

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2013Session 2013**

**Legislative Fiscal NoteLegislative Fiscal Note**

**BILL NUMBER:** Senate Bill 255 (First Edition)

**SHORT TITLE:** Small Business New Job Creation Incentive.

**SPONSOR(S):** Senators Walters, McLaurin, and Clark

**FISCAL IMPACT**

(\$ in millions)

Yes       No       No Estimate Available

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>State Impact</b>					
General Fund Revenues:					
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
<b>NET STATE IMPACT</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

<b>Local Impact</b>					
Revenues:					
Expenditures:					
<b>NET LOCAL IMPACT</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

**PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:**

**EFFECTIVE DATE** Effective for taxable years beginning on or after Jan 1, 2013

**TECHNICAL CONSIDERATIONS:**

None

**BILL SUMMARY:**

This bill would expand the types of small businesses that qualify to claim tax credits for hiring new employees under Article 3J of North Carolina's tax code. Article 3J is intended to encourage

business expansion through providing tax credits for companies that hire new workers, invest in business property, or invest in real property. For companies that meet eligibility requirements, Article 3J provides for a \$12,500 credit per job created in a Tier 1 county, \$5,000 per job in a Tier 2 county, and \$750 per job in a Tier 3 county.

Under existing law Article 3J credits can only be claimed by specified types of businesses (e.g. manufacturing). This bill would allow all businesses with 50 or fewer employees to claim Article 3J credits for creating new jobs, with the exception of retail trade, food services, and drinking places.

**ASSUMPTIONS AND METHODOLOGY:**

While it is not possible to estimate the number of new hires that would qualify for Article 3J treatment under this bill, it is possible to roughly estimate the number of firms in North Carolina that would potentially be impacted. Fiscal Research estimates that approximately 100,000 North Carolina firms would become eligible to earn Article 3J credits under the provisions of this bill. This estimate is based on 2010 County Business Patterns data provided by the United States Census.

Due to a lack of available data it is not possible to estimate the fiscal impact of this bill. Article 3J credits apply only to net new hires at a particular business, so estimating the fiscal impact of this bill would require reliable data on levels of net new employment by firm, which is not publically available data. Conversations with staff at the Department of Commerce confirmed that there is no reliable source of data to use in estimating the fiscal impact of this bill.

**SOURCES OF DATA:** U.S. Census, 2010 County Business Patterns.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

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**APPROVED BY:**

Mark Trogdon, Director  
**Fiscal Research Division**

**DATE:** April 2, 2013



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