

**NORTH CAROLINA
CREDIT FOR INVESTING IN BUSINESS PROPERTY**

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 investing in tangible personal property on or after August 1, 1996, unless otherwise specified.

A taxpayer that claims the 7% Credit for Investing in Machinery and Equipment with respect to tangible personal property may not also claim this credit with respect to the same property.

1. Is the property for which the credit is being claimed tangible personal property that is used by the taxpayer in connection with a business or for the production of income? Yes No

2. Has the property for which the credit is being claimed been capitalized by the taxpayer for tax purposes under the Internal Revenue Code? Yes No

3. If the taxpayer is leasing business property and claiming the Credit for Investing in Business Property, has the taxpayer obtained the lessor's written certification that the lessor will not capitalize the property for tax purposes under the Internal Revenue Code, and that the lessor will not claim the credit for investing in business property? Yes No

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

4. Cost of business property purchased (or leased effective for taxable years beginning 1/1/97 or later) and placed in service in North Carolina during the taxable year. (Corporations and Subchapter S Corporations, enter this amount on page 1 of your Franchise and Income Tax Return. For taxpayers claiming this credit on quarterly franchise tax report forms CD-310, CD-311, or CD-318, enter this amount on page 1 of your Franchise Tax Return. Individuals, enter this amount on page 2 of Form D-400TC.)	4.	
5. Credit rate	5.	4.5%
6. Credit before limitation (line 4 multiplied by line 5)	6.	
7. Limitation	7.	4,500
8. Lesser of line 6 or line 7	8.	
9. Current installment (divide line 8 above by 5 installments)	9.	
10. Annual installments of credits from preceding year(s), net of expired credits	10.	
11. Carryover of unused credits from previous year(s)	11.	
12. Total Credit for Investing in Business Property (Add lines 9 through 11)	12.	
Enter the total on the Tax Credit Summary Sheet (Form CD-478), Line 13.		

Substantiation. To claim a credit allowed by this Article [Article 3B], 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 may be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection. (G.S. 105-129.18)

General Instructions

Credit for Investing in Business Property

(Effective for taxable years beginning January 1, 1996 or later, and applicable to property placed in service on or after August 1, 1996, unless otherwise noted.)

A tax credit is allowed for 4.5 percent of the cost (in accordance with section 1012 of the Internal Revenue Code and subject to the limitation on cost provided in section 179 of the Internal Revenue Code) of business property that a taxpayer has purchased (*effective for taxable years beginning January 1, 1997 or later, a taxpayer must purchase or lease business property*) and place it in service in North Carolina during the taxable year. The maximum credit is \$4,500. Effective for taxable years beginning on or after January 1, 1999, in the case of property the taxpayer leases from another, cost is value as determined pursuant to G. S. 105-130.4(j)(2)(G. S. 105-129.15(2)). **The credit is taken in five equal installments beginning with the taxable year in which the property is placed in service. (G.S. 105-129.16)**

Purchase or Lease

In taxable years beginning on or after January 1, 1996, but before January 1, 1997, taxpayers who *purchased* business property and put it into service on or after August 1, 1996 were allowed a credit, but taxpayers who *leased* such business property were not allowed a credit. The 1997 amendment to G.S. 105-129.9 provided that the credit previously allowed only to purchasers would also be allowed to lessees. (G.S. 105-129.16(a))

Business property leased under a capitalized lease will generally qualify for the credit, but business property leased under an operating lease generally will not qualify.

Business property is tangible personal property that is used by the taxpayer in connection with a business or for the production of income and is capitalized by the taxpayer for tax purposes under the Internal Revenue Code. Business property excludes luxury passenger automobiles (federal code section 4001) and watercraft used primarily for entertainment at no admission charge. (G.S. 105-129.15)

If business property is sold or moved out of North Carolina, (or for taxable years beginning on or after January 1, 1997, *business property disposed of, taken out of service, or moved out of North Carolina*), prior to the end of the five year period in which the credit is claimed, the credit expires and a taxpayer may not take any remaining installment of the credit except for the portion of an installment that accrued in a previous year and had been carried forward. (G.S. 105-129.16(b))

A taxpayer may not claim a tax credit under Article 3A and Article 3B for the same property. (G.S. 105-129.16(c))

The credit is not allowed for property expensed under Section 179 of the Internal Revenue Code.

Effective for taxable years beginning on or after January 1, 1997, a taxpayer that takes a tax credit under Article 3B for leased property must obtain written certification from the lessor that said lessor will not capitalize the property for federal tax purposes, nor claim an Article 3B tax credit for subject property. (G.S. 105-129.16(c))

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. Total of all credits under Article 3B cannot 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. (G.S. 105-129.17)