



March 18, 2009

Dear Mr. Kraxberger,

On behalf our Cleveland County Economic Development Partnership, I must say that we are very excited about your data center project, and the possibility of it locating in Cleveland County! As you know from experience, we can promise that we will assist you with any relevant information that you need for this project. As you will recall, Cleveland County is a Tier I county, which allows us to offer your client some fairly substantial tax credits through the State of North Carolina. I would like to briefly offer some brief summaries of some other financial incentives that your client may qualify for should the project locate in Cleveland County. Please remember, once we have more detailed information about your client's investment projections, we can then give you more solid estimates on what you could expect to receive from the County and the State of North Carolina. Please take a look at the financial summaries that I have listed below:

CLEVELAND COUNTY TAX REBATE

1. Cleveland County Government is willing to offer a County Grant on the net new taxable investment of your project January 1 of each of the first five fiscal years of your company's operations in Cleveland County. The net Cleveland County Property Tax Assessment shall be multiplied by a percentage determined after your client confirms their investment projections. This will essentially be a reduction of Cleveland County General fund property tax rate for your company. *The financial review process with Cleveland County Government requires a formal application and a public review process that has worked successfully for our many Cleveland County new and expanding businesses.*

ARTICLE 3J TAX CREDITS

Article 3J Tax Credits offer several types of tax credits to eligible taxpayers that undertake qualifying initiatives. These credits may be used to offset up to 50% of the taxpayer's state income and/or franchise tax liability, and unused credits may be carried forward for up to five years (Also, please see 3J attachment that I have included in the email).

Article 3J offers credits for:

- **Creating jobs** – Companies who meet a minimum threshold of new fulltime jobs created during the taxable year may claim a credit.
 - **Investing in business property** – Companies can claim a credit based on a percentage of the cost of capitalized tangible personal property that is placed in service during the taxable year.
 - **Investment in real property** – Companies located in a Tier One County that invest at least \$10 million in real property within a three-year period and create at least 200 new jobs within two years are allowed a credit equal to 30% of the eligible investment.
- ❖ **For example:** Because we are a Tier I County and have the most competitive tax credits under 3J to offer your client, then with the projection of creating 25 new jobs your client would receive \$312,500.00 in tax

credits (taken over four years). Your client's investment in machinery and equipment would also result in a 7% tax credit.

1NC FUND

The One North Carolina Fund (formerly the Governor's Industrial Recruitment Competitiveness Fund) helps **recruit and expand quality jobs in high value-added, knowledge-driven industries**. It also provides financial assistance to those businesses or industries deemed vital to a healthy economy that are making significant efforts to expand in North Carolina. The fund currently consists of nonrecurring appropriations made by the N.C. General Assembly for companies seeking to undertake new expansion or locate new operations in the state. The fund is competitive and the location or expansion must be in competition with another location outside the state.

Program Requirements: Companies can receive money for:

- Installation or purchase of equipment.
- Structural repairs, improvements, or renovations of existing buildings to be used for expansion.
- Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment for existing buildings.

For a company to be considered:

- The company must agree to meet an average wage test .
- Local units of government (city or county) must agree to match financial assistance to the company.

CLEVELAND COMMUNITY COLLEGE CUSTOMIZED TRAINING

The dedicated effort of the Customized Training Program by Cleveland Community College provides programs and training services for job growth, productivity enhancement, and technology investment for new and existing business and industry. Much of this training may be provided to your client's company free of charge if they meet certain criteria. In order to receive assistance, eligible businesses and industries must demonstrate two or more of the following criteria:

- The business is making an appreciable capital investment;
- The business is deploying new technology;
- The business is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the State; and,
- The skills of the workers will be enhanced by the assistance.

We look forward to hearing from you very soon, and please do not hesitate to contact us should you need additional information.

Thank you again for your interest in Cleveland County!

Best regards,
Kristin Fletcher
Assistant Vice President of Economic Development
Cleveland County Chamber of Commerce
704.487.8521 ph 704.300.9818 cell
kristin@clevelandchamber.org

CREDITS FOR GROWING BUSINESSES (ARTICLE 3J CREDITS)

In July, 2006, the NC General Assembly passed legislation (House Bill 2170) that created a new tax credit program, Article 3J Credits. Article 3J provides three types of tax credits to eligible taxpayers that undertake qualifying activities in North Carolina: 1) Credit for Creating Jobs, 2) Credit for Investing in Business Property, and 3) Credit for Investment in Real Property (tier 1 only). These credits may be combined to offset up to 50% of the taxpayer's state income and franchise tax liability, and unused credits may be carried forward for up to five years (15-year carry-forwards apply to the Credit for Investing in Real Property and 20-year carry-forwards exist for taxpayers that invest at least \$150 million over a two-year period).

