayer certifications it determines are not accurate.

18 (g) Forfeiture. – A taxpayer forfeits a credit allowed under this Article if the
19 taxpayer was not eligible for the credit at the time the taxpayer applied for the credit. A
20 taxpayer that forfeits a credit under this Article is liable for all past taxes avoided as a
21 result of the credit plus interest at the rate established under G.S. 105-241.1(i),
22 computed from the date the taxes would have been due if the credit had not been
23 allowed. The past taxes and interest are due 30 days after the date the credit is forfeited;
24 a taxpayer that fails to pay the past taxes and interest by the due date is subject to the
25 penalties provided in G.S. 105-236.

26 (h) Change in Ownership of Business. – The sale, merger, consolidation,
27 conversion, acquisition, or bankruptcy of a business, or any transaction by which an
28 existing business reformulates itself as another business does not create new eligibility
29 in a succeeding business with respect to credits for which the predecessor was not
30 eligible under this Article. A successor business may, however, take any installment of
31 or carried-over portion of a credit that its predecessor could have taken if it had a tax
32 liability.

33 **"§ 105-129.44. Tax election; cap.**

34 (a) Tax Election. – The credits provided in this Article are allowed against the
35 franchise tax levied in Article 3 of this Chapter, the income taxes levied in Article 4 of
36 this Chapter, and the gross premiums tax levied in Article 8B of this Chapter. The
37 taxpayer must take a credit allowed under this Article against only one of the taxes
38 against which it is allowed. The taxpayer must elect the tax against which a credit will
39 be claimed when filing the return on which the first installment of the credit is claimed.
40 This election is binding. Any carryforwards of the credit must be claimed against the
41 same tax.

42 (b) Cap. – The credits allowed under this Article may not exceed fifty percent
43 (50%) of the tax against which they are claimed for the taxable year, reduced by the
44 sum of all other credits allowed against that tax, except tax payments made by or on

1 behalf of the taxpayer. This limitation applies to the cumulative amount of credit,
2 including carryforwards, claimed by the taxpayer under this Article and Articles 3A and
3 3B of this Chapter against each tax for the taxable year. Any unused portion of a credit
4 may be carried forward for the succeeding five years.

5 **"§ 105-129.45. Application; reports.**

6 (a) Application. – To claim a credit allowed by this Article, the taxpayer must
7 provide with the tax return the certification of the Secretary of Commerce that the
8 taxpayer meets all of the eligibility requirements of G.S. 105-129.43 with respect to
9 each credit. A taxpayer must apply to the Secretary of Commerce for certification of
10 eligibility. The application must be on a form provided by the Secretary of Commerce
11 and contain any information necessary for the Secretary of Commerce to determine
12 whether the taxpayer meets the eligibility requirements. In addition, the application
13 must state the number of full-time jobs to be created that are located within a
14 development zone, the number of full-time jobs to be created that are expected to be
15 filled by employees residing within the development zone, and the number of full-time
16 jobs to be created that are expected to be filled by employees residing within a census
17 tract or census block group that has more than twenty percent (20%) of its population
18 below the poverty level according to the most recent federal decennial census.

19 If the Secretary of Commerce determines that the taxpayer meets all of the eligibility
20 requirements of G.S. 105-129.43 with respect to a credit, the Secretary must issue a
21 certificate describing the location with respect to which the credit is claimed, outlining
22 the eligibility requirements for the credit, and stating that the taxpayer meets the
23 eligibility requirements. If the Secretary of Commerce determines that the taxpayer does
24 not meet all of the eligibility requirements of G.S. 105-129.43 with respect to a credit,
25 the Secretary must advise the taxpayer in writing of the eligibility requirements the
26 taxpayer fails to meet. The Secretary of Commerce may adopt rules in accordance with
27 Chapter 150B of the General Statutes that are needed to carry out the Secretary of
28 Commerce's responsibilities under this section.

29 (b) Fee. – When filing an application for certification under this section, the
30 taxpayer must pay the Department of Commerce a fee of five hundred dollars (\$500.00)
31 for each credit the taxpayer intends to claim with respect to a location that is not in an
32 enterprise zone or in an enterprise tier one or two area, subject to a maximum fee of one
33 thousand five hundred dollars (\$1,500) per taxpayer per taxable year. If the taxpayer
34 applies for certification for a credit that relates to locations in more than one enterprise
35 tier area, the fee is based on the highest-numbered enterprise tier area.

