

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 875

Short Title: Research and Development Credit Enhancement. (Public)

Sponsors: Senators Cowell; Dalton, Hoyle, Jenkins, and Stevens.

Referred to: Finance.

March 19, 2007

1 A BILL TO BE ENTITLED
2 AN ACT TO ENHANCE THE TAX CREDIT FOR RESEARCH AND
3 DEVELOPMENT EXPENDITURES.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-129.55 reads as rewritten:

6 "**§ 105-129.55. (See notes) Credit for North Carolina research and development.**

7 (a) Qualified North Carolina Research Expenses. – A taxpayer that has qualified
8 North Carolina research expenses for the taxable year is allowed a credit equal to a
9 percentage of the expenses, determined as provided in this subsection. Only one credit
10 is allowed under this subsection with respect to the same expenses. If more than one
11 subdivision of this subsection applies to the same expenses, then the credit is equal to
12 the higher percentage, not both percentages combined. If part of the taxpayer's qualified
13 North Carolina research expenses qualifies under subdivision (2) of this subsection and
14 the remainder qualifies under subdivision (3) of this subsection, the applicable
15 percentages apply separately to each part of the expenses.

16 (1) Small business. – If the taxpayer was a small business as of the last
17 day of the taxable year, the applicable percentage is three and
18 one-quarter percent (~~3%~~)(3.25%).

19 (2) Low-tier research. – For expenses with respect to research performed
20 in a development tier one area, the applicable percentage is three and
21 one-quarter percent (~~3%~~)(3.25%).

22 (3) Other research. – For expenses not covered under subdivision (1) or
23 (2) of this subsection, the percentages provided in the table below
24 apply to the taxpayer's qualified North Carolina research expenses
25 during the taxable year at the following levels:

Expenses Over	Up To	Rate
-0-	\$50 million	1% <u>1.25%</u>
\$50 million	\$200 million	2% <u>2.25%</u>
\$200 million	–	3% <u>3.25%</u>

1 (b) North Carolina University Research Expenses. – A taxpayer that has North
2 Carolina university research expenses for the taxable year is allowed a credit equal to
3 ~~fifteen percent (15%)~~twenty percent (20%) of the expenses."

4 **SECTION 2.** This act is effective for taxable years beginning on or after
5 January 1, 2007.