Tax Credits for Growing Businesses Act

2009 Assessment of Results

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State of North Carolina
Department of Commerce

Secretary J. Keith Crisco

Policy Research & Strategic Planning
A Division of
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North Carolina
The State of Minds

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In 2007, the North Carolina General Assembly enacted the "Tax Credits for Growing Businesses Act," also known as Article 3J. Article 3J tax credits offer several types of tax credits to eligible taxpayers that undertake qualifying initiatives, including credits for creating jobs and investing in business and real property. These credits may be used to offset up to 50 percent of the taxpayer's state income and/or franchise tax liability. Companies must apply to receive the tax credits, providing specific financial information to the North Carolina Department of Revenue. Not all companies claim the tax credits for which they are eligible.

As part of the Article 3J program, counties are assigned annually to tiers that reflect their relative economic status based on four factors: 12-month unemployment rate, median household Income, 36-month population growth rate, and per capita adjusted assessed property value. Tier 1 counties are the least prosperous; Tier 3 counties are the most prosperous.

About This Report
As required by G.S. 105.129.82, this report analyzes the Tax Credits for Growing Businesses Act (Article 3J). This legislation has served as one of North Carolina's principal economic development incentives tools since it was created in 2007. This report contains two sections examining 1) program equity and 2) overall impact.

The **Equity Study** examines the effect on tax equity of the tax incentives provided in this Article. Specific issues include reexamining the development tier formula, assessing of tier assignment and program thresholds for smaller counties, and considering whether existing North Carolina businesses that expand receive fewer benefits than out-of-state businesses that locate to North Carolina. This section also provides alternative measures for more equitable treatment of counties in similar economic circumstances.

The **Impact Study** analyzes the effectiveness of the tax incentives. This is done by examining the distribution of incentives by industry, assessing business expansion and recruitment for the period from 2005 through 2007 to determine the pattern of business locations and expansions before and after the enactment of this Article, measuring the direct costs and benefits of these tax incentives, and compiling information on the current use of business incentives in other states.

This report is based on 2007 tax returns that were processed by the North Carolina Department of Revenue in calendar year 2008. These data cover only the first year of the Article 3J program. While tax credits were generated in 2007, none have been claimed yet. Therefore, this report only examines the tax credit generation activity. Analysis for this report was done by the Department of Commerce's Division of Policy, Research, and Strategic Planning.

Equity Findings:

- The current low population and poverty criteria for tier designations may not be equitable. There are several counties that are very close to meeting these criteria which do not receive the benefit of a low tier designation.
- The following changes to the current tier designation formula should be considered:
  - **Lengthen the Unemployment Rate Measurement to a 36-Month Average** — Extending the period of measurement for the unemployment rate will reduce the impact on their ranks of singular events such as plant closings or large layoffs. This will differentiate counties with chronic unemployment from those that suffer a short-term shock.
  - **Include Poverty Rates** – The percentage of a county's residents living in poverty is a key measure of individual economic conditions. Adding poverty rates to the tier ranking formula would provide a measurement of the economic distress of the county population.
  - **Give Persistent Poverty Counties Tier 1 Status** – Time is an important dimension of economic distress. An area that has a high level of poverty this year, but not next year, is likely better off than an area that has a high level of poverty in both years. The Economic Research Service, a federal organization in the U.S. Department of Agriculture, has defined counties as being persistently poor if 20 percent or more of their populations were living in poverty over the last 30 years (measured by the 1970, 1980, 1990 and 2000 decennial censuses). North Carolina has ten counties that qualify as persistent poverty areas.

Impact Findings:

- Companies reporting their industry sector showed that most of the tax credits were generated by businesses involved in chemical manufacturing, transportation equipment manufacuring, electrical equipment manufacturing, food manufacturing, and professional services.

EXECUTIVE SUMMARY

- In 2007, the Department of Commerce announced 164 business projects. Approximately 60 percent of these announcements were expansions of existing businesses and the other 40 percent consisted of businesses new to the state. This represents a shift from 2005, when 50 percent of all projects were new companies.
- Article 3J tax credits generated in tax year 2007 totaled $50,550,023.
    - 3,448 jobs were created in 2007. There were 218 jobs created in the Urban Progress and Agricultural Growth Zones. Ten residents of zones were employed by this job creation.
    - The total amount of Business Property tax credits generated was $32,707,879. These tax credits were generated for $527 million in business investment.
    - Tax credits totaling $1.2 million in Tier 1 Real Property Investment were generated. This represents over $4 million in new investment in these counties.
- A 2007 Consultants Survey[1], conducted by *Area Development* magazine found that 48 percent of the respondents indicated that incentives have always been of great importance to their clients and 37 percent said that they are now more important than in the past. Nearly 40 percent of the responding consultants consider tax credits and exemptions to be among the most important incentives sought by their clients.

1 Area Development's 4th Annual Consultants Survey results can be found at http://www.areadevelopment.com/annualreports/dec07/pdf/consultantsSurvey.pdf

This report contains the Department of Commerce's 2009 analysis of the Tax Credits for Growing Businesses Act (Article 3J). The evaluation contains a brief review of how the program functions and two major components: an Equity Study and an Impact Study. The Equity Study examines the calculation of the tier ranking formula and provides considerations for future tier formulations. The Impact Study contains information about the amount of credits generated by industry sector, a review of Department of Commerce business expansion and recruitment activities between 2005 and 2007, a detailed description of tax credit generation by activity, and a review of competitor state incentive programs.

This report is based on 2007 tax returns that were processed by the North Carolina Department of Revenue in calendar year 2008. These data cover only the first year of the Article 3J program. While tax credits were generated in 2007, businesses were not allowed to start claiming credits until 2008. Therefore, this report only examines the tax credit generation activity. All of the analysis for this report was done by the Policy, Research, and Strategic Planning Division of the Department of Commerce.

Program Overview

The Tax Credits for Growing Businesses Act (Article 3J) program became effective in 2007. The program has several objectives:

1. To stimulate the expansion of existing businesses and to attract new business and industry to the state;
2. To promote the general welfare and confer, as its primary purpose and effect, benefits on citizens throughout the State through the creation of new jobs, an enlargement of the overall tax base, an expansion and diversification of the State's industrial base, and an increase in revenue to the State and its political subdivisions;
3. To counteract short-and-long-term economic trends at the state and national level that have made economic development programs more competitive and challenging to implement; and
4. To encourage business development in economically distressed counties.

Tax credits are awarded to eligible taxpayers that undertake qualifying activities in the state: job creation, investment in business property, and investment in real property. Additional tax credits may be earned for projects undertaken in Urban Progress and Agricultural Growth Zones.[2] These credits may be combined to offset up to 50 percent of the taxpayer's state income and franchise tax liability. This section provides a brief outline of the Article 3J program's eligibility requirements, tier assignments, Urban Progress and Agricultural Growth Zones, and the three types of tax credits: job creation, investment in business property, and investment in real property.

Eligibility

To qualify for Article 3J Credits, the following eligibility requirements must be met:

1. The primary activity at the business establishment must be an eligible type of business, which includes:
   - a) aircraft maintenance and repair;
   - b) air courier services hub;
   - c) company headquarters that creates at least 75 new headquarters jobs;
   - d) customer service call centers;
   - e) electronic shopping and mail order houses;
   - f) information technology and services;
   - g) manufacturing;
   - h) motorsports facilities and motorsports racing teams;
   - i) research and development; and
   - j) warehousing and wholesale trade.
2. The average wage of all full-time workers employed by the taxpayer at the establishment during the taxable year must meet or exceed the applicable wage standard of the county in which the establishment is located. The exception is in Tier 1 counties where there are no wage standards.
3. The taxpayer must offer qualifying health insurance for all full-time positions at the establishment and pay at least 50 percent of employee premiums.
4. The taxpayer must not have received any significant environmental violations with the North Carolina Department of Environment and Natural Resources within the prior five years.

2 Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones. Counties that do not have a municipality with a population of at least 10,000, have the ability to define qualifying areas of poverty as Agrarian Growth Zones. Projects located within these zones receive enhanced Article 3J Credits.

5. The taxpayer must not have received any “willful” or “failure to abate” serious OSHA violations at the establishment within the prior three years.
6. The taxpayer may not have overdue taxes.