36 The Secretary of Commerce must retain one-fourth of the proceeds of the fee
37 imposed in this section for the costs of administering this section. The Secretary of
38 Commerce must credit the remaining proceeds of the fee imposed in this section to the
39 Department of Revenue for the costs of administering and auditing the credits allowed
40 in this Article. The proceeds of the fee are receipts of the Department to which they are
41 credited.

42 (c) Reports. – The Department of Commerce must report to the Department of
43 Revenue and to the Fiscal Research Division of the General Assembly by May 1 of each
44 year the following information for the 12-month period ending the preceding April 1:

- 1 (1) The number of applications for each credit allowed in this Article.
- 2 (2) The number and enterprise tier area of new jobs with respect to which
3 credits were applied for.
- 4 (3) The cost of tourism property with respect to which credits were
5 applied for.
- 6 (4) The number of new jobs created within development zones and the
7 percentage of those jobs that were filled by residents of the zones.

8 **"§ 105-129.46. Substantiation.**

9 (a) To claim a credit allowed by this Article, the taxpayer must provide any
10 information required by the Secretary of Revenue. Every taxpayer claiming a credit
11 under this Article must maintain and make available for inspection by the Secretary of
12 Revenue any records the Secretary considers necessary to determine and verify the
13 amount of the credit to which the taxpayer is entitled. The burden of proving eligibility
14 for the credit and the amount of the credit is on the taxpayer, and no credit is allowed to
15 a taxpayer that fails to maintain adequate records or to make them available for
16 inspection.

17 (b) Each taxpayer must provide with the tax return qualifying information for
18 each credit claimed under this Article for the first taxable year the credit is claimed and
19 for every year in which a subsequent installment or a carryforward of that credit is
20 claimed. The qualifying information must be in the form prescribed by the Secretary,
21 must cover each taxable year beginning with the first taxable year the credit is claimed,
22 and must be signed and affirmed by the individual who signs the taxpayer's tax return.
23 The information required by this subsection is information demonstrating that the
24 taxpayer has met the conditions for qualifying for an initial credit and any installments
25 and carryforwards and includes the following:

- 26 (1) The physical location of the jobs and investment with respect to which
27 the credit is claimed, including the enterprise tier designation of the
28 location and whether it is in a development zone. In addition, for each
29 individual who fills a job at a location with respect to which a credit is
30 claimed, the place where the individual resided before taking the job,
31 including any enterprise tier or development zone designation of that
32 place.
- 33 (2) The type of business with respect to which the credit is claimed, as
34 required by G.S. 105-129.43(a), and wage information described in
35 G.S. 105-129.43(b).
- 36 (3) Qualifying information required for the credit for creating tourism jobs
37 and the tourism investment credit allowed under this Article.

38 **"§ 105-129.47. Credit for creating tourism jobs.**

39 (a) Credit. – A taxpayer that meets the eligibility requirements set out in G.S.
40 105-129.43, has five or more full-time employees, and hires an additional full-time
41 employee during the taxable year to fill a position located in an enterprise tier one, two,
42 or three area or in a development zone is allowed a credit for creating a new full-time
43 job. The amount of the credit for each new full-time job created is set out in the table
44 below and is based on the enterprise tier of the area in which the position is located. In

1 addition, if the position is located in a development zone, the amount of the credit is
 2 increased by four thousand dollars (\$4,000) per job.

| <u>Area Enterprise Tier</u> | <u>Amount of Credit</u> |
|-----------------------------|-------------------------|
| <u>Tier One</u> | <u>\$12,500</u> |
| <u>Tier Two</u> | <u>4,000</u> |
| <u>Tier Three</u> | <u>3,000</u> |
| <u>Tier Four</u> | <u>-0-</u> |
| <u>Tier Five</u> | <u>-0-</u> |

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9 A position is located in an area if more than fifty percent (50%) of the employee's
 10 duties are performed in the area. The credit may not be taken in the taxable year in
 11 which the additional employee is hired. Instead, the credit must be taken in equal
 12 installments over the four years following the taxable year in which the additional
 13 employee was hired and is conditioned on the continued employment by the taxpayer of
 14 the number of full-time employees the taxpayer had upon hiring the employee that
 15 caused the taxpayer to qualify for the credit.

