

## OVERVIEW OF NORTH CAROLINA TAX INCENTIVES

### **Business Property Investment**

A credit may be taken for any qualified business property that is placed in service in North Carolina. The property must be tangible personal property that is used in a business and capitalized under the Internal Revenue Code.

### **Renewable Energy Property**

This credit is applicable to any facility that is constructed to manufacture renewable energy property. The credit is equal to 25% of the installation and equipment costs of construction.

### **Renewable Fuel Facilities**

Facilities whose purposes are to dispense the fuel or to produce it, may qualify for a credit. Dispensing and production facilities may receive a credit of 15% and 25%, respectively, of the cost of constructing and installing the property.

### **Biodiesel Producers**

For 2008 and 2009, a credit is available to biodiesel producers who make at least 100,000 gallons of biodiesel during the year. The credit is equal to the per gallon motor fuel excise tax paid on the biodiesel by the producer.

### **Computer Manufacturing**

To receive the credit, a minimum of 1,200 new full-time jobs created and \$100 million in private funds must be invested within five years along with several other requirements.

### **Job Creation**

Beginning in 2007, taxpayers who qualify for the federal work opportunity credit may claim a portion of the credit against North Carolina corporate income tax. The credit amount is equal to 6% of the federal credit allowed.

### **Recycling Facilities**

By purchasing or leasing machinery and equipment for a large or major recycling facility, a credit may be obtained that is equal to a certain percentage of the cost incurred. Another credit may also be taken if the facility is not accessible by boat. In this case, the credit is equal to the additional transportation expenses incurred by the facility.

### **Rehabilitated Structures**

Credits may be taken for qualifying expenditures to rehabilitate either a certified historic structure or a non-income producing historic structure. Also, mill property that has been rehabilitated is eligible for a credit.

### **Low-income Housing**

A credit may be taken if a federal income tax credit for rehabilitating or constructing low-income housing is allowed. The credit is based on the applicable percentage rate.

### **Research Expenses**

A credit for qualified North Carolina research expenses is allowed, and it is based on an applicable percentage rate. A credit equal to 15% of North Carolina university research expenses may also be taken.

### **Small Business Health Insurance**

An employer who pays at least 50% of the premiums and has less than 25 eligible employees at any one time is eligible. The credit is the lesser of \$250 or the taxpayer's actual cost of providing the health benefits, and is limited to employees who make less than \$40,000 a year.

### **Railroad Intermodal Facility**

A taxpayer that constructs or leases an eligible railroad intermodal facility is allowed a credit of 50% of the amount paid towards the cost of construction or under the lease.

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### **Handicapped Dwelling Units**

An income tax credit of \$550 is allowed for each unit constructed that conforms to the North Carolina Building Code standards for living units for handicapped persons.

### **Land Conservation/Preservation**

C corporations making qualified donations of real property in North Carolina are allowed a credit of 25% or the fair market value of the property, not to exceed \$500,000. Corporations that purchase conservation tillage equipment may claim a credit of the lesser of \$2,500 or 25% of the cost of the equipment.

### **Port Usage**

Corporations who use the ports of Wilmington or Morehead City may be eligible for a credit relating to the wharfage, handling, and throughput charges.

### **Supervisory Fees**

Savings and loan associations are allowed a credit for supervisory fees that are paid during the tax year following an assessment by the Administrator for the Savings and Loan Division of the Department of Commerce. If the credit is claimed, the fees cannot be deducted as an expense.

### **Cigarette Exportation**

Manufacturers who export their cigarettes to a foreign country, a possession of the US, or a commonwealth of the US that is not a state qualify for the credit. The credit is determined by comparing the export volume in the year in which it is claimed and the volume in 2003. The increase in volume determines the credit amount.

### **Cigarette Exportation & Job Creation**

Manufacturers who export their cigarettes through North Carolina ports and maintain an employment level that exceeds the corporation's employment level at the end of 2004 by 800 full-time jobs are eligible for the credit. The credit is equal to 40 cents per 1,000 cigarettes exported, up to \$10 million.