In addition to these criteria, the value of the tax credits depends on the specific location of the facility, the type of activity used to generate credits, and general program regulations.

County Tier Designations
General Statue 143B-437.08 requires that the Department of Commerce annually rank the state’s 100 counties based on economic well-being and assign a tier designation to each. These tier designations affect the financial value of the tax credits. The 40 most distressed counties are designated as Tier 1, the next 40 are Tier 2, and the 20 least distressed are Tier 3. There also are several caveats in the statute that affect tier designation. Any county that has a population of less than 12,000 is automatically designated as a Tier 1 county. Any county that has a population of less than 50,000 is automatically ranked one of the 80 most distressed counties and any county that has a population of less than 50,000 and more than 19 percent of its population below the federal poverty level, according to the most recent federal decennial census, is automatically designated a Tier 1 county. Any county designated as a development Tier 1 area is automatically ranked one of the 40 most distressed counties until it has been a development Tier 1 area for at least two consecutive years. Appendix B contains a list of 2007 tier designations for North Carolina counties.

Urban Progress Zones (UPZ) and Agrarian Growth Zones (AGZ)
As part of North Carolina’s Article 3J tax credits program, the Agrarian Growth Zone (AGZ) and the Urban Progress Zone (UPZ) programs provide economic incentives to stimulate new investment and job creation in economically distressed areas. Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones. Counties that do not have a municipality with a population of at least 10,000, have the ability to define qualifying areas of poverty as Agrarian Growth Zones. Business development projects located within these zones receive enhanced Article 3J credits.

Credit for Creating Jobs
Eligible taxpayers that meet a minimum threshold of new full-time jobs created during the taxable year may claim a credit for each new job created. The credit is taken in equal installments over four years following the year the jobs are created. The job threshold and the credit amount per job are determined by the tier designation of the county in which the jobs are created. When jobs are created in UP or AG Zones, the credit is increased by $1,000. If a resident of a zone or a long-term unemployed person[3] is hired, the company gets an additional $2,000.

Table One: County Tier Designation for Job Creation Tax Credit

	Tier 1	Tier 2	Tier 3	UPZ/AGZ
Job Threshold	5	10	15	5
Credit per Job	$12,500	$5,000	$750	+$1,000

Source: General Statue 105.129.87

Credit for Investing in Business Property
Eligible taxpayers may claim a credit based on a percentage of the cost of capitalized business property that is placed in service during the taxable year, in excess of an applicable threshold. This credit is taken in equal installments over four years, beginning the year after the property is first placed in service. The credit percentage and threshold are based on the tier designation of the county where the property is placed in service.

Table Two: County Tier Designation for Business Property Tax Credit

	Tier 1	Tier 2	Tier 3	UPZ/AGZ
Threshold	$0	$1 million	$2 million	$0
Credit	7%	5%	3.5%	7%

Source: General Statue 105.129.88

Credit for Investment in Real Property
Eligible taxpayers that invest at least $10 million in real property within a three-year period and create at least 200 new jobs within two years at an establishment located in a Tier 1 county are allowed a credit equal to 30 percent of the eligible real property investment. This credit is taken in equal installments over seven years, beginning the year after the property is used in an eligible business. To qualify for this credit, the taxpayer must obtain a written determination from the Department of Commerce.

3 A long-term unemployed worker is an individual who has been totally unemployed for at least the preceding 26 consecutive weeks as evidence by records maintained by the NC Employment Security Commission.

The Equity Study examines the effect on tax equity of the tax incentives provided in this Article.

The charge of this Equity Study is threefold:

1. **Reexamining County Development Tiers:** Reexamine the formula in G.S. 143B-437.08 used to define development tiers, to include consideration of alternative measures for more equitable treatment of counties in similar economic circumstances.

2. **Counties with Low Populations:** Consider whether the assignment of tiers and the applicable thresholds are equitable for smaller counties.

3. **Existing Companies versus New Companies:** Compile any available data on whether expanding North Carolina businesses receive fewer benefits than out-of-state businesses that locate to North Carolina.

Part One: Reexamining County Development Tiers

Each November, the Department of Commerce must release updated county tier designations for the following calendar year. These rankings are based on economic criteria specifically required by the statute.

G.S. 143B-437.08 defines the Development Factor as the sum of rankings across four economic criteria:

1. **12–Month Average Unemployment Rate** – Counties are ranked by average rate of unemployment from lowest to highest, for the most recent 12 months for which data are available.
2. **Median Household Income** – Counties are ranked by median household income from highest to lowest, for the most recent 12 months for which data are available.
3. **36–Month Population Growth Rates** – Counties are ranked by percentage growth in population from highest to lowest, for the most recent 36 months for which data are available. For the purposes of this section, population statistics do not include people incarcerated in federal or state prisons.
4. **Per Capita Adjusted Assessed Property Value** – Counties are ranked by adjusted assessed property value per capita as published by the Department of Public Instruction, from highest to lowest, for the most recent taxable year.

Part 1 analyzes the data collected for the most recent (2009) tier designations. Explanations of each criterion are provided along with a description of a rationale for its use in the development factor formula. Counties with one of the 40 most distressed rankings for each of the four development factor criterion are identified as a starting point for determining which are in similar economic circumstances. These rankings are then compared with the same counties' development factor rankings. The findings indicate how these counties are treated based on development factor tier designation.

This section also analyzes the relationships among the criteria and highlights patterns in these relationships when notable. The findings seek to identify what may cause counties with similar economic circumstances to be ranked differently according to development factors. Finally, alternative criteria and methodologies are presented for consideration.

12-Month Average Unemployment Rate – An unemployment rate represents the percentage of people in an area's labor force (people currently working or seeking work) who are not employed. The unemployment rate is a lagged variable, meaning that it reflects changes that have occurred in the economy in the previous two or three quarters.

The relatively short measurement period (one year) means that mass layoffs, new job creation, or downturns in specific industries have a large impact on a county's ranking.

Findings from analysis of 12-Month Average Unemployment Rate data:

- 12-Month Average Unemployment Rates calculated for the 2009 tier designations range from 3.78 percent to 10.18 percent with a median of 5.94 percent across all 100 counties. The range for the counties with the 40 highest 12-Month Average Unemployment Rates is from 6.28 percent to 10.18 percent.
- There are seven counties that have one of the 40 highest unemployment rates and a Development Factor that ranks outside of the 40 most distressed counties. All seven of these counties are designated Tier 2 for 2009.

Median Household Income – This criterion measures the midpoint of all household incomes in a county. The Median Household Income data used for tier designations comes from the most recent U.S. Census Small Area Income and Poverty Estimates (2005 was the most recent data at the time of the 2009 tier designations).

Compared to Average Income, the use of Median Household Income provides a measurement of income where 50 percent of the incomes are above this figure and 50 percent are below. For this reason Median Household Income can be a good barometer of economic distress.

Findings from analysis of Median Household Income data:

- Median Household Incomes across all 100 counties range from $26,379 to $57,741 with a midpoint in the distribution of $36,314. The range for the counties with one of the 40 lowest Median Household Incomes is from $26,379 to $34,797.
- There are 10 counties that have one of the 40 lowest Median Household Incomes and a development factor that ranks outside of the 40 most distressed counties. Of these 10 counties, eight are designated Tier 2 and two are designated Tier 1 for 2009.
- Seven of these eight Tier 2 counties also are among the 40 counties with the highest poverty rates (decennial census).

36-Month Population Growth Rates – This criterion measures the rate of change in a county's population based on the most recent applicable data and the same data three years prior (July 2007 and July 2004 for the 2009 tier designations). For the purposes of the tier designation, state and federal prison populations are subtracted from each county's total population. The population data are provided by the North Carolina Office of State Budget and Management.

This criterion approximates important factors of economic distress. First, population growth may signal the degree of economic opportunities within a county (and/or the surrounding area, via commuting). Second, population growth is an employment driver for many retail and service industries because these industries tend to locate near large populations. Finally, population growth can have either positive or negative fiscal impacts for local and state governments depending on how much revenue the new population adds to the community versus the amount governments must spend on providing services.

The 36-Month Population Growth Rates vary widely from county to county, especially among the counties with fast growing populations.

