

NORTH CAROLINA LEGISLATURE APPROVES NEW ERA OF PUBLIC INCENTIVES

On September 30, 2015, North Carolina Governor Pat McCrory signed into law the NC Competes Act. This legislation completes an extended debate in the state regarding public incentives and sets a path going forward to attracting businesses and creating jobs. Over recent months, company executives and industry experts have been tracking the progress, or lack thereof, of the legislation as it navigated through the legislature, particularly as it positions North Carolina competitively against neighboring states.

The following is a brief review of the NC Competes Act:



JOB DEVELOPMENT INVESTMENT GRANT (JDIG)

Discretionary program that provides funds to incentivize new or expanding business to create jobs.

- Increases statutory annual cap to \$20M on an on-going basis, with a potential increase for high-yield projects to \$35M. High-yield projects are defined as being at least an investment of \$550M and creation of at least 1,750 jobs;
- Extends the program for three years through 1/1/2019;
- Modifies the maximum withholding percentage to incentivize growth in high-unemployment areas by allowing up to 80% in Tier 1 counties;
- Requires an increased job creation requirement for Tier 3 counties of 50 jobs, an increase from the previous minimum threshold of 20 jobs;
- Splits the funding commitment caps into 2 equal semiannual installments of \$10M;
- Adds new reporting functions and benchmarking reviews for the program; and,
- Strengthens clawbacks for failure to maintain operations for 150% of the grant term.



MOTORSPORTS SALES TAX PREFERENCES

Sales tax preferences for motorsports parts and fuel.

- Codifies and clarifies the law regarding current administrative practices for exemption of sales tax on service contracts and the lease or rental of parts;
- Extends refund on sales tax paid on aviation fuel for travel to or from a motorsports event in North Carolina or another state; and,
- Continues a refund equal to 50% of sales tax paid on tangible personal property related to a professional motorsports vehicle, aside from tires or accessories.



ONE NC FUND

Discretionary fund to provide funding to local governments to secure commitments for recruitment, expansion, or retention of new or existing businesses.

- Modifies the local match obligations to a tiered requirement: \$3 state => \$1 local for Tier 1, \$2 state => \$1 local for Tier 2, and \$1 state => \$1 local for Tier 3.



DATACENTER INFRASTRUCTURE ACT

Sales tax exemption for electricity and eligible business property that is located and utilized at a datacenter.

- Requires an investment of at least \$75M within 5 years;
- Allows an initial investment made on or after 1/1/2012 to be included in calculation; and,
- Creates new exemption effective for purchases made on or after 1/1/2016.



AVIATION SALES TAX

Sales tax refund for interstate passenger air carrier with a hub in NC.

- Replaces expiring sales tax refund with a sales tax exemption for aviation gasoline and jet fuel sold to an interstate airline for use in a commercial aircraft; and,
- Exempts sales taxes for service contracts on qualified aircraft and jet engines, along with sales taxes on repair parts and repair, maintenance, and installation services.

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