16 If, in one of the four years in which the installment of a credit accrues, the number of
 17 the taxpayer's full-time employees falls below the number of full-time employees the
 18 taxpayer had in the year in which the taxpayer qualified for the credit, the credit expires,
 19 and the taxpayer may not take any remaining installment of the credit. The taxpayer
 20 may, however, take the portion of an installment that accrued in a previous year and was
 21 carried forward to the extent permitted under G.S. 105-129.44.

22 Jobs transferred from one area in the State to another area in the State are not new
 23 jobs for purposes of this section. If, in one of the four years in which the installment of a
 24 credit accrues, the position filled by the employee is moved to an area in a higher- or
 25 lower-numbered enterprise tier or is moved from a development zone to an area that is
 26 not a development zone, the remaining installments of the credit must be calculated as if
 27 the position had been created initially in the area to which it was moved.

28 (b) Planned Expansion. – A taxpayer that signs a letter of commitment with the
 29 Department of Commerce to create at least 20 new full-time jobs in a specific area
 30 within two years after the date the letter is signed qualifies for the credit in the amount
 31 allowed by this section based on the area's enterprise tier and development zone
 32 designation for that year even though the employees are not hired that year. The credit is
 33 available in the taxable year after at least 20 employees have been hired if the hirings
 34 are within the two-year commitment period. The conditions outlined in subsection (a) of
 35 this section apply to a credit taken under this subsection except that if the area is
 36 redesignated to a higher-numbered enterprise tier or loses its development zone
 37 designation after the year the letter of commitment was signed, the credit is allowed
 38 based on the area's enterprise tier and development zone designation for the year the
 39 letter was signed. If the taxpayer does not hire the employees within the two-year
 40 period, the taxpayer does not qualify for the credit. However, if the taxpayer qualifies
 41 for a credit under subsection (a) of this section in the year any new employees are hired,
 42 the taxpayer may take the credit under that subsection.

43 **"§ 105-129.48. Credit for tourism investment.**

1 (a) Credit. – If a taxpayer that has purchased or leased eligible tourism property
 2 places it in service in an enterprise tier one, two, or three area during the taxable year,
 3 the taxpayer is allowed a credit equal to seven percent (7%) of the excess of the eligible
 4 investment amount over the applicable threshold. For the purpose of this section, a
 5 development zone is considered an enterprise tier one area. Tourism property is eligible
 6 if it is capitalized by the taxpayer for tax purposes under the Code and not leased to
 7 another party. The credit may not be taken for the taxable year in which the property is
 8 placed in service but must be taken in equal installments over the seven years following
 9 the taxable year in which it is placed in service.

10 (b) Eligible Investment Amount. – The eligible investment amount is the lesser
 11 of (i) the cost of the eligible tourism property and (ii) the amount by which the cost of
 12 all of the taxpayer's eligible tourism property that is in service in this State on the last
 13 day of the taxable year exceeds the cost of all of the taxpayer's eligible tourism property
 14 that was in service in this State on the last day of the base year. The base year is that
 15 year, of the three immediately preceding taxable years, in which the taxpayer had the
 16 most eligible tourism property in service in this State. A taxpayer that claims a credit
 17 under this section must include with the application for certification required under G.S.
 18 105-129.45 specific documentation supporting the taxpayer's calculation of the eligible
 19 investment amount under this subsection.

20 (c) Threshold. – The applicable threshold is the appropriate amount set out in the
 21 following table based on the enterprise tier of the area where the eligible tourism
 22 property is placed in service during the taxable year. If the taxpayer places eligible
 23 tourism property in service in more than one county during the taxable year, the
 24 threshold applies separately to the eligible tourism property placed in service in each
 25 county. If the taxpayer places eligible tourism property in service in a county over the
 26 course of a two-year period, the applicable threshold for the second taxable year is
 27 reduced by the eligible investment amount for the previous taxable year.

| <u>Area Enterprise Tier</u> | <u>Threshold</u> |
|-----------------------------|------------------|
| <u>Tier One</u> | <u>\$ -0-</u> |
| <u>Tier Two</u> | <u>100,000</u> |
| <u>Tier Three</u> | <u>200,000</u> |