Findings from analysis of 36-Month Population Growth Rate data:

- 36-Month Population Growth Rates across all 100 counties range from -3.61 percent to 20.85 percent with a median of 2.90 percent. The range for the counties with the 40 lowest 36-Month Population Growth Rates is from -3.61 percent to 1.83 percent.
- Ten counties are above double digit growth rates, while 14 counties have negative growth rates.
- There are seven counties that have one of the 40 smallest 36-Month Population Growth Rates and a development factor that ranks outside of the 40 most distressed counties. Of these seven counties, six are designated Tier 2 and one is designated Tier 3 for 2009.

Adjusted Assessed Property Value Per Capita – This criterion is used to estimate the ability of counties to pay for public services. It accounts for each county's tax base from real property, agricultural property, utility property, and personal property. The most recent fiscal year data (FY 2008-2009 for the 2009 tier designations) is provided by the Department of Public Instruction via the Low Wealth Supplemental Funding Formula. This figure is divided by population to create a per capita measure.

One of the objectives of the Article 3J program is the "enlargement of the overall tax base". Including this criterion in the formula for the development factor is a means of ensuring that a county's ability to pay for services and infrastructure receives consideration in the tier designation process. Adjusted Assessed Property Value Per Capita values varies widely from county to county but changes relatively slowly over time, making it a good measure of long-term development.

Findings from analysis of Adjusted Assessed Property Value Per Capita data:

- Adjusted Assessed Property Value Per Capita values across all 100 counties range from $44,521 to $583,805 with a median of $87,894. The range for the counties with one of the 40 lowest Adjusted Assessed Property Value Per Capita values is from $44,521 to $74,309.
- There are 14 counties that have one of the 40 lowest values for Adjusted Assessed Property Value

Per Capita and a development factor that ranks outside of the 40 most distressed counties. Of these 14 counties, 12 are designated Tier 2; one is designated Tier 1; and one is designated Tier 3 for 2009.

- Adjusted Assessed Property Value Per Capita and 36-Month Population Growth Rate exhibit a large average difference between each county's rankings for the two criteria. A review of the data shows that all but two of the largest differences take place in counties that have slow or declining population growth and high property values per capita.

Development Factor – The 12-Month Average Unemployment Rate, Median Household Income, 36-Month Population Growth Rate, and Per Capita Adjusted Assessed Property Value are combined to create a county Development Factor. This measure uses equal weighting of all four criteria and represents the initial ordering of counties for tier designations (before "Adjustments for Certain Small Counties" and "Adjustments for Development Tier 1 Areas" are applied). The Development Factor provides a methodology for including multiple criteria in quantifying and comparing the relative economic distress of counties.

Findings from analysis of relationships among criteria:

- Rankings can obscure the degree of difference between two closely ranked counties. The differences between criteria values for two closely ranked counties are often greatest at the top and bottom of the distribution. For example, the highest Adjusted Assessed Property Value Per Capita value is 42 percent greater than the second highest value.
- There are five counties with a Development Factor that ranks in the 40 most distressed counties that are designated Tier 2. Two are tied at the 40th rank for Development Factor.
- There are 13 counties that rank in the 40 most distressed counties for two criteria, but are designated Tier 2. Of these, eight have a Development Factor that ranks as one of the 40 most distressed counties. Two are tied at the 40th rank for Development Factor.
- The criterion with the largest variation is Adjusted Assessed Property Value Per Capita. In particular, there are 12 counties that have a variation of 70 ranking positions or greater between Adjusted Assessed Property Value Per Capita and one of the remaining three criteria. Two of these counties have this level of variation in two comparisons with Adjusted Assessed Property Value Per Capita and one county has this level of variation in all three comparisons with Adjusted Assessed Property Value Per Capita (16 cases in total). In the three comparisons that do not involve Adjusted Assessed Property Value Per Capita there are only two cases where the variation exceeds 70 ranking positions.

The next section presents alternative measures and methodologies for the Development Factor.

Alternative Measures and Methodologies:

State statute specifies which data are used in determining the development criteria. Other data also are available that could be used. The following is a brief review of three alternative measures for consideration.

Lengthen the Unemployment Rate Measurement to a 36-month Average – Extending the period of measurement for the unemployment rate will reduce the impact on tier ranks of singular events like plant closings. This will differentiate counties with chronic unemployment from those that suffer a short-term shock.

Include Poverty Rates – The percentage of a county's residents living in poverty is a key measure of individual economic conditions. Adding poverty rates to the tier ranking formula would provide an important additional measurement of the county population's economic distress.

Give Persistent Poverty Counties Tier 1 Status – Time is an important dimension of economic distress. An area that has a high level of poverty this year, but not next year, is likely better off than an area that has a high level of poverty in both years. The Economic Research Service, a federal organization in the U.S. Department of Agriculture, has defined counties as being persistently poor if 20 percent or more of their populations were living in poverty over the last 30 years (measured by the 1970, 1980, 1990 and 2000 decennial censuses). North Carolina has 10 counties that qualify as persistent poverty areas.

In addition to these alternative measures, a decision to measure long-term or short-term economic distress could impact potential measures and methodology. The current Article 3J Development Factor components are divided between long-term and short-term measures of economic distress and may provide conflicting information. An explicit clarification of Article 3J's use as a tool for either long-term economic development or short-term economic distress would affect any proposed changes to the ranking criteria and suggestions to improve measurement.

Part Two: Counties with Low Populations

The second section of the Equity Study is to study if the tier designations are equitable for counties with small populations. G.S. 143B-437.08 makes special provision for small counties via the section "Adjustment for Certain Small Counties", which reads:

> **"Regardless of the actual development factor, any county that has a population of less than 12,000 shall automatically be ranked one of the 40 highest counties, any county that has a population of less than 50,000 shall automatically be ranked one of the 80 highest counties, and any county that has a population of less than 50,000 and more than nineteen percent (19%) of its population below the federal poverty level according to the most recent federal decennial census shall automatically be ranked one of the 40 highest counties."**

In the calculations for the 2009 economic development tiers there are 49 counties that qualify for these adjustments (note: some counties that qualify for the top 80 and top 40 conditions also qualified for Tier 1 based the Development Factor). Of the 41 counties with fewer than 50,000 in population, but greater than 12,000, 23 are designated Tier 1 and 18 are designated Tier 2 for 2009. All eight counties with fewer than 12,000 in population are designated Tier 1 for 2009.

Based on the adjustments outlined above, the breakdown by condition is as follows[4]:

- Less than 50,000 population (top 80) = 30 counties
- Less than 50,000 population and greater than 19 percent poverty (top 40) = 11 counties
- Less than 12,000 population (top 40) = 8 counties

According to the data used to construct the 2009 tier designations, there are eight counties that fall near, but do not qualify for one of these thresholds, though based on Development Factor some of these counties are designated to the tier that would be assigned if the thresholds were relaxed. These thresholds that concern these eight counties fall into three categories:

1. There are five counties between 50,000 and 55,000 in population. Of these five counties, four would automatically qualify for Tier 1 if the population threshold were relaxed to 55,000, because they also have greater than 19 percent poverty. Currently, three of these four counties are designated Tier 1 for 2009 based on Development Factor (the fourth is designated Tier 2). The remaining county has 11.7 percent poverty and is designated a Tier 2 for 2009.
2. There are three counties that have populations of fewer than 50,000, but poverty rates below 19 percent and above 18 percent. If the poverty threshold were relaxed to 18 percent, then two of these counties would change from Tier 2 to Tier 1 in 2009, while the third is currently designated Tier 1 for 2009.
3. There are two counties with greater than 12,000 in population, but less than 13,000. Both of these counties are designated Tier 2 for 2009.

Part Three: Existing Companies verses New Companies

There is no practical method to distinguish companies that are new to North Carolina from those that are expanding existing companies. This information is not required on tax forms and the Department of Commerce has investigated the use of the Secretary of State's Corporations database to identify existing/new companies without success.

The Article 3J tax credits are awarded to companies based on their employment and investment decisions. There is no implicit bias toward or against one type of company over another because any company meeting the program eligibility criteria may apply for the tax credits.

