

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 1128 (First Edition)

SHORT TITLE: Opportunity Advancement Zones.

SPONSOR(S): Representative Torbett

| FISCAL IMPACT | | | | |
|---|-------------------------------------|-------------------|---------------------------|-------------------|
| | Yes (X) | No () | No Estimate Available () | |
| | <u>FY 2012-13</u> | <u>FY 2013-14</u> | <u>FY 2014-15</u> | <u>FY 2015-16</u> |
| REVENUES: | | | | |
| General Fund | | | | |
| | * See Assumptions and Methodology * | | | |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Dept of Revenue; NC Dept. of Commerce | | | | |
| EFFECTIVE DATE: Taxable years beginning on or after January 1, 2013. | | | | |

BILL SUMMARY:

SOURCE: BILL DIGEST H.B. 1128 (05/24/0201)

H 1128. OPPORTUNITY ADVANCEMENT ZONES. Filed 5/24/12. TO PROVIDE TIER ONE TREATMENT FOR OPPORTUNITY ADVANCEMENT ZONES.

Enacts new GS 143B-437.014 to define an opportunity advancement zone as an area (1) that contains one or more contiguous census tracts, block groups, or both and (2) where each tract or block group meets one of the specified household income and unemployment rate measures. Sets a limit of 5% of the total area of the county on the portion of a county included in one or more opportunity advancement zones. Directs the Department of Commerce to annually publish a list of all opportunity advancement zones. Enacts new subsection (k) to GS 143B-437.08 to designate an opportunity advancement zone in a development tier one county as development tier one. Designates a zone located in a county without development tier one designation as the next lower development tier. Amends several provisions in Article 3J (tax credits for growing businesses) of GS Chapter 105 to add opportunity advancement zones, and treats the zones as development tier one areas. Effective for tax years beginning on or after January 1, 2013.

ASSUMPTIONS AND METHODOLOGY:

The Opportunity Enhancement Zone created by H1128 would provide enhanced Article 3J credits to eligible areas. Qualifying census tracts in Tiers 2 and 3 would be provided a tier designation of the next lowest tier. A zone created in a Tier 1 county would remain Tier 1. In addition to allowing for a more favorable tier designation for qualifying areas, the tax credit amounts for Opportunity Enhancement Zones are \$1,000 greater than the assigned amounts for the job creation credit and the job creation threshold is the amount that applies for tier 1 counties. The job creation tax credit is \$2,000 higher if a created job is filled with a person from within the zone.

Table 1 provides the tax credit amounts available under current law by tier, and the amounts that would be offered if the area were converted to an Opportunity Enhancement Zone. For example, the tax credit for a Tier 2 county under current law is \$5,000. If the same area qualified as an Opportunity Enhancement Zone, the tier designation would become Tier 1, the next lowest tier. In addition, the tax credit amount would be increased by \$1,000 for a non-resident hire, or \$2,000 for a resident hire.

| | Current Law | Opportunity Enhancement Zone (job filled by non-resident) | Opportunity Enhancement Zone (job filled by zone resident) |
|--------|-------------|---|--|
| Tier 1 | \$12,500 | \$13,500 | \$14,500 |
| Tier 2 | \$5,000 | \$13,500 | \$14,500 |
| Tier 3 | \$750 | \$6,000 | \$7,000 |

Although some census tracts within the state would qualify for enhanced credits, sufficient data is not available to determine the fiscal impact. It is likely that most qualifying areas would be located in existing Tier One counties or in areas that already qualify as an Urban Progress Zone or an Agrarian Growth Zone; however, it is also probable that additional census tracts would qualify. It is not known which census tracts currently qualify based on unemployment rate and household income. The qualifying areas, along with potential qualifying projects, would be necessary to determine the fiscal impact.

SOURCES OF DATA: NC Dept. of Commerce

TECHNICAL CONSIDERATIONS: Existing data may be insufficient to determine the unemployment rates of individual census tracts. It may be necessary to use the unemployment rates of a county in order to classify a census tract as an Opportunity Advancement Zone.

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