

**NORTH CAROLINA
CREDIT FOR CREATING JOBS**

Under the William S. Lee Quality Jobs and Business Expansion Act

CALENDAR YEAR _____

OR FOR FISCAL YEAR BEGINNING _____, ENDING _____

NAME:	EIN/SSN:
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This credit is effective for taxable years beginning on or after January 1, 1996, for jobs created on or after August 1, 1996, unless otherwise specified. The first installment of the credit is allowed in the first taxable year following the year of hire.

CERTIFICATION RECEIVED FROM THE SECRETARY OF COMMERCE MUST BE ATTACHED TO THIS FORM.

1. Did taxpayer meet the eligibility requirements of the North Carolina Department of Commerce? Yes No
2. Did taxpayer have five or more employees for at least 40 weeks during the taxable year? Yes No
3. Has taxpayer hired one or more additional full-time employees during the year to fill a position(s) in North Carolina? Yes No

If the answer to any of questions (1) through (3) above is "No", stop here. Taxpayer is not eligible for Credit for Creating Jobs.

4. Is the taxpayer claiming this credit under the provision relating to a "letter of commitment"? Yes No
5. Type of business in which the taxpayer is engaged and in which the jobs for which credit is claimed were created:
 - Manufacturing or Processing Effective for taxable years beginning on or after 1/1/96
 - Warehousing or Distribution Effective for taxable years beginning on or after 1/1/96
 - Data Processing Effective for taxable years beginning on or after 1/1/96
 - Air Courier Services Effective for taxable years beginning on or after 1/1/98
 - Central Administrative Office Effective for taxable years beginning on or after 1/1/97

TAX CREDIT COMPUTATION
(For Tier Designation, contact North Carolina Department of Commerce)

Tier	(a) # of Eligible Full-time Employees Hired During Current Taxable Year	(b) Credit Per Job	(c) (For lines 6 through 10, multi- ply column (a) by column (b))
6. Tier One		\$ 12,500	
7. Tier Two		\$ 4,000	
8. Tier Three		\$ 3,000	
9. Tier Four		\$ 1,000	
10. Tier Five		\$ 500	

11. Total current year credit before installments (Add lines 6 through 10)	11.	
12. Amount per installment (divide line 11 above by 4 installments)	12.	

The credit on line 12 will be allowed in the first taxable year following the year of hire and in each of the succeeding three taxable years.

If the current taxable year is the first year in which a Credit for Creating Jobs has been generated, stop here.

Computation of Tax Credit Allowable to Offset Current Year Tax Liability.

13. Annual Installments of credits from preceding year(s), net of expired credits	13.	
14. Carryover of unused credits from previous year(s)	14.	
15. Total Credit for Creating Jobs. (Add lines 13 and 14) Enter the total on the Tax Credit Summary Sheet (Form CD-478), Line 5.	15.	

Substantiation. To claim a credit allowed by this Article [Article 3A], the taxpayer must provide any information required by the Secretary of Revenue. Every taxpayer claiming a credit under this Article shall maintain and make available for inspection by the Secretary of Revenue any records the Secretary considers necessary to determine and verify the amount of the credit to which the taxpayer is entitled. The burden of proving eligibility for the credit and the amount of the credit shall rest upon the taxpayer, and no credit shall be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection. (G.S. 105-129.7)

General Instructions

Credit for Creating Jobs

(Effective for taxable years beginning January 1, 1996, for jobs created on or after August 1, 1996, unless otherwise noted.)

Eligibility

To be eligible for the credit, a taxpayer must:

- meet the eligibility requirements as recognized by the Department of Commerce; this includes meeting the wage standard, for the jobs for which the credit is claimed, as determined by the Department of Commerce at the time the taxpayer applies for the credit (G.S. 105-129.4(b)),
- have five or more employees for at least 40 weeks during the taxable year (G.S. 105-129.8)
- hire one or more additional full-time employees during the year to fill a position located in North Carolina. (G.S. 105-129.8)

Definition of Full-time Job

A full-time job is a position that requires at least 1,600 hours of work per year and is intended to be held by one employee during the entire year. (G.S. 105-129.2)

Type of Businesses

A taxpayer must engage in one of the following types of businesses and the jobs with respect to which a credit is claimed must be created in that business:

Effective taxable years beginning on or after Jan. 1, 1998

- central administrative office that creates at least 40 new jobs
- data processing
- manufacturing or processing
- warehousing or distribution
- air courier services

Effective taxable years beginning on or after Jan. 1, 1999

- central administrative office that creates at least 40 new jobs
- data processing
- manufacturing
- warehousing or wholesale trade
- air courier services

Computation of Credit

The amount of the credit is based on the enterprise tier of the area in which the position is located. Tier One through Tier Five credits per job are \$12,500, \$4,000, \$3,000, \$1,000, and \$500, respectively. **The credit is taken in equal amounts over the four year period following the taxable year in which the additional full-time employee(s) was hired.** If the number of full-time employees decreases below the number of full-time employees in the year of qualification for the credit, the credit expires and future installments may not be taken; however, credits accrued, and carried forward, may be taken. (G.S. 105-129.8) Tier designations are assigned each year on or before December 31 by the Secretary of Commerce. (G.S. 105-129.3)

Development Zones

A development zone is considered an enterprise tier one area. If a position is located in a development zone, the amount of the credit is increased by \$4,000 per job (G. S. 105-129.8). Development zones are in effect for taxable years beginning on or after January 1, 1999. (G. S. 105-129.3A)

Change in Ownership of a Business

This does not create new eligibility, but a successor business may take any installment or carried-over portion of a credit which would have been allowed to the predecessor business. (G.S. 105-129.4(e))

Movement of Jobs

Jobs transferred from one area in the State to another area are not considered new jobs. If a job qualifies for the credit in one tier, but is moved to another enterprise tier, or is moved from a development zone to an area that is not a development zone, the credit is recomputed as if the job had been created initially in the area to which it was moved. (G.S. 105-129.8)

Letter of Commitment

A taxpayer may sign a letter of commitment with the Department of Commerce for a planned expansion to create at least twenty new full-time jobs in a specific area within two years of the date the letter was signed. If the employees are hired in a different year than the year in which the agreement was signed, the credit is computed upon the enterprise tier and development zone designation on the date signed. If the area is redesignated to a higher-numbered enterprise tier, or loses its development zone designation, the credit is allowed based on the area's enterprise tier and development zone designation for the year the letter was signed. (G.S. 105-129.8)

Franchise or Income Election

A taxpayer must elect the tax against which a credit will be claimed when filing the return on which the first installment of the credit is claimed. The election is binding on the return on which the first installment is claimed as well as all carryforward years. Prior to the 1997 amendment to G.S. 105-129.5, the election had been required when the taxpayer *applied* for the credit. The amendment is **retroactive to taxable years beginning on or after January 1, 1996.** (G.S. 105-129.5)

Cap on Credit

Total of all credits under Article 3A may not exceed 50% of the tax against which they are claimed for the taxable year, reduced by the sum of all other credits allowed against that tax, except tax payments made by or on behalf of the taxpayer. Credits may be carried forward for five succeeding years. Effective for taxable years beginning on or after January 1, 1999, any unused portion of a credit with respect to a large investment (at least \$150,000,000) may be carried forward for twenty succeeding years. (G.S. 105-129.5)

Certification

To claim the credit, the taxpayer must provide with the tax return the certification of the Secretary of Commerce. (G.S. 105-129.6)