Article 3J Credits should not be confused with William S. Lee Credits. Although these tax credit programs are similar, they are not the same. Article 3J is not a revision to the Lee Act; it replaces the Lee Act. The distinction is subtle, but significant.

In general terms, Lee Credits are repealed for taxable years beginning on or after January 1, 2007 and Article 3J Credits take effect for taxable years beginning on or after January 1, 2007.

County Tier Designations (§143B-437.08)

The Department of Commerce annually ranks the state's 100 counties based on economic well-being and assigns a tier designation to each. The 40 most distressed counties are designated as tier 1, the next 40 are tier 2, and the 20 least distressed are tier 3. This tier system is incorporated into various state programs, including Article 3J Credits, to encourage economic activity in the less prosperous areas of the state.

Urban Progress Zones (UPZ) and Agrarian Growth Zones (AGZ)

Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones. Counties that do not have a municipality with a population of at least 10,000, have the ability to define qualifying areas of poverty as Agrarian Growth Zones. Projects located within these zones receive enhanced Article 3J Credits.

Eligibility (§105-129.83)

To qualify for Article 3J Credits, the following eligibility requirements must be met:

1. The primary activity at the business establishment must be an eligible type of business, which includes:
 aircraft maintenance and repair; air courier services hub; company headquarters that creates at least 75 new headquarters jobs; customer service call centers; electronic shopping and mail order houses; information technology and services; manufacturing; motorsports facility; motorsports racing team; research and development; warehousing; and wholesale trade.
2. The average wage of all full-time workers employed by the taxpayer at the establishment during the taxable year must meet or exceed the applicable wage standard of the county in which the establishment is located. Note: There is no wage standard for taxpayers located in a tier one county.
3. The taxpayer must offer qualifying health insurance for all full-time positions at the establishment and pay at least fifty percent (50%) of employee premiums.

4. The taxpayer must not have received any significant environmental violations with the North Carolina Department of Environment and Natural Resources within the prior five years.
5. The taxpayer must not have received any "willful" or "failure to abate" serious OSHA violations at the establishment within the prior three years.
6. The taxpayer may not have overdue taxes.

Credit for Creating Jobs (§105-129.87)

Eligible taxpayers that meet a minimum threshold of new full-time jobs created during the taxable year may claim a credit for each new job created. The credit is taken in equal installments over four years following the year the jobs are created. The job threshold and the credit amount per job are determined by the tier designation of the county in which the jobs are created.

	County Tier Designation			UPZ/AGZ
	1	2	3	
Job Threshold	5	10	15	5
Credit per Job	\$12,500	\$5,000	\$750	+\$1,000*

* If the job is filled by a resident of the zone or a long-term unemployed worker, add an additional \$2,000.

Credit for Investing in Business Property (§105-129.88)

Eligible taxpayers may claim a credit based on a percentage of the cost of capitalized tangible personal property that is placed in service during the taxable year, in excess of an applicable threshold. This credit is taken in equal installments over four years, beginning the year after the property is first placed in service. The credit percentage and threshold are based on the tier designation of the county where the property is placed in service.

	County Tier Designation			UPZ/AGZ
	1	2	3	
Threshold	\$0	\$1million	\$2million	\$0
Credit %	7%	5%	3.5%	7%

Credit for Investment in Real Property (§105-129.89)

Eligible taxpayers that invest at least \$10 million in real property within a three-year period and create at least 200 new jobs within two years at an establishment located in a tier 1 county are allowed a credit equal to 30% of the eligible real property investment. This credit is taken in equal installments over seven years, beginning the year after the property is used in an eligible business. To qualify for this credit, the taxpayer must obtain a written determination from the Department of Commerce.

This summary is not meant to be exhaustive. Taxpayers should review the Article 3J statutes prior to claiming credits. Taxpayers that are uncertain about their eligibility or ineligibility to claim credits after reviewing the Article 3J statutes should consult with the Department of Revenue. No application is required to claim Article 3J credits.

Site Development