4 Assuming that all counties that have fewer than 12,000 in population are attributed to that condition regardless of poverty rate

The Impact Study contains information that is useful in assessing what types of companies are using the Article 3J program and more general information about business development and the use of incentives. In addition, this study examines the actual generation of tax credits and estimates potential fiscal impacts for the state. There are four parts to this study:

1. **Distribution of Tax Credits Across New and Expanding Businesses and Industries:** Study the distribution of tax incentives across new and expanding businesses and industries.

2. **Business Expansion and Recruitment Since 2005:** Examine data on economic recruitment for the period from 2005 through the most recent year for which data are available by county, by industry type, by size of investment, and by number of jobs, and other relevant information to determine the pattern of business locations and expansions before and after the enactment of this Article.

3. **Direct Costs and Benefits:** Measure the direct costs and benefits of the tax incentives.

4. **Use of Incentives by Other States:** Compile available information on the current use of incentives by other states and whether that use is increasing or declining.

Part One: Distribution of Tax Credits Across New and Expanding Businesses and Industries

The information in Part One provides insight on which types of industries are creating jobs and investment and applying for tax credits. The Department of Revenue requests information about each taxpayer's industry on a supplemental form but this information is often missing. In addition, these forms do not ask businesses to identify their qualifying activity as a new business or the expansion of an existing company. As a result of this lack of data, this study is unable to identify new companies as opposed to activity that is occurring at an existing North Carolina company.

In 2007, about 44 percent of the job tax credits were generated by companies that reported their North American Industry Classification System code (NAICS) on their tax form. Companies engaged in electrical equipment manufacturing and miscellaneous manufacturing generated the most job tax credits. Other prominent industries include professional services, machinery manufacturing, and furniture manufacturing.

Approximately 42 percent of the business investment tax credits were generated by companies with identified North American Industry Classification System codes (NAICS). Companies engaged in chemical manufacturing, transportation equipment manufacturing, and food manufacturing generated the most business credits. Other prominent industries include professional services, electrical equipment manufacturing, and primary metal manufacturing.

When considered together, most of the Article 3J tax credits were generated by businesses involved in chemical manufacturing, transportation equipment manufacturing, electrical equipment manufacturing, food manufacturing, and professional and technical services. Table Three presents the total value of tax credits for investment and job creation and the total value of credits generated by industry.

Table Three: Total Tax Credits Generated by Industry

NAICS Code	Industry	Total Investment Credit Value	Total Job Creation Credit Value	Total Tax Credits Generated
325	Chemical Manufacturing	$5,336,253	$256,250	$5,592,503
336	Transportation Equipment Manufacturing	$3,748,752	$0	$3,748,752
335	Electrical Equipment, Appliance, and Component Manufacturing	$658,387	$3,000,000	$3,658,387
311	Food Manufacturing	$1,161,838	$412,500	$1,574,338
541	Professional, Scientific, and Technical Services	$746,907	$789,750	$1,536,657
339	Misc. Manufacturing	$104,927	$1,125,000	$1,229,927
333	Machinery Manufacturing	$444,538	$756,250	$1,200,788
331	Primary Metal Manufacturing	$515,909	$187,500	$703,409
423	Wholesalers of Durable Goods	$329,054	$187,500	$516,554
326	Plastic and Rubber Product Manufacturing	$321,486	$30,000	$351,486
321	Wood Product Manufacturing	$209,394	$0	$209,394
493	Warehousing and Storage	$75,630	$75,000	$150,630
327	Nonmetallic Mineral Product Manufacturing	$19,674	$100,000	$119,674
315	Apparel Manufacturing	$72,828	$0	$72,828
323	Printing and Related Support Activities	$45,345	$0	$45,345
322	Paper Manufacturing	$41,816	$0	$41,816

Source: North Carolina Department of Revenue, 2009.

Part Two: Business Expansion and Recruitment Since 2005

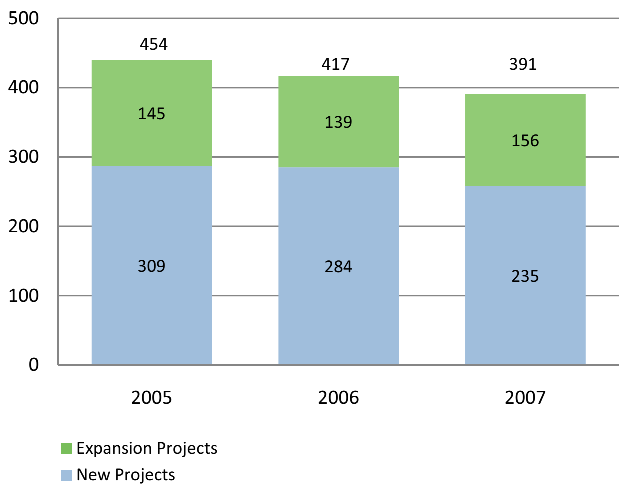
Part Two assesses the Department of Commerce's assigned and announced business expansion and recruitment activity for 2005-2007 by county, industry type, investment, and job creation both before and after the enactment of the Article 3J program. This economic development activity encompasses projects and companies that do not participate in the Article 3J program. Due to the short history of the program, it is challenging to make any substantive conclusions about Article 3J's impacts on the pattern of business expansions and new relocations to the state and whether or not this program will affect recruitment activities differently than the newly expired William S. Lee tax credit program.

The Department of Commerce measures business expansion and recruitment activity in two ways. First, the number of projects assigned to business developers in any given year is an indication of overall economic development activity. Businesses developers often work on individual projects for several years so the number of projects assigned annually is only a portion of their total activity. Second, announced projects are those businesses which decide to expand or relocate in North Carolina.

Assigned Business Development Projects

The total number of assigned business development projects declined between 2005 and 2007 from 454 assignments to 391. A project is designated as "new" if the business does not currently have any operations in the state. An "expansion" project is either a growth in workforce or investment at a company already existing in the state. Companies new to the State of North Carolina made up 68 percent of all projects assigned to developers in 2005 and 60 percent of all projects in 2007. This information is summarized in Graph One.

Graph One: North Carolina Assigned Business Projects by Type, 2005-2007



Source: North Carolina Department of Commerce, 2008

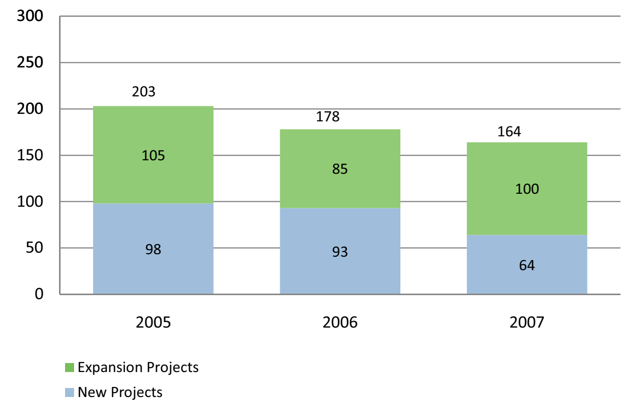
Manufacturing is consistently the industry sector with the most assigned business recruitment and expansion projects. Professional, scientific, and technical services, transportation and warehouse projects tend to create a significant number of new jobs. Investment is consistently high for projects in the professional, scientific, and technical services sector and in the information industry sector, generally due to the sophisticated technology requirements.

Business recruitment projects frequently consider several locations in the state and it would be redundant to report assigned projects, jobs, and investment figures geographically.

Announced Business Development Projects

In 2007, Department of Commerce announced 164 business projects. The majority of these announcements (60 percent) were for expansions of existing businesses while the other 40 percent consisted of new businesses recruited to the state. This represents a shift from 2005 when 50 percent of all projects were new companies. Graph Two depicts the number and type of Announced Business Projects.