32 (d) Expiration. – If, in one of the seven years in which the installment of a credit
 33 accrues, the tourism property with respect to which the credit was claimed is disposed
 34 of, taken out of service, or moved to an area that is not an enterprise tier one, two, or
 35 three area, the credit expires, and the taxpayer may not take any remaining installment
 36 of the credit for that tourism property unless the cost of that tourism property is offset in
 37 the same taxable year by the taxpayer's new investment in eligible tourism property
 38 placed in service in the same enterprise tier, as provided in this subsection. If, during the
 39 taxable year the taxpayer disposed of the tourism property for which installments
 40 remain, there has been a net reduction in the cost of all the taxpayer's eligible tourism
 41 property that is in service in the same enterprise tier as the tourism property that was
 42 disposed of, and the amount of this reduction is greater than twenty percent (20%) of the
 43 cost of the tourism property that was disposed of, then the taxpayer forfeits the
 44 remaining installments of the credit for the tourism property that was disposed of. If the

1 amount of the net reduction is equal to twenty percent (20%) or less of the cost of the
2 tourism property that was disposed of, or if there is no net reduction, then the taxpayer
3 does not forfeit the remaining installments of the expired credit. In determining the
4 amount of any net reduction during the taxable year, the cost of tourism property the
5 taxpayer placed in service during the taxable year and for which the taxpayer claims a
6 credit under Article 3B of this Chapter may not be included in the cost of all the
7 taxpayer's eligible tourism property that is in service. If in a single taxable year tourism
8 property with respect to two or more credits in the same tier is disposed of, the net
9 reduction in the cost of all the taxpayer's eligible tourism property that is in service in
10 the same tier is compared to the total cost of all the tourism property for which credits
11 expired in order to determine whether the remaining installments of the credits are
12 forfeited.

13 The expiration of a credit does not prevent the taxpayer from taking the portion of an
14 installment that accrued in a previous year and was carried forward to the extent
15 permitted under G.S. 105-129.44.

16 If, in one of the seven years in which the installment of a credit accrues, the tourism
17 property with respect to which the credit was claimed is moved to a higher-numbered
18 enterprise tier area, the remaining installments of the credit are allowed only to the
19 extent they would have been allowed if the tourism property had been placed in service
20 initially in the area to which it was moved.

21 (e) Planned Expansion. – A taxpayer that signs a letter of commitment with the
22 Department of Commerce to place specific eligible tourism property in service in an
23 area within two years after the date the letter is signed may, in the year the eligible
24 tourism property is placed in service in that area, calculate the credit for which the
25 taxpayer qualifies based on the area's enterprise tier designation for the year the letter
26 was signed. All other conditions apply to the credit, but if the area has been
27 redesignated to a higher-numbered enterprise tier after the year the letter of commitment
28 was signed, the credit is allowed based on the area's enterprise tier for the year the letter
29 was signed. If the taxpayer does not place part or all of the specified eligible tourism
30 property in service within the two-year period, the taxpayer does not qualify for the
31 benefit of this subsection with respect to the tourism property not placed in service
32 within the two-year period. However, if the taxpayer qualifies for a credit in the year the
33 eligible tourism property is placed in service, the taxpayer may take the credit for that
34 year as if no letter of commitment had been signed pursuant to this subsection."

35 **SECTION 2.** G.S. 105-129.16(c) reads as rewritten:

36 "(c) No Double Credit. – A taxpayer that claims ~~the a~~ credit allowed under Article
37 3A or Article 3E of this Chapter with respect to business property may not take the
38 credit allowed in this section with respect to the same property. A taxpayer may not take
39 the credit allowed in this section for business property the taxpayer leases from another
40 unless the taxpayer obtains the lessor's written certification that the lessor will not
41 capitalize the property for tax purposes under the Code and the lessor will not claim the
42 credit allowed in this section with respect to the property."

