



HOUSE BILL 680: Reenact Qualified Business Venture Credit.

2021-2022 General Assembly

Committee:	House Commerce. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 22, 2021
Introduced by:	Reps. Strickland, Sauls, Saine, Kidwell	Prepared by:	Greg Roney Staff Attorney
Analysis of:	PCS to First Edition H680-CSTMf-14		

OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 680 reenacts a tax credit for qualified business investments equal to 25% of investment with a maximum of \$50,000 per individual and a statewide maximum of \$10 million per year. The credit is increased by 10% of the credit if the investment is a diversity business (i.e., headquartered in a designated qualified opportunity zone or headquartered in a development tier 1 or 2 area).*

CURRENT LAW: Former G.S. 105-163.011 allowed a tax credit for qualified business investments equal to 25% of the investment with a maximum of \$50,000 per individual and a statewide maximum of \$7.5 million per year. G.S. 105-163.015 sunset the tax credits for qualified business investments made on or after January 1, 2014.

Under former G.S. 105-163.011, a qualified business included a business venture, a qualified grantee business, or a qualified licensee business. A qualified business venture included a business that engages primarily in manufacturing, processing, warehousing, wholesaling, research and development, or a service-related industry.

BILL ANALYSIS: The PCS for House Bill 680 reenacts a tax credit for qualified business investments. The PCS maintains the former law's credit amount that was equal to 25% of investment with a maximum of \$50,000 per individual. However, the PCS increases the statewide maximum to \$10 million per year and increases the credit by 10% of the credit if the investment is a diversity business (i.e., headquartered in a designated qualified opportunity zone or headquartered in a development tier 1 or 2 area).

The following 3 types of investments are defined as qualified business:

1. Qualified business venture
 - a. Engages primarily in one or more of the following activities
 - i. Manufacturing, processing, warehousing, wholesaling, or research and development
 - ii. Service-related industries
 - iii. Commercialization of information technology including hardware and software, health care technology including medical devices and pharmaceuticals, biotechnology, consumer goods, energy technology, food technology, and agricultural technology
 - b. Gross revenues below \$5 million
 - c. Does not engage as a substantial part of its business in any of the following:

Jeffrey Hudson
Director



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- i. Providing a professional service
 - ii. Construction or contracting
 - iii. Selling or leasing at retail
 - iv. Purchase, sale, or development, or purchasing, selling, or holding for investment of indebtedness, financial instruments, securities, or real property
 - v. Providing personal grooming or cosmetics services
 - vi. Offering entertainment, amusement, recreation, or athletic or fitness activity
 - vii. Acquiring all or part of the stock or assets of existing businesses
 - viii. Real estate related business
2. Qualified grantee business that has received during the current year or prior 3 years funding from the Small Business Innovation Research Program administered by the US Small Business Administration or from a granting entity (i.e., certain tax-exempt corporations and universities).
3. Qualified licensee business that meets all of the following conditions:
 - a. Gross revenues below \$1 million
 - b. Certified by a research university as currently performing under a licensing agreement with the university for the purpose of commercializing technology developed at the university.

EFFECTIVE DATE: The PCS for House Bill 680 is effective for taxable years beginning on or after January 1, 2021, and the tax credit sunsets for investments made on or after January 1, 2025.