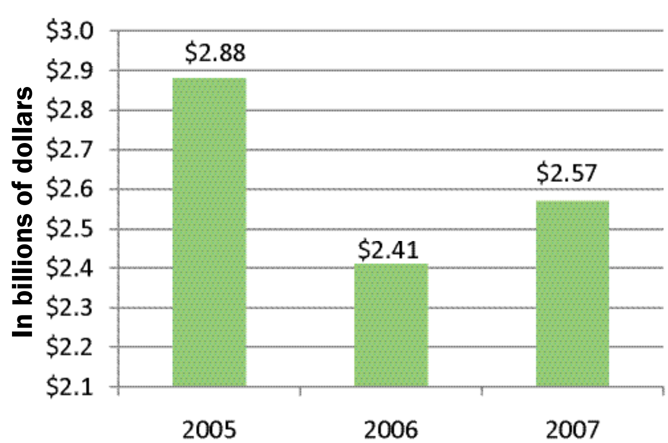
Graph Two: North Carolina Announced Business Projects by Type, 2005-2007



Source: North Carolina Department of Commerce, 2008

The announced business investment in 2007 totaled $2.57 billion (see Graph Three). This was lower than the $2.88 billion announced in 2005, but higher than in 2006 when investment was $2.41 billion. Again, expansion projects of existing companies were responsible for a majority (51 percent) of announced investment 2007. However, this represents a decline of eight percent from 2005.

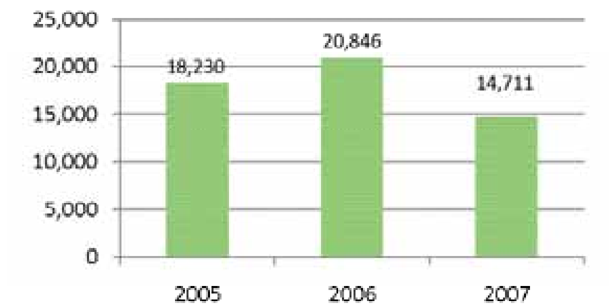
Graph Three: North Carolina Announced Business Investment by Year



Source: North Carolina Department of Commerce, 2008

Announced job creation in 2007 was lower than in either 2005 or 2006 (See Graph Four). Expansion projects of existing businesses accounted for 51 percent of all job creation, representing a six percent increase since 2005.

Graph Four: North Carolina Total Announced Job Creation by Year (In Thousands)

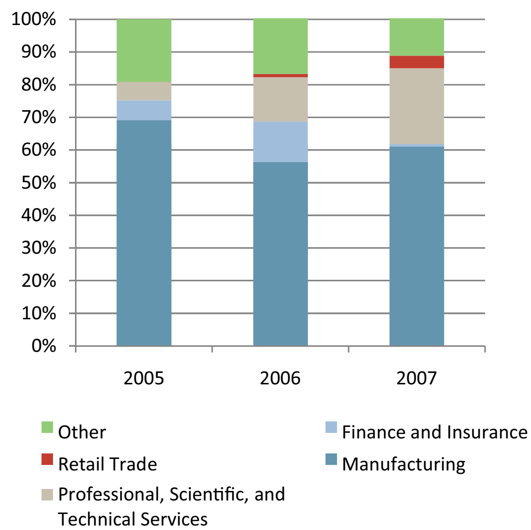


Source: North Carolina Department of Commerce, 2008

Announced Investment and Jobs by Industry

The manufacturing sector created the largest amount of announced investment (74 percent) and job creation (61 percent) in 2007. The percentage of investment by manufacturing companies has remained fairly constant since 2005, while job creation has declined by 8 percent during the same time period.

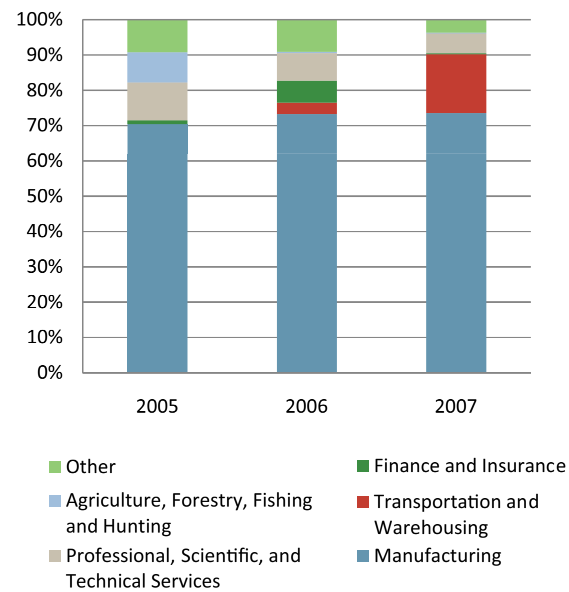
Graph Five: Announced Job Creation by Industry and Year



Source: North Carolina Department of Commerce, 2008

The leading industry sectors for announced job creation have consistently been manufacturing; professional, scientific, and technical services; finance and insurance; and retail trade. Graph Five illustrates the composition of job creation by industry.

Graph Six: Percent of Announced Investment by Sector and Year



Source: North Carolina Department of Commerce, 2008

As seen in Graph Six, leading industrial sectors for announced business investment are: manufacturing; professional, scientific, and technical services; transportation and warehousing; finance and insurance; and agriculture, forestry, fishing, and hunting.

The manufacturing sector was responsible for roughly 70 percent of announced investment from 2005 to 2007 while the other leading sectors have shifted in relative importance annually. The percentage of announced investment in other industries declined from ten percent in 2005 to four percent in 2007.

Announced Investment and Jobs by County

Appendix A contains a table which illustrates announced investment and job creation by county. The counties with the largest populations and workforces consistently had the largest amounts of announced business activity. In all, the Department of Commerce worked with companies that announced capital investment and job creation in 84 counties across the state between 2005 and 2007.

Part Three: Direct Costs and Benefits

Part Three measures the impact of the Article 3J Tax Credits for Growing Businesses program—both costs and benefits. This is not intended to be a comprehensive cost-benefit analysis because only direct costs and benefits are measured. A summary of the amount of credits generated by qualified activity is presented as well as the associated benefits of job creation and investment. A general discussion of future liability also is presented.

Summary of Credits and Benefits by Qualifying Activity

This section presents the costs of the Article 3J program—credits generated —and the direct benefits by qualifying activity—number of jobs and amount of investment. While the Article 3J program is not entirely responsible for these impacts, incentives are an important business recruitment and expansion tool. In 2007, Article 3J tax credits contributed to the creation of 3,448 jobs and $531 million in investment in real and business property. This activity generated $50.5 million in tax credits to eligible taxpayers.

Credit for Creating Jobs

Article 3J allows a taxpayer to receive tax credits for job creation. The amount of the credits is determined by two factors: the number of jobs created and the development tier designation of the county in which the job is created. For each job that is created in a Tier 1 county the amount of the credit is equal to $12,500. The credit is $5,000 in Tier 2 counties and $750 per job in Tier 3 counties. If the job is located in an Urban Progress (UP) Zone or an Agrarian Growth (AG) Zone, the amount of the credit is increased by $1,000 per job. In addition, if a job created in one of these zones is filled by a resident of that zone or a long-term unemployed worker, the amount of the credit is increased by an additional $2,000 per job.

In 2007, a total of 3,448 jobs were created by companies that applied for Article 3J tax credits. 954 jobs were created in Tier 1 counties including 23 jobs in Urban Progress or Agrarian Growth Zones (See Table 4). In Tier 2 counties, 599 jobs were created. Most of the job creation in 2007 occurred in Tier 3 counties—1,895 jobs including 195 jobs created in UP or AG Zones. Ten residents of the zone were employed by this job creation.

Table Four: Jobs Created and Credits Generated by Tier, 2007

Tier	Jobs Created in Counties	Jobs Created in Zones	Total Jobs Created	Credits Generated
1	931	23	954	$11,948,000
2	599	0	599	$2,995,000
3	1,700	195	1,895	$1,636,572
TOTAL	3,230	218	3,448	$16,579,572

Source: North Carolina Department of Revenue, 2009

Table Five compares Article 3J job creation performance per 10,000 residents in 2007. When adjusted for population, job creation in Tier 1 counties is higher than in other parts of the state.

Table Five: Job Creation by Population, 2007

Tier	Total Population, 2007	Job Creation	Jobs Created per 10,000 People
1	1,969,317	954	4.8
2	2,617,816	599	2.3
3	4,644,058	1,895	4.1
TOTAL	9,231,191	3,448	3.7

Source: North Carolina Department of Revenue, 2009

Credit for Investing in Business Property

A taxpayer is eligible for a business property tax credit if the taxpayer has purchased or leased business property and placed it in service in North Carolina during the taxable year and meets the applicable investment threshold based on the development tier designation of the county. If the business property is placed in service in an Urban Progress Zone or an Agrarian Growth Zone, the applicable threshold will equal that of a Tier 1 county (see Table 2 for thresholds).