43 **SECTION 3.** Chapter 143B of the General Statutes is amended by adding a
44 new section to read:

1 **"§ 143B-434.3. Travel and Tourism Capital Incentive Grant Program.**

2 (a) There is established in the Department of Commerce the Travel and Tourism
3 Capital Incentive Grant Program. Grant funds shall be allocated to local government
4 units for the purpose of inducing the creation of new or the expansion or renovation of
5 existing travel and tourism qualified projects. Grants shall be made available to city and
6 county governments that provide public funding, in whole or in part, that directly
7 supports a qualified tourism project. Grant funds shall be used only for the support of
8 qualified tourism projects. The Department of Commerce shall adopt rules for the
9 administration of the program. The rules shall include the following provisions:

10 (1) Local government units may apply to the Department of Commerce
11 for Travel and Tourism Capital Incentive Grants no sooner than one
12 year after the qualified tourism project is opened to the public and no
13 later than five years after it is opened to the public. The application
14 shall contain all necessary information regarding the nature and cost of
15 the tourism project, the estimated revenues to be generated by the
16 project, the estimated economic benefit to the community, and the
17 purposes for which the local government unit will use the grant funds.

18 (2) Local government units may enter into agreements with private
19 investors to develop new or expand or renovate existing tourism
20 projects. If the tourism project is the result of a public private
21 partnership, the grant application shall set forth in detail the respective
22 rights and obligations of the parties and the specific terms of the
23 agreement.

24 (3) A qualified tourism project must meet the following conditions:

25 a. The project will attract at least twenty-five percent (25%) of its
26 visitors from among persons who reside more than 100 miles
27 from the tourism project;

28 b. The project will have a profitable business plan and once
29 opened must demonstrate profitability within three years;

30 c. The project must have impact projections regarding estimated
31 State and local tax revenues;

32 d. The project will have a significant and positive impact on the
33 community, considering among other factors, the extent to
34 which the tourism project will compete directly with existing
35 tourism attractions in the area and the amount by which tax
36 revenues from the tourism project will exceed the amount of the
37 grant provided to the local government unit;

38 e. The project will produce sufficient revenues and public
39 demand to be operating and open to the public for a
40 minimum of 100 days per year;

41 f. The project will generate at least 10 new jobs in the local
42 area.

43 g. The project will have a minimum cost based on the
44 following:

| | | |
|---|------------------------|--------------------------------|
| 1 | <u>Enterprise Tier</u> | <u>Minimum Cost</u> |
| 2 | <u>1 and 2:</u> | <u>one million dollars</u> |
| 3 | | <u>(\$1,000,000);</u> |
| 4 | <u>3 and 4</u> | <u>fifteen million dollars</u> |
| 5 | | <u>(\$15,000,000);</u> |
| 6 | <u>5</u> | <u>thirty million dollars</u> |
| 7 | | <u>(\$30,000,000).</u> |

8 (b) The amount of each grant shall be determined as an amount equal to a
9 percentage of the total amount of the following taxes generated by the qualified tourism
10 project: (i) the net State sales tax collected by the qualified tourism project, in
11 accordance with Article 5 of Chapter 105 of the General Statutes, (ii) the net privilege
12 tax paid by a qualified tourism project in accordance with G.S. 105-37.1, and (iii) the
13 amount withheld from the wages of each employee of the qualified tourism project, in
14 accordance with G.S. 105-163.2. The percentage shall vary depending on the enterprise
15 tier, as defined in G.S. 105-129.3, in which the qualified tourism project is located. If
16 the project is located in a tier one or two county, the local government unit is eligible for
17 a grant in an amount equal to no more than thirty-five percent (35%) of the eligible
18 taxes generated by the project. If the project is located in a tier three or four county, the
19 local government unit is eligible for a grant in an amount equal to no more than thirty
20 percent (30%) of the eligible taxes generated by the project. If the project is located in a
21 tier five county, the local government unit is eligible for a grant in an amount equal to
22 no more than twenty-five percent (25%) of the eligible taxes generated by the project.

23 (c) The Department of Commerce may reserve and allocate up to ten percent (10%)
24 of the funds available to the Travel and Tourism Capital Incentive Grant Program to
25 State and local administrative costs to implement the Program.

26 (d) The Department of Commerce shall report annually to the General Assembly
27 concerning the applications made to the fund and the payments made from the fund.
28 The Department of Commerce shall also report quarterly to the Joint Legislative
29 Commission on Governmental Operations and the Fiscal Research Division of the
30 General Assembly on the use of moneys in the fund, including information regarding to
31 whom payments were made, in what amounts, and for what purposes."

32 **SECTION 4.** This act becomes effective for taxable years beginning on or
33 after January 1, 2002.