

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1368 (First Edition)

SHORT TITLE: Delay Sunset on Tax Credits

SPONSOR(S): Senator Ballantine

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
REVENUES					
General Fund					
Delay Sunset to 2001			(\$6 mil.)	(\$6 mil.)	

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Revenue; Department of the Secretary of State

EFFECTIVE DATE: The act is effective when it becomes law.

BILL SUMMARY: The bill delays the sunset on the qualified business tax credit from January 1, 1999 to January 1, 2001.

BACKGROUND: The qualified business tax credits given since 1993 are as follows:

1993	\$4,711,913
1994	\$6,011,513
1995	\$3,523,894
1996	\$4,677,221
1997	\$6,000,000 *
1998	\$4,893,891 **

* The Department of Revenue received requests for \$9,264,679 in credits, but the General Assembly limited the credit amount to \$6 million in 1997.

** This amount represents the applications processed as of May 28, 1998. (applications pending)

ASSUMPTIONS AND METHODOLOGY:

The current tax credit for qualified business ventures expires for investments made on or after January 1, 1999. This means that investments made in 1998 will be taken in tax year 1999. The last General Fund impact for this credit will be in FY 99-00 when individual income tax returns are filed in the spring of 2000. (carry forwards will extend some of the credits into future years). Budget availability estimates for future years assume the credit will sunset in 1999. **Delaying the sunset from 1999 to 2001 continues the credit two additional years and produces an annual General Fund revenue loss of \$6 million for fiscal years 2000-01 and 2001-02.** This note assumes taxpayers will use the total \$6 million in credits each year as was done in 1997 and is projected for 1998.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Richard Bostic

APPROVED BY: Tom Covington

DATE: June 2, 1998



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