For tax year 2007, the total investment in business property was $527 million. Of this, $130 million occurred in Tier 1 counties. In Tier 2 counties, investment equaled $97 million with $1.4 million of the total coming in UP and AG Zones. Tier 3 counties experienced $300 million in business property investment with $4.1 million occurring in UP and AG Zones.

The total value of business investment credits was $32.7 million (See Table Six). The largest dollar amount of credits generated, $16.6 million, occurred in Tier 1 counties. Total credit generated in Tier 2 counties was $4.8 million and in Tier 3 counties, $11.3 million.

Table Six: Investment in Business Property by Tier, 2007

Tier	Total Investment in County	Total Investment in Zone	Total Credit Generated
1	$129,785,722	$0	$16,582,426
2	$95,199,233	$1,396,866	$4,839,099
3	$296,171,723	$4,064,197	$11,286,354
Total	$521,156,678	$5,461,063	$32,707,879

Source: North Carolina Department of Revenue, 2009

Credits for Investing in Real Property
The Investment in Real Property tax credit is only available for large investments in Tier 1 counties. The taxpayer must purchase and use at least $10 million of real property in an eligible business within a three-year period and create at least 200 new jobs within two years of the time the property is first used. The tax credit is 30 percent of the total investment amount and is claimed over a seven-year period. In 2007, five projects qualified for the credit. Together more than $4 million was invested in Tier 1 counties which generated $1.2 million in tax credits.

Table Seven: Investment in Real Property, 2007

Tier	Total Investment	Total Credit Generated
1	$4,208,572	$1,262,572

Source: North Carolina Department of Revenue, 2009

State Liability for Future Tax Credits

Table Eight displays the claim installment schedule for tax credits generated in 2007. This table represents the potential program cost to North Carolina assuming that 70 percent of all generated credits are taken. Historical evident suggests that companies are unable to claim all the credits they generate. Since the Article 3J program allows companies to claim more of their accrued credit at one time, it is likely that the claim rate for this program will be higher than it was for the William S. Lee program. The cost of this program will change over time as further credits are generated and as the Department of Revenue conducts program audits.

It is challenging to estimate the future Article 3J program liability to the state because this is a new program and taxpayer behaviors related to it are not yet known. It will take time for taxpayers to become familiar with the program rules. This learning curve could mean that credits generated in the first years of the program would not represent ongoing levels. Taxpayers often generate more credits than they can use in the subsequent years due to varying economic circumstances, further complicating estimates. The amount of credits actually claimed by companies will depend on a wide range of factors including business profitability, business tax liability, business closings, auditing, and the expiration of apportioned credits over time. The state has not yet amassed sufficient data with respect to the generating and taking Article 3J credits to reliably predict the percentage of all credits that will be claimed.

When considering this issue, it is important to understand that companies are able to use the tax credits only in years for which they have enough positive income to generate a tax liability. The current recession and other events that weaken corporate profitability can be expected to reduce the amount of outstanding credits actually taken. However, if firms become particularly profitable in the future, they could claim nearly all of the tax credits generated through the Article 3J program.

Businesses claiming Article 3J credits may not offset more than 50 percent of their income and franchise tax liability in any given year. This ensures that the state is always receiving positive revenues from the businesses claiming credits that are at least equal to the value of their credits, if not greater. In addition, firms earning tax credits must maintain the jobs they created and/or continue to operate machinery and equipment they purchased or placed in service if they are to receive future installments of those credits. If downsizing occurs, credits are forfeited.

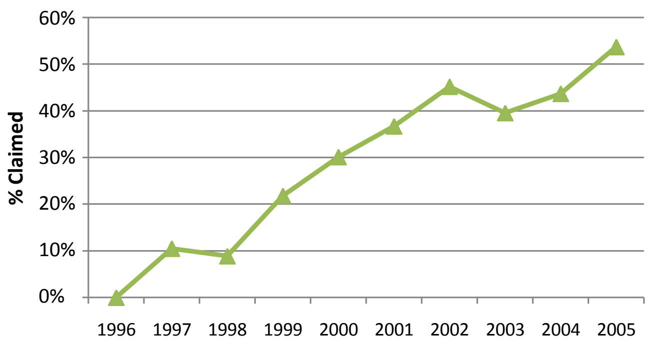
Table Eight: Potential State Liability for Credits Generated in 2007

Credit Type	2009	2010	2011	2012	2013	2014	2015
Real Property	$126,000	$126,000	$126,000	$126,000	$126,000	$126,000	$126,000
Business Property	$5,724,000	$5,724,000	$5,724,000	$5,724,000			
Jobs Creation	$2,902,000	$2,902,000	$2,902,000	$2,902,000			
Total	$8,752,000	$8,752,000	$8,752,000	$8,752,000	$126,000	$126,000	$126,000

Source: North Carolina Department of Commerce, 2009

The William S. Lee program, a precursor of the Article 3J program, may serve as a historical indicator of the difficultly in predicting the future liability to the state—or more precisely the amount of credits that will actually be claimed. The graph below illustrates the trend. From 1996, when the program began, to 2005, the highest percentage of credits claimed was 53.7 percent or $93.7 million. In the first three years 0, 10.5, and 8.9 percent of credits were claimed, respectively. Even after several years, the percentage of credits claimed varied.

Graph Seven: Percentage of William S. Lee Credits Claimed, 1996-2005



Source: North Carolina Department of Commerce, 2006

Part Four: Use of Incentives by Other States

Part Four of the Impact Study contains information about the use of incentives in other states and seeks to determine if the use of incentives as an economic development tool is growing or declining. This section compares North Carolina's three tax credits offered under the Article 3J program to those offered in our primary competitor states. The second part of this section offers some current information on the use of incentives in business development and whether their importance in relocation and expansion decisions is increasing or declining.

Incentive Programs Used in Southeastern States

This section describes the business incentive programs of other states considered to be North Carolina's primary competitors for attracting new companies, investment, and jobs. These states include all of the North Carolina's neighboring states (Tennessee, Virginia, South Carolina, and Georgia), as well as two additional southeastern states (Alabama and Florida).

Offering tax incentives to firms considering locating operations in a state, as well as firms with existing operations interested in expansion, has become a common practice of both state and local governments. This is done to attract large projects such as automobile assembly plants and high-technology firms and to retain existing businesses that have desirable attributes. Every state offers some type of incentives, but the incentives offered differ in many aspects. This section will review other state tax incentives that are comparable to the types of tax credits Article 3J provides to eligible taxpayers in North Carolina: 1) Credit for Job Creation, 2) Credit for Investment in Business Property, 3) Credit for Real Property Investment (Tier 1 counties only).

- **Credit for Job Creation** - Most southeastern states offer an incentive for job creation but the size, duration, and eligible industries vary. For example, Georgia provides a Job Tax Credit ranging from $750 to $4,000 per job. The credit lasts up to five years, and applies to certain industries such as manufacturing, telecommunications, and tourism. Florida's Qualified Target Industry Tax Incentive is available for companies that create high wage jobs in targeted high value-added industries. The Income Tax Capital Credit offered by Alabama is available to all types of business entities and is an annual credit available each year, for up to 20 years. Other state job creation credits include the Job Tax Credit (South Carolina), Major Business Facility Job Tax Credit (Virginia), and Job Tax Credit (Tennessee).[5]

- **Credit for Investment in Business Property-** Many states offer investment tax incentives for firms to expand and/or purchase equipment. These incentives differ in size and duration of the credit. Restrictions include the length of time the company needs to exist before receiving the incentive. Tennessee's Income Tax Capital Credit offers a tax incentive from $500,000 to $2 million, depending on the business locations and type of the investment. Florida provides a Capital Investment Tax Credit of up to five percent of the eligible capital investment by a qualifying project for up to 20 years. Georgia's Investment Tax Credits generally range from 1 percent to 8 percent of qualified capital investment. The exact credit depends on the tier designation of the county where the investment occurs. Alabama offers tax credits for established or expanding company headquarters. South Carolina and Virginia do not tax intangible property, manufacturers'

5 Tennessee's Job Tax Credit is offered under Franchise Tax and can be applied to both the franchise and excise tax.

inventory, manufacturers' furniture, fixtures, or corporate aircraft.

