

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 944

**SHORT TITLE:** Expand Call Centers Eligible for Bill Lee Act

**SPONSOR(S):** Senator Phil Berger

<b>FISCAL IMPACT</b>				
Yes (X)	No ( )	No Estimate Available ( )		
<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
<b>REVENUES: State General Fund</b>		<b>-\$305,000</b>	<b>-\$610,000</b>	<b>-\$915,000</b>
<b>PRINCIPAL DEPARTMENTS AFFECTED:</b> The Department of Commerce handles Bill Lee Act tax credit applications and the Department of Revenue administers the tax credit. The enactment of the bill is should not affect either agency's budget requirements.				
<b>EFFECTIVE DATE:</b> Tax years beginning on or after January 1, 2002				
<b>Note:</b> The fiscal cost peaks at \$1,220,000 in 2006-07 before beginning to decline.				

**BILL SUMMARY:** The Bill Lee Act is the package of state tax incentives that was first adopted in 1996 and has been modified in each subsequent year. The incentives are primarily in the form of tax credits for investment in machinery and equipment, job creation, worker training, and research/development. For many of the credits the counties of the State are divided into five economic distress tiers based on the unemployment rate, per capita income, and population growth. In general, the lower the tier of a county the more favorable the incentive.

In 1999 the list of eligible industries eligible for Bill Lee Act credits was extended to certain customer service centers located in an enterprise Tier 1 or 2 county. **The bill extends the eligibility to customer service centers located in a Tier 3 county.**

An eligible customer service center is a subdivision of a telecommunications or financial services company that provides services to the company's customers by telephone to support the company's products and services. To qualify, at least 60% of the center's calls must be incoming. This requirement will prevent telemarketing operations from qualifying.

**ASSUMPTIONS AND METHODOLOGY:** Discussions with an economic developer in Eden indicated that the intent of the legislation was to attract one or two customer call centers to currently vacant manufacturing facilities in Eden. When the 1999 provision was added for customer service centers in Tiers 1 and 2, the fiscal estimate (consensus between Fiscal Research Division and Commerce) was in the form of a simulation based on one new facility per year in each tier. The assumed investment level was \$2 million and the assumed new jobs per facility amounted to 200.

For the purpose of this proposal, it was assumed that one project per year would take place at an average machinery and equipment acquisition of \$500,000 and 400 jobs. These numbers may be more in line with the potential for the Eden situation.

**Investment Tax Credit:** The ITC is equal to 7% of the eligible investment in machinery and must be taken in equal installments over seven years beginning in the year after the investment takes place. This means that the first fiscal year impacted would be 2003-04. The current Bill Lee Act credits sunset on January 1, 2006. Thus, beginning in 2007-08 the only cost will be the later installments from investments made prior to the sunset.

**Jobs Credit:** The credit is equal to \$3,000 per job. The credit is taken over four years beginning in the year after the job is added. Thus, the first fiscal year impacted would be 2003-04. The Bill Lee Act credits sunset on January 1, 2006. This means that for 2007-08 and later years the only cost will be the later installments from jobs created prior to the sunset.

**TECHNICAL CONSIDERATIONS:** This fiscal estimate is in the form of a simulation based on prior consensus methodology developed with the Department of Commerce and discussions with a person familiar with textile/apparel building conversion possibilities in the Town of Eden. No one is able to predict the number of call centers that could be established in other Tier 3 counties. For the 2001 calendar year, there are 21 counties that are in Tier 3.

The “simulation” methodology used in this analysis is the same used in the 1999 legislation authorizing Bill Lee Act credits for customer call centers.

**FISCAL RESEARCH DIVISION: 733-4910**

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**DATE:** April 10, 2001



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