



# HOUSE BILL 680: Reenact Qualified Business Venture Credit.

2021-2022 General Assembly

<b>Committee:</b>	House Rules, Calendar, and Operations of the House	<b>Date:</b>	July 21, 2021
<b>Introduced by:</b>	Reps. Strickland, Sauls, Saine, Kidwell	<b>Prepared by:</b>	Greg Roney Staff Attorney
<b>Analysis of:</b>	Second Edition		

**OVERVIEW:** 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:** House Bill 680 reenacts a tax credit for qualified business investments. The bill maintains the former law's credit amount that was equal to 25% of investment with a maximum of \$50,000 per individual. However, the bill 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:
    - i. Providing a professional service

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- 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:** 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.