- **Credit for Investment in Real Property** - Several states provide incentives for business property investment, which, in some cases, is tied to the capital investment tax credits or offered under an enterprise zone (or county tier) program. The Real Property Improvement Tax Credit by the Virginia Enterprise Zone program equals an amount of up to 30 percent of qualified improvements with a maximum amount not to exceed $125,000. Georgia offers tax reduction on property tax to companies located within an enterprise zone. Similar to other incentives, property tax investment incentives are often industry and location specific and can be applied against business corporate tax or personal income taxes. Florida's Real Property Tax Credit allows new or expanded businesses a credit against Florida corporate income tax equal to 96 percent of ad valorem taxes paid on the new or improved property. South Carolina's property tax abatement programs are targeted at manufacturing and distribution firms. Tennessee's accelerated depreciations are part of its Property Tax Incentive.
- **Assisting Economically Distressed Areas** - Many states have multiple strategies for assisting economically distressed areas. States, such as Alabama, Virginia, and Florida, offer an assortment of tax incentives to businesses that choose to create employment within an enterprise zone, which is a specific geographic area targeted for economic revitalization. Georgia uses a county tier system to rank its counties based upon the level of economic distress to determine the size of its incentives.

Role of Incentives in the Economic Development Process

A 2007 Consultants Survey[6], conducted by *Area Development* magazine, pointed out that 48 percent of the respondents indicated that incentives have always been of great importance to their clients and 37 percent said that they are now more important than in the past. Nearly 40 percent of the responding consultants consider tax credits and exemptions to be among the most important incentives sought by their clients. Furthermore, in *Area Development's 22nd* annual Corporate Survey, state and local incentives were ranked as the eighth most important site selection factor among executives (see Table 9).[7] Though this ranking dropped from previous years, the importance of incentives is still evident.

Table Nine: *Area Development* Corporate Survey 2007 Combined Ratings* of Site Selection Factors

Ranking	Score
1. Highway accessibility	96.9
2. Labor costs	92.3
3. Energy availability and costs	89.0
4. Availability of skilled labor	88.7
5. Occupancy or construction costs	88.2
6. Available land	85.4
7. Corporate tax rate	83.8
8. State and local incentives	83.4
9. Environmental regulations	83.2
10. Tax Exemptions	82.8

Source: *Area Development* Corporate Survey, 2007
* All figures are percentages and are the total of "very important" and "important" ratings of the Area Development Corporate Survey and are rounded to the nearest tenth of a percent.

North Carolina has experienced the importance of incentives first hand. Spirit Aerospace cited in the *Site Selection* Magazine, "What really put us over the top in North Carolina, and in Kinston, was the economic development package".[8] The incentives package is one of Spirit's key decision factors in building a 500,000-sq.-ft. complex at the North Carolina Global TransPark near Kinston. Embraer, the third largest aircraft manufacturer in the world, recently selected Melbourne, Florida as its preferred site for a manufacturing and sales facility in part due to the incentive package offered by the state.[9]

Use of Incentive Increasing or Declining

To determine if use of incentive from other states is increasing or declining, one would have to compare states' incentive spending over the years. Despite the widespread use of state incentives, gathering complete and reliable data from other states on their incentive figures is challenging because such expenditure data is often not available or considered public information in every state. When incentive reports demonstrating overall economic development efforts in terms of investment

6 Area Development's 4th Annual Consultants Survey results can be found at http://www.areadevelopment.com/annualreports/dec07/pdf/consultantsSurvey.pdf

7 Ibid
8 From Site Selection magazine November 2008
http://www.siteselection.com/features/2008/nov/Aerospace/
9 Site Selection Magazine June 2008,
http://www.siteselection.com/portal/

and job creation are available to the public, such as the annual incentive reports published by Florida and Virginia, actual incentive dollar amounts are not revealed. North Carolina provides that information as a matter of public record, once a project has been announced.

Research based on media coverage and business journals indicates that use of incentives is widespread and that there are more incentives offered today than ever. North Carolina is certainly not alone in its use of the incentive programs, nor is its choice of programs unique. The existence of tax incentive programs in other states suggests such programs may be desirable for North Carolina in order to remain competitive in attracting business activities to the state.

In recent years, evidence suggests that states feel competitive pressure to offer incentives in order to attract investment. The southeastern states, in particular, have become more aggressive in their efforts to lure both big and small businesses. Tennessee, for example, recently announced that German automaker Volkswagen would receive an incentive package of $577.4 million to build a $1 billion plant in Chattanooga that will employ 2,000 people and create 9,477 related jobs. This incentive is apparently the "largest" offer to an automaker in the South and provides tax breaks over a 20-year period. Alabama had put together incentives worth more than $385 million for the same plant. In 2007, Mississippi awarded Toyota $294 million to locate a production facility in Blue Springs, and Kia received $400 million worth of incentives from Georgia in 2006 to build an assembly plant at West Point.

Manufacturers outside the auto industry are looking to the South as well. For example, ThyssenKrupp, the German steel maker and industrial group, is receiving more than $811 million from Alabama to build a new steel plant that is set to open in 2010 and employ as many as 2,700 workers. A Rolls-Royce aircraft engine plant is bringing a $500-million, 500-employee plant to Prince George County, Virginia. The state is expected to provide $10.7 million in incentives and the company could receive up to $35 million if the plant meets performance goals.

Many southeastern states and communities experience continuous economic success because of their aggressive and consistent use of incentives. For example, the 2007 Consultants Survey shows that 15 percent of the domestic projects planned by their clients will be located in the South (Alabama, Florida, Georgia, Louisiana, and Mississippi), and 13 percent will locate in the South Atlantic (North Carolina, South Carolina, Virginia, and West Virginia).

In this economic downturn, many states are using more incentives to encourage business expansion and job creation. At the same time, companies are more likely to pursue financial support from state and local governments to lower their operating costs. According to Thomas J. Stringer,[10] Director of Business Incentives Advisory, Duff & Phelps, LLC, "incentives are not only going to be driving cost reduction to help firms become more sustainable, but now will become revenue drivers for governments in helping to encourage more growth in the tax base. Success in this experiment may also be an indicator of even greater future use of newer incentives by governments to encourage economic development."[11]

10 Thomas J. Stringer is a director in the New York office of Duff & Phelps, LLC and is a member of the Business Incentives Advisory practice. He has over nine years of experience securing federal, state, and local incentives worth more than $300 million for small, middle market, and Fortune 1000 companies.

11 Area Development Site and Facility Planning, November 2008 http://www.areadevelopment.com/taxesIncentives/nov08/global-governments-business-incentives.shtml

APPENDIX A

Table Ten contains information on announced business investment and jobs by year and county. This information was provided by the Business and Industry Division of the Department of Commerce.

Table Ten: Announced Investment and Jobs by Year and County[12]

