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Still in Business: State and Local Governments Continue to Fund Company Expansion and Relocation



By Jon R. Jordan

Although it may seem counterintuitive given the current economic climate, in reality there may never be a better time to expand operations or relocate a business in North Carolina. Despite the economic woes of the past year, Site Selection magazine has just ranked North Carolina – for the 8th time in 9 years – as having America’s “Top Business Climate.” With rising unemployment, the Governor’s office and the North Carolina Department of Commerce are certain to look favorably on any relocation or expansion project with the potential for job creation. In its first year, Governor Perdue’s administration has routinely utilized a variety of economic incentive programs to encourage businesses to relocate to, or expand existing operations in, North Carolina. As Department of Commerce press releases [detail](#), these economic incentive programs can provide hundreds of thousands or even millions of dollars in tax credits and cash grants for facility upgrades, equipment purchases and other capital expenditures, thus making expansion or relocation a smart move.

Economic incentives are typically available at two levels in North Carolina: state incentives are awarded through the Commerce Department and the Governor’s office; local incentives are offered by towns, cities and counties. The three major state-level programs are the [Job Development Investment Grant \(JDIG\)](#) program, [One North Carolina Fund](#) grants and [Article 3J Tax Credits](#).

The JDIG and the One North Carolina Fund are discretionary grant programs tied to job creation and capital investment. The JDIG program provides annual grants equal to a percentage (between 10-75%) of withholding taxes paid by a business for employees in newly created positions. JDIG awards are typically reserved for projects involving substantial capital expenditures or creating hundreds of jobs. A One North Carolina Fund award consists of a cash grant and the grant amount must be matched by funds from a local government entity. The grant funds can be used for: (i) installation or purchase of equipment; (ii) structural repairs, improvements or renovations of existing buildings; and (iii) construction of or improvements to new or existing water, sewer, gas or

electric utility distribution lines, or equipment for existing buildings. For a company looking to relocate or expand, the One North Carolina program can provide valuable funds for capital improvements.

Eligibility for both the JDIG and the One North Carolina program requires that the Commerce Department determine both that the company is considering undertaking the proposed relocation or expansion project in another state or country and that the JDIG or One North Carolina award is necessary for the completion of the project in North Carolina. In order to assist the Commerce Department in making its determination, the company will be required to certify that it is considering other locations for the project and provide the Commerce Department with a summary of incentives offered in other potential locations. Thus, it is necessary for a business to have offers from other locales prior to making a final decision to move forward with a project in North Carolina. If offers have not been received from other states, the Commerce Department may determine that the project is not competitive with another location and therefore ineligible for incentives.

Article 3J Tax Credits are available for the creation of new jobs or substantial investments in real or personal property as part of an expansion or relocation. Article 3J Tax Credits may be used to offset up to 50% of a business's state income and franchise tax liability and unused credits may be carried forward for up to five years. The amount of credit for qualifying investments is based on the county in which the investments occur with emphasis and enhanced tax credits available for job creation and investment in North Carolina's least prosperous areas.

In addition to the major programs detailed above, North Carolina also offers a variety of other incentive programs targeted at addressing specific business needs. These programs include: (i) research and development tax credits; (ii) tax credits for businesses that ship products using North Carolina's ports; (iii) tax credits for companies purchasing and using renewable energy equipment; (iv) grants and tax credits for businesses engaged in the recycling business (including businesses producing marketable products from recovered materials); (v) loans and matching funds for biotechnology companies; (vi) tax credits for film and television production companies; (vii) sales and use tax refunds and exemptions and (viii) grants designed specifically for small businesses. The Department of Transportation also administers programs which provide funds for the expansion and improvement of road and rail access to new and expanded industrial facilities

Many local (city and county) governments also offer economic incentives to companies relocating or expanding in their jurisdictions. These incentives typically take the form of a tax rebate, with the rebate equaling a percentage of the taxes paid on the increase in the tax value of all real property, machinery and improvements above the base year prior to investment. In situations where a business is looking to upgrade or expand its facilities or equipment substantially, this tax rebate can provide a strong incentive to go forward with planned upgrades. In certain situations, local governments are also willing to assist businesses in obtaining improvements to rail lines, access spurs, access roads and utilities. For entities that are large consumers of water, many localities are also willing to offer special water and sewer rates. Local government grants and programs work in conjunction with various programs offered by state-level agencies.

In addition to these state and local incentives, there are numerous other public and private programs to assist relocation and expansion efforts. Duke Energy, Progress Energy and Piedmont Natural Gas offer special rates under certain circumstances to expanding or relocating businesses. North Carolina's Community College System is also well known for its worker retraining programs. The New & Expanding Industry Program offered by the North Carolina Community College System provides company-tailored free training support, including expense reimbursements to companies. Companies that (i) are units of a central administrative office or are engaged in

manufacturing, intensive technology, customer service or data processing, warehousing or distribution, or air courier service, and (ii) create 12 or more new production jobs are eligible to participate in the worker retraining program. In cases where the most effective training is available in-house, the program can offset the costs of instructor wages, train the trainer expenses, a percentage of training materials costs, and trainer travel expenses.

When properly utilized, the incentive programs outlined above can be a great source of funds for a business looking to take advantage of strategic opportunities, even in today's tough economic environment.

Robinson, Bradshaw & Hinson, P.A. is a corporate and commercial law firm with more than 125 attorneys. The firm has offices in Charlotte and Chapel Hill, North Carolina, and Rock Hill, South Carolina. For over forty years, the firm has consistently provided innovative solutions to its clients' business needs from both a legal and practical perspective. The firm serves as counsel to public and closely held corporations operating in domestic and foreign markets; limited liability companies; limited and general partnerships; individuals; municipal, county and state agencies; public utilities; health care institutions; financial institutions and tax-exempt organizations. For more information on Robinson, Bradshaw & Hinson, please visit our Web site at www.rbh.com.