GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2001

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HOUSE BILL 416* Committee Substitute Favorable 3/7/01

Short Title: Credit for Value-Added Ag Business.

Sponsors:

Referred to:

March 1, 2001

| 1 | A BILL TO BE ENTITLED |
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| 2 | AN ACT TO CREATE AN INCOME TAX CREDIT FOR TAXPAYERS INVESTING |
| 3 | IN AGRIBUSINESS ENTERPRISES THAT ADD VALUE TO RAW, NORTH |
| 4 | CAROLINA GROWN AGRICULTURAL COMMODITIES. |
| 5 | The General Assembly of North Carolina enacts: |
| 6 | SECTION 1. Chapter 105 of the General Statutes is amended by adding a |
| 7 | new Article to read: |
| 8 | " <u>Article 3E.</u> |
| 9 | "Value-Added Agribusiness Tax Credit. |
| 10 | " <u>§ 105-129.40. Credit for investment in value-added agribusiness.</u> |
| 11 | (a) <u>A taxpayer who invests in a qualified North Carolina value-added</u> |
| 12 | agribusiness shall be entitled to a credit against the income tax imposed under Article 4 |
| 13 | of this Chapter in the amount of twenty-five percent (25%) of the amount invested. |
| 14 | Investments in a qualified North Carolina value-added agribusiness may include cash |
| 15 | and in-kind contributions of machinery and equipment, real property, or facilities. To be |
| 16 | eligible for the credit, contributions of machinery and equipment, real property, or |
| 17 | facilities shall be directly related to the agribusiness. |
| 18 | (b) The amount of the credit allowed shall not exceed fifty percent (50%) of the |
| 19 | tax against which it is claimed for the taxable year, or fifty thousand dollars (\$50,000), |
| 20 | reduced by the sum of all credits allowed against the tax except tax payments made by |
| 21 | or on behalf of the taxpayer. This limitation applies to the cumulative amount of credit, |
| 22 | including carryforwards claimed by the taxpayer under this Article against the tax for |
| 23 | the taxable year. Any unused portion of the credit may be carried forward for the |
| 24 | succeeding 10 years. |
| 25 | (c) The following definitions apply in this Article: |
| 26 | (1) <u>'Commercial entity' means (i) an agricultural marketing cooperative</u> |
| 27 | established pursuant to Subchapter V of Chapter 54 of the General |
| 28 | Statutes or (ii) a person producing raw agricultural products. |

(Public)

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| 1 | (2) 'Person' means a natural person, partnership, or corporation that earns |
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| 2 3 | less than two hundred fifty thousand dollars (\$250,000) in annual net |
| | income from the production of raw agricultural products. |
| 4 | (3) 'Qualified North Carolina value-added agribusiness' means a |
| 5 | commercial entity operating in this State that uses, processes, refines, |
| 6 | or packages raw agricultural products in a manner that increases the |
| 7 | value of the raw agricultural products on the market. |
| 8 | (d) To claim a credit allowed by this Article, the taxpayer shall provide any |
| 9 | information required by the Secretary of Revenue. Every taxpayer claiming a credit |
| 10 | under this Article shall maintain and make available for inspection by the Secretary of |
| 11 | Revenue any records the Secretary considers necessary to determine and verify the |
| 12 | amount of the credit to which the taxpayer is entitled. The burden of proving eligibility |
| 13 | for the credit and the amount of the credit shall rest upon the taxpayer, and no credit |
| 14 | shall be allowed to a taxpayer that fails to maintain adequate records or to make them |
| 15 | available for inspection. |
| 16 | (e) The total amount of all tax credits allowed to taxpayers under this section for |
| 17 | contributions made in a calendar year may not exceed two million dollars (\$2,000,000). |
| 18 | The Secretary must calculate the total amount of tax credits claimed from the |
| 19 | applications filed under this section. If the total amount of tax credits claimed for |
| 20 | contributions made in a calendar year exceeds two million dollars (\$2,000,000), the |
| 21 | Secretary must allow a portion of the credits claimed by allocating a total of two million |
| 22 | dollars (\$2,000,000) in tax credits in proportion to the size of the credit claimed by each |
| 23 | taxpayer. If a credit is reduced pursuant to this subsection, the Secretary must notify the |
| 24 | taxpayer of the amount of the reduction of the credit on or before December 31 of the |
| 25 | year the application was filed. The Secretary's allocations based on applications filed |
| 26 | pursuant to this section are final and will not be adjusted to account for credits applied |
| 27 | for but not claimed." |
| 28 | SECTION 2. This act is effective for taxable years beginning on or after |
| 20 29 | January 1, 2001. |
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