	2005		2006		2007	
County	Investment	Jobs	Investment	Jobs	Investment	Jobs
Alamance	$7,600,000	190	$9,700,000	159	$33,500,000	130
Alexander	$12,000,000	65	$0	0	$0	0
Alleghany	$0	46	$0	0	$0	0
Anson	$0	0	$0	0	$0	0
Ashe	$40,400,000	307	$0	0	$26,000,000	0
Avery	$0	0	$0	0	$0	0
Beaufort	$164,407,000	506	$5,500,000	65	$18,510,000	293
Bertie	$500,000	3	$0	0	$0	0
Bladen	$21,950,000	186	$81,300,000	251	$3,000,000	120
Brunswick	$78,550,000	135	$12,000,000	34	$52,300,000	883
Buncombe	$80,000,000	123	$30,000,000	264	$23,000,000	220
Burke	$113,400,000	761	$14,050,000	102	$19,300,000	61
Cabarrus	$200,000,000	0	$46,526,000	712	$2,150,000	50
Caldwell	$0	380	$23,100,000	287	$15,000,000	509
Camden	$0	0	$0	0	$6,600,000	60
Carteret	$13,000,000	60	$0	0	$0	0
Caswell	$0	0	$2,100,000	24	$500,000	50
Catawba	$52,700,000	728	$121,125,000	745	$0	0
Chatham	$25,500,000	65	$0	0	$1,000,000	14
Cherokee	$1,000,000	25	$0	0	$19,050,000	99
Chowan	$3,700,000	62	$0	0	$6,000,000	41
Clay	$1,000,000	10	$0	0	$250,000	15
Cleveland	$16,500,000	60	$71,240,000	956	$8,800,000	310
Columbus	$10,200,000	158	$32,700,000	230	$66,800,000	74
Craven	$24,000,000	123	$12,250,000	237	$5,000,000	50
Cumberland	$81,100,000	15	$3,900,000	30	$200,000,000	50
Currituck	$0	0	$0	0	$0	0
Dare	$0	0	$0	0	$0	0
Davidson	$12,500,000	80	$4,100,000	200	$32,700,000	788
Davie	$27,000,000	40	$10,500,000	143	$0	0
Duplin	$0	0	$0	0	$0	0
Durham	$197,500,000	1,003	$342,871,680	1,518	$102,928,548	932
Edgecombe	$0	0	$4,410,000	133	$7,000,000	100
Forsyth	$86,950,000	139	$26,306,000	171	$25,000,000	24
Franklin	$1,000,000	10	$5,500,000	0	$28,850,000	130
Gaston	$209,000,000	700	$0	0	$0	0
Gates	$0	0	$0	0	$0	0
Graham	$150,000	2	$0	0	$0	0
Granville	$18,000,000	180	$0	0	$50,000,000	0
Greene	$0	0	$0	0	$6,465,000	89
Guilford	$42,189,000	524	$117,100,000	1,165	$642,700,000	1,297
Halifax	$14,100,000	116	$1,686,000	81	$7,000,000	65
Harnett	$4,200,000	60	$0	0	$2,361,476	13
Haywood	$6,030,000	82	$0	0	$0	0
Henderson	$24,000,000	110	$5,000,000	50	$0	0
Hetford	$0	0	$0	0	$0	0

County	2005		2006		2007	
	Investment	Jobs	Investment	Jobs	Investment	Jobs
Hoke	$400,000	50	$20,700,000	67	$112,000,000	176
Hyde	$56,078,000	125	$0	0	$0	0
Iredell	$142,000,000	579	$8,500,000	150	$51,000,000	203
Jackson	$0	0	$0	0	$0	0
Johnston	$60,500,000	687	$7,600,000	118	$18,900,000	20
Jones	$0	0	$2,000,000	25	$400,000	50
Lee	$0	0	$28,000,000	484	$20,000,000	42
Lenoir	$45,400,000	363	$4,250,000	37	$31,750,000	340
Lincoln	$52,100,000	100	$20,000,000	181	$0	0
Macon	$0	0	$0	0	$3,000,000	50
Madison	$0	0	$0	0	$0	0
Martin	$0	0	$600,000	65	$4,000,000	100
Mc Dowell	$12,400,000	420	$1,200,000	25	$3,250,000	317
Mecklenburg	$100,662,000	1,730	$110,850,000	1,253	$8,500,000	849
Mitchell	$900,000	206	$0	0	$2,300,000	70
Montgomery	$42,300,000	77	$0	0	$0	0
Moore	$0	0	$11,662,000	240	$4,000,000	86
Nash	$39,070,000	1,612	$73,100,000	622	$16,825,000	155
New Hanover	$144,000,000	219	$136,000,000	857	$25,000,000	25
Northampton	$6,169,000	43	$21,500,000	288	$0	0
Onslow	$12,000,000	350	$0	600	$300,000	35
Orange	$6,780,000	120	$1,250,000	15	$2,640,000	25
Pamlico	$0	0	$0	0	$0	0
Pasquotank	$0	0	$0	0	$6,000,000	124
Pender	$4,800,000	55	$0	0	$5,000,000	55
Perquimans	$0	0	$0	0	$0	0
Person	$0	0	$7,850,000	130	$35,200,000	277
Pitt	$55,000,000	310	$90,320,000	215	$7,500,000	165
Polk	$0	0	$0	0	$820,000	28
Randolph	$78,410,591	460	$104,000,000	171	$0	0
Richmond	$5,000,000	67	$73,500,000	225	$45,000,000	212
Robeson	$41,100,000	840	$37,250,000	463	$21,200,000	205
Rockingham	$49,600,000	275	$35,800,000	267	$115,113,000	389
Rowan	$2,000,000	135	$31,000,000	752	$82,000,000	45
Rutherford	$8,900,000	97	$8,167,500	551	$27,155,000	254
Sampson	$1,650,000	30	$775,000	10	$4,200,000	130
Scotland	$23,125,000	58	$0	0	$0	0
Stanly	$0	0	$9,000,000	87	$0	0
Stokes	$0	0	$0	0	$71,000,000	65
Surry	$34,500,000	238	$5,200,000	146	$0	0
Swain	$0	0	$0	0	$0	0
Transylvania	$20,000,000	110	$0	0	$0	0
Tyrrell	$0	0	$0	0	$0	0
Union	$0	0	$41,760,000	451	$267,900,000	347
Vance	$9,300,000	220	$2,000,000	100	$1,750,000	18
Wake	$218,440,000	1,037	$473,900,000	3,628	$143,700,000	3,036
Warren	$0	0	$0	0	$0	0
Washington	$250,000	1	$0	0	$0	0
Watauga	$0	0	$0	0	$0	0

12. This information reflects only economic development projects in which the Department of Commerce participated. Other economic development agencies created additional employment and investment.

County	2005		2006		2007	
	Investment	Jobs	Investment	Jobs	Investment	Jobs
Wayne	$11,500,000	436	$6,200,000	182	$2,000,000	58
Wilkes	$1,500,000	42	$4,000,000	0	$0	0
Wilson	$6,300,000	84	$50,300,000	884	$5,300,000	123
Yadkin	$0	0	$0	0	$13,000,000	170
Yancey	$0	0	$0	0	$0	0
Totals	**$2,882,260,591**	**18,230**	**$2,411,199,180**	**20,846**	**$2,569,468,024**	**14,711**

APPENDIX B

Appendix B provides the economic development tier levels for North Carolina counties in 2007. These tier designations were calculated by the North Carolina Department of Commerce's Division of Policy, Research, and Strategic Planning.

North Carolina County Tier Designations, 2007

County	Tier	County	Tier	County	Tier
Alleghany	1	Alamance	2	Brunswick	3
Anson	1	Alexander	2	Buncombe	3
Beaufort	1	Ashe	2	Cabarrus	3
Bertie	1	Avery	2	Carteret	3
Bladen	1	Catawba	2	Chatham	3
Burke	1	Cherokee	2	Durham	3
Caldwell	1	Chowan	2	Forsyth	3
Camden	1	Craven	2	Franklin	3
Caswell	1	Currituck	2	Guilford	3
Clay	1	Dare	2	Haywood	3
Cleveland	1	Davidson	2	Henderson	3
Columbus	1	Davie	2	Iredell	3
Cumberland	1	Gaston	2	Johnston	3
Duplin	1	Granville	2	Lincoln	3
Edgecombe	1	Harnett	2	Mecklenburg	3
Gates	1	Hoke	2	Moore	3
Graham	1	Jackson	2	New Hanover	3
Greene	1	Lee	2	Orange	3
Halifax	1	Macon	2	Union	3
Hertford	1	Madison	2	Wake	3
Hyde	1	Nash	2		
Jones	1	Onslow	2		
Lenoir	1	Pamlico	2		
Martin	1	Pasquotank	2		
McDowell	1	Pender	2		
Mitchell	1	Perquimans	2		
Montgomery	1	Person	2		
Northampton	1	Pitt	2		
Richmond	1	Polk	2		
Robeson	1	Randolph	2		
Rockingham	1	Rowan	2		
Rutherford	1	Sampson	2		
Scotland	1	Stanly	2		
Surry	1	Stokes	2		
Tyrrell	1	Swain	2		
Vance	1	Transylvania	2		
Warren	1	Watauga	2		
Washington	1	Wilkes	2		
Wayne	1	Yadkin	2		
Wilson	1				
Yancey	1				

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