



Tax Incentives Update for NC's Growth Companies

Governor Signs Interactive Digital Media Bill -- Good News for Economic Development

NC Governor Perdue signed into law House Bill 1973, which includes a tax credit for the interactive digital media industry. This should provide a valuable tool in the recruitment of new companies, as well as assistance for existing companies with possible expansion plans.

“This was a result of a lot of hard work by a lot of dedicated, passionate people,” said Wayne Watkins, project manager for Wake County Economic Development.

The provision provides a 15 percent tax credit on qualified expenses. The credit can possibly be upped to 20 percent if the project utilizes academic resources at either a university under the University of North Carolina system or within the North Carolina Community College system.

The passage of these bills is important to economic development in the area because it shows that the local community and state are behind major efforts, Watkins said. Louisiana, Georgia, Florida, and Virginia have all enacted similar provisions within the last 18 months.

The Triangle is home to a dynamic cluster of digital media companies and should be well positioned for future growth now that this competitive tax credit has been adopted. The governor signed the bill Thursday afternoon after a private tour of the Epic Games facility. She had previously shown support for the industry by attending the second annual Triangle Gaming Conference in Raleigh in April.

For more information, visit www.raleigh-wake.org or www.raleighchamber.org.

Tax Incentives for Jobs and Investments

Following through on their pledges to take legislative action focused on job creation, legislators gave final approval during the last week of the short session to three economic incentives bills that offer tax breaks to a wide range of industries. As a result, internet data centers, film production companies, pulp mills and energy turbine manufacturers will receive tax breaks for investments and job creation in the state. The legislation was hotly debated, with proponents arguing that the tax breaks are needed to create jobs and opponents saying the legislature shouldn't influence “winners and losers” in the marketplace.

The bills that passed resulted in extending or expanding tax breaks for companies investing in “green” industrial parks, oyster shell recyclers, and film and television producers – at an estimated cost of \$240 million over the next five years.

Update: House Bill 1973 – Keep NC Competitive Act – Passes!

An NC-Chamber backed bill that included a number of critical economic development provisions passed the General Assembly before the end of the 2010 legislative session. Two key issues in the legislation (HB 1973) that the state Chamber supported were the extension of the Article 3 J tax credits and the need to clarify current law so that minor environmental violations do not inadvertently disqualify a taxpayer that would otherwise be eligible for tax incentives for job creation.

Congress Considers Federal Tax Credit for Angels

Angel investors would get a 25 percent credit for backing a business that's already qualified for a federal research and development grant program for small businesses.

Angel investors will get a federal tax cut for investing in government-funded technology start-ups under proposed legislation.

Five members of Congress – including [Jared Polis](#), the founder of [Proflowers.com](#) and [Bluemountain.com](#) and a first-term Democrat from [Colorado](#) – are proposing a new tax break that would provide a 25 percent credit for an equity investment in a company that has already qualified for a federal research and development grant program for small businesses.

Under the legislation, introduced July 15 by [Rep. Chris Van Hollen](#), a Maryland Democrat, the credit's value would be limited to half the size of the Small Business Innovation Research award. (The nearly 30-year-old [SBIR](#) spreads federal research largesse to small businesses, requiring federal departments and agencies that spend more than \$100 million in grants for outside research to set aside 2.5 percent of that for small businesses. Initial grants usually equal about \$100,000 to assess the feasibility of an idea and then, at the next stage, grants of \$750,000 are provided for research and development.)

The [bill](#), called the [Innovation Technologies Investment Incentive Act](#), is the latest in a string of local, state, and federal incentives to funnel private money toward technology ventures. It's modeled partly on Van Hollen's home state of [Maryland's biotech tax credit](#), which offers investors a tax break valued at 50 percent of the eligible investment. (The state says the credit has helped it leverage \$50 million in investment for biotech companies that are less than 12 years old and have fewer than 50 employees.) The proposed program will be capped at \$500 million nationally.

The other 3 members of Congress who joined Hollen and [Polis](#) in introducing the bill: Maryland [Rep. Dutch Ruppersberger](#), Pennsylvania Rep. [Allyson Schwartz](#), and [Minnesota Rep. Betty McCollum](#), all Democrats. The bill is pending in the House Ways & Means Committee.

How would the legislation help start-ups? "If I get an immediate tax credit, I get an immediate return. I know I would increase my investing if there was a tax credit," angel investor [Stephen Spinelli](#), co-founder of [Jiffy Lube](#), told [Inc.](#) earlier this year.

Don Rainey, a general partner with [Grotech Ventures](#), a venture capital firm based in [Vienna, Virginia](#), told the [Washington Business Journal](#) that linking the tax break to the SBIR award is a shrewd move.

"It takes all those federal dollars that will be spent anyway, and causes more private dollars to complement that investment," he said.

He added: "Start-ups tend to create more start-ups, particularly successful ones. People go into a start-up, see its success, learn what you need to do and they start companies."

By [Courtney Rubin](#)