

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE DRS85186-LY-153 (3/8)

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

Sponsors: Senator Cowell.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE TAX CREDIT FOR RESEARCH AND DEVELOPMENT EXPENDITURES.

The General Assembly of North Carolina enacts:

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

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

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

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

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

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

Expenses Over	Up To	Rate
-0-	\$50 million	1% <u>1.25%</u>

1	\$50 million	\$200 million	2% <u>2.25%</u>
2	\$200 million	–	3% <u>3.25%</u>

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

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