

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 479 (First Edition)

SHORT TITLE: Small Business New Job Creation Incentive.

SPONSOR(S): Representatives Wray, Spear, Goodman, and McGuirt

<b>FISCAL IMPACT</b>					
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	<b><u>FY 2014-15</u></b>	<b><u>FY 2015-16</u></b>	<b><u>FY 2016-17</u></b>
<b>REVENUES:</b>					
<b>(\$millions)</b>					
<b>General Fund</b>	\$-24.3	\$-48.6	\$-72.9	\$-97.2	\$-121.5
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>		NC Department of Revenue			
<b>EFFECTIVE DATE:</b>		Taxable years beginning on or after January 1, 2011			

**BILL SUMMARY:** The Bill would allow small businesses to qualify for the tax credit for creating jobs under the Article 3J tax credit program regardless of what type of activity the business is engaged in. Under current law, only businesses engaged in specified activities qualify for the credit. Additionally, if jobs are created by a small business, the bill provides \$2,000 more in tax credits for creating jobs above what taxpayers are allowed under current law. The bill defines "small business" as a taxpayer that employs no more than 50 employees during the taxable year.

**ASSUMPTIONS AND METHODOLOGY:** The fiscal impact is based on a multiple step process of estimating the yearly cost to the State in foregone revenue. First, Fiscal Research estimated the number of new jobs to be created by businesses with 50 employees or less using data from the Bureau of Labor Statistics. Second, these new jobs were apportioned to each county in the State based on their existing share of statewide employment because the value of Article 3J credits varies depending on county tier designation. Third, based upon the credit value specified for each county tier designation, the total amount of all credits generated in a single year was calculated. The credit for creating jobs cannot be taken until the year after it is generated, is taken in installments, and includes carryforward provisions. Consequently, the full fiscal impact of credits

generated in a single year is realized over a period of up to 10 years. This results in the increased fiscal impact shown in the table in the years following fiscal year 12-13 due to new credits being generated. Even though the credit cannot be taken until the year after the jobs are created, the fiscal impact would begin in fiscal year 12-13 because the Bill is effective for taxable years beginning on or after January 1, 2011. This means that taxpayers would be able to file amended returns for the 2011 tax year to qualify for the credit, and could begin taking credit installments on 2012 tax returns.

**SOURCES OF DATA:** Bureau of Labor Statistics, Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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