



NORTH CAROLINA TAXES



#1 Forbes

2017
BEST STATE FOR BUSINESS

Corporate Income Tax

#1 SITE SELECTION

2017 & 2018
TOP COMPETITIVE STATE
(PROSPERITY CUP)

3.0%
Reduced to 2.5% in 2019
Of the 44 states that levy a corporate income tax, North Carolina has the lowest rate.

#2 SITE SELECTION

2017
TOP U.S. BUSINESS CLIMATE

Singles Sales Factor Apportionment
North Carolina has single sales factor apportionment.

#4 EY

2017
LOWEST STATE & LOCAL TAX BURDEN

Property Tax

In 2017, North Carolina had the 7th lowest commercial and 9th lowest industrial effective property tax rates in the United States. Real and personal property are only taxed by the local government, with a single property tax assessment in each county. The value determined by the county assessor constitutes the based for all levies, including those of cities and towns for property located within the municipality. Property is assessed at 100% of its appraised value.

North Carolina offers a number of property tax exemptions, including:

- Inventories are exempt from property taxes.
- Recycling equipment and facilities used exclusively for recycling and resource recovery are exempt from property taxes.

Sales and Use Tax

6.75 - 7.5% (State: 4.75%; County: 2 - 2.75%)

North Carolina offers a number of sales and use tax exemptions, for example:

Manufacturing

- Manufacturing machinery and equipment used for manufacturing.
- Fuel, piped natural gas and electricity used for manufacturing.
- Raw materials used for manufacturing.

Large Fulfillment Facility

- Large fulfillment facility equipment (Invests more than \$100 million and creates 400 jobs).

Data Centers

- Electricity and support equipment at a 'Qualifying Data Center'
- Computer software at any data center.

Other Exemptions

- Pollution control and abatement equipment.
- Equipment for Research and Development in the Physical, Engineering, and Life Sciences companies (NAICS 54171) and Software Publishers (NAICS 5112).

Franchise Tax

\$1.50 per \$1,000 of the largest base, either:

- Net worth apportioned to North Carolina;
- 55% of appraised value of property in the state subject to local taxation; or
- Book value of real and tangible personal property in the state less accumulated depreciation for tax purposes.

For an S Corporation, the tax rate is \$200 for the first \$1 million dollars of the corporation's tax base and \$1.50 per \$1,000 of the largest tax base that exceeds \$1 million.

Personal Income Tax

5.499%
Reduced to 5.25% in 2019
Flat Rate

Standard Deduction

The standard deduction is \$17,500 (\$20,000 in 2019) for married couples, \$14,000 (\$15,000 in 2019) for head of households, and \$8,750 (\$10,000 in 2019) for single taxpayers and those married filing separately.

Unemployment Insurance (UI)

1.0% (first 2 years) - New Employer Tax Rate
0.060% - Minimum Tax Rate
5.76% - Maximum Tax Rate
\$23,500 - Taxable Wage Base (per employee)





NORTH CAROLINA INCENTIVES



Targeted, performance-based incentive programs complement North Carolina's competitive cost structure. Until 2013, North Carolina had a suite of tax credits (Article 3J) for economic development purposes. In exchange for a substantial reduction in corporate income tax rates and other business friendly tax reforms, those credits were eliminated. Since the credits were eliminated, the corporate income tax rate has dropped from 6.9% to 3.0%. The personal income tax rate has also reduced from a top rate of 7.75% to a flat rate of 5.499% beginning in 2017.

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

JOB DEVELOPMENT INVESTMENT GRANT (JDIG)

JDIG is a performance-based, discretionary incentive program that provides cash grants to new and expanding businesses to help offset the cost of locating or expanding a business facility in North Carolina. Companies can qualify for a JDIG based on the project location, number of jobs, and average wage. The grant amount is based on a percentage of the personal income tax withholdings associated with the new jobs. Grant funds are disbursed annually, for up to 12 years, to approved companies following the satisfaction of performance criteria set out in grant agreements. The project must be competitive with locations outside North Carolina and remain competitive until the grant is formally awarded. A company can use JDIG funds for any purpose.

ONE NORTH CAROLINA FUND (ONE NC)

The One North Carolina Fund (OneNC) is a discretionary cash-grant program that allows the Governor to respond quickly to competitive job-creation projects. One NC requires a local match. Awards are based on the number of jobs created, investment level, project location, and economic impact of the project. The project must be competitive with locations outside North Carolina and remain competitive until the grant is formally awarded. Awards may be used for improvements such as installation or purchase of equipment, structural repairs and renovations, and construction or improvements to utility lines and associated equipment.

PUBLIC INFRASTRUCTURE AND TRANSPORTATION PROGRAMS

North Carolina offers a number of different programs to fund public infrastructure development, including the Community Development Block Grant Economic Development Program, Utility Account, Rural Division's Economic Infrastructure Program, NCDOT's Rail Industrial Access Program, North Carolina Railroad Company's NCRRI Invests program, and the NC Department of Commerce's Joint Economic Development Program with the NCDOT.

BUILDING REUSE PROGRAMS

North Carolina offers two different programs to provide grants to renovate and upfit vacant industrial and commercial buildings, including the Community Development Block Grant Building Reuse Program and the Rural Division's Building Reuse Program.

WORKFORCE DEVELOPMENT AND TRAINING PROGRAMS

No state has more experience in providing customized training. NC pioneered the nation's first customized training program in 1958, and since has provided customized training for thousands of companies in almost every industrial category. The Customized Training Program provides customized training assistance in support of full-time production and direct customer service positions. Resources provided may support training assessment, instructional design, instructional costs, and training delivery for personnel involved. North Carolina will also assist with recruiting, screening, and testing services.

Other Incentive Programs

- Golden LEAF Foundation
- N.C. Biotechnology Center Economic Development Award
- Recycling Business Development Grants
- Building Demolition Programs
- Foreign Trade Zones

NCEast Contact:

VANN ROGERSON, Senior VP
Email: rogerson@nceast.org
Ph: 252.916.2562

