

**NORTH CAROLINA
CREDIT FOR WORKER TRAINING**

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, 1997, for expenses incurred on or after July 1, 1997, unless otherwise specified. This credit does not apply to expenditures that are paid or reimbursed by the New and Expanding Industry Program.

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 provide worker training for five or more employees during the taxable year? Yes No
3. Did the employees receiving the training fill full-time jobs for which the taxpayer is eligible to claim a tax credit for creating a new job(s) or fill full-time position(s) at the location of the machinery and equipment qualified for the 7 percent tax credit for investing in machinery and equipment? Yes No
4. Are the jobs for which the worker training is provided classified as other than exempt under the Fair Labor Standards Act? Yes No
5. Are the expenditures for training eligible for expenditure or reimbursement under the Department of Community Colleges' New and Expanding Industry Program as determined by guidelines adopted by the State Board of Community Colleges? (This requirement is effective for taxable years beginning before January 1, 1999.) Yes No

If the answer to any of questions (1) through (5) above is "No", stop here. Taxpayer is not eligible for Credit for Worker Training.

6. Type of business in which taxpayer is engaged and in which the training for which credit is claimed occurred:
- 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)

Employee Name	Tier (check box)					(a) Eligible Expenses	(b) Credit %	(c) Credit Per Employee (a) x (b)	(d) Limitation Per Each Employee Tier One Employee = \$1,000 Tiers Two - Five = \$500	(e) Lesser of (c) or (d)
	1	2	3	4	5					
							50%			
							50%			
							50%			
							50%			
							50%			

(For additional employees, attach sheet)		7.
7. Credit for Worker Training (total of column e)		
8. Carryover credit from previous year(s)		8.
9. Total Credit for Worker Training (Add lines 7 and 8) Enter the total on the Tax Credit Summary Sheet (Form CD-478), Line 8.		9.

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 Worker Training

(Effective for taxable years beginning on or after January 1, 1997 for expenses incurred on or after July 1, 1997)

A tax credit is allowed for providing worker training for five or more eligible employees during the taxable year. (G.S. 105-129.11)

Eligibility for taxable years beginning on or after January 1, 1997

- A taxpayer must meet the eligibility requirements as recognized by the Department of Commerce, which includes meeting the wage standard, for the jobs for which the credit is claimed, as determined by the Department of Commerce at the time taxpayer applies for the credit (G.S. 105-129.4(b) and 105-129.11(b)),
- The employee receiving the training must have filled a full-time job for which the taxpayer is eligible to claim a Credit for Creating Jobs or must be in a full-time position at the location of the machinery and equipment that qualified for the 7 percent tax Credit for Investing in Machinery and Equipment. (G.S. 105-129.4(c)), and
- The credit is allowed with respect to employees whose jobs are classified as nonexempt under the Fair Labor Standards Act and for expenditures for training that would be eligible for expenditure or reimbursement under the Department of Community Colleges' New and Expanding Industry Program, as determined by guidelines adopted by the State Board of Community Colleges. A taxpayer must apply to the Department of Community Colleges for certification. The credit is not allowed for expenditures that are paid or reimbursed by the New and Expanding Industry Program. (G.S. 105-129.4(c)).

Eligibility for taxable years beginning on or after January 1, 1999

The employee receiving the training must be in a full-time position classified as nonexempt under the Fair Labor Standards Act and meet one or more of the following conditions:

- (1) The employee occupies a job for which the taxpayer is eligible to claim an installment of the Credit for Creating Jobs.
- (2) The employee is being trained to operate machinery and equipment for which the taxpayer is eligible to claim an installment of the Credit for Investing in Machinery and Equipment.

Type of Businesses

A taxpayer must engage in one of the following types of businesses and the training for which a credit is claimed is carried out as part of 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 credit is equal to 50 percent of the eligible expenses for the training with certain limitations. If the position is located in a Tier One area, the credit cannot exceed \$ 1,000 per employee trained during the taxable year. The limit in any of the other four tiers is \$ 500 for each employee trained during the taxable year. The credit is allowable on the return for the year in which the expenses were incurred. (G.S. 105-129.11(a))

Effective for taxable years beginning on or after January 1, 1999:

The credit is equal to the wages paid to the eligible employees during the training. Wages paid to an employee performing his or her job while being trained are not eligible for the credit. (G. S. 105-129.11(a))

Development Zones

A development zone is considered an enterprise tier one area. Development zones are in effect for taxable years beginning on or after January 1, 1999.

Forfeit of Credit

If a taxpayer forfeits the credit for creating jobs or the credit for investing in machinery and equipment, then the credit for worker training must also be forfeited. (G.S. 105-129.4(d))

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))

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)