

March 2010

Industry Alexander

A publication of the Alexander County Economic Development Corporation



New county tier level will benefit industries who expand in 2010

The North Carolina Department of Commerce has announced the county tier designations for 2010. The designations, which are mandated by state law, determine a variety of state funding opportunities to assist in economic development.

“Our goal is to encourage economic development statewide so all of our residents can find sustainable, well-paying jobs regardless of their location,” NC Commerce Secretary Crisco said. “The tier designations provide strong tools to help make our less prosperous counties more attractive to businesses looking to relocate or expand.”

Using a statutory formula outlined in the 2006 Tax Credits for Growing Businesses (more commonly referred to as Article 3J tax credits), the Department of Commerce assembles required statistics for each of North Carolina’s 100 counties, applies the formula and assigns a tier designation ranking from one to three. Tier 1 counties are the most economically distressed and Tier 3 counties are the least. Eligible businesses that locate in lower-tiered counties are eligible for some grant programs and larger tax credits than those that locate in higher-ranked areas.

Nine counties will change tier designations for 2010. Cumberland, Onslow, Pender and Wilson each moved up to a higher tier, while Alexander, Craven, Haywood, Lincoln and McDowell each moved down one tier to a lower ranking for the coming year.

The law calls for the 40 most distressed counties to become Tier 1 counties, the middle 40 counties

to be designated as Tier 2 and the 20 most prosperous counties to become Tier 3 counties. In the rankings for the coming year, there was a tie for the 80th spot resulting in 41 Tier 2 counties and 19 in Tier 3.

The rankings are based on an assessment of each county’s unemployment rate, median household income, population growth and assessed property value per capita. In addition, any county with a population of less than 12,000 or a county with a population of fewer than 50,000 residents with 19 percent or more of those people living below the federal poverty level automatically are designated as among the most distressed counties.

Tier designations determine the available amount of tax credits for job creation and business property investment in a list of eligible industries. They include manufacturing, motorsports, aircraft maintenance and repair, air courier services, warehousing, customer service call centers, research and development, electronic shopping and mail order houses, wholesale trade and information technology.

All eligible companies are required to offer employees health insurance and pay at least 50 percent of the premiums, cannot owe back taxes and cannot have received a significant environmental violation notice from the state Department of Environment and Natural Resources. In Tier 2 and Tier 3 counties, companies also must meet a wage test.

Potential benefits to companies under Alexander County’s



new tier designation include a \$12,500 tax credit per new job with a requirement to create at least five jobs, and a seven percent tax credit for eligible business property expenditures.

For more information about the Article 3J Tax Credits see the summary sheet located on

page three of this newsletter, contact the North Carolina Department of Commerce at 919-733-4151, or the North Carolina Department of Revenue - Corporate Tax Division at 919-733-8510 or visit their website www.dor.state.nc.us/taxes/corporate.

Website will assist local businesses

Economic Development Corporations in the Unifour area are currently collaborating and pursuing funding to develop a new online tool that will assist local businesses spread the word on their products and services. SupplierNet will be an online system developed to assist the region’s manufacturers market their productive capabilities at the regional, state and national/international levels.

SupplierNet would allow anyone to search for potential suppliers, distributors and customers located in our four county region including Alexander, Caldwell, Catawba and Burke counties; it is intended to increase the region’s business to business opportunities, as no such system currently exists. A similar statewide system in Pennsylvania has resulted in millions of dollars of new busi-

ness opportunities since its inception in 1995.

Area companies would register with SupplierNet, provide specific information about their company and their multitude of capabilities, creating an individual profile which could link companies regionally, as well as at the state and beyond.

A grant request to the NC Rural Economic Development Center has been recently submitted for the development and implementation of the program. If funded, developers will seek input and suggestions from the business community in the coming months; we want SupplierNet to be a valuable and worthwhile tool for the business community.

In the meantime, we will keep you updated on its progress and if you have any questions or suggestions please let us know.

Slow Economic Growth Predicted

The economy took center stage at the 49th annual City and County Management seminar which was held in February. N.C. State economics professor Michael Walden was one of the featured speakers at the event. Walden stated that the state's economy appears to have bottomed out and should now begin a slow recovery from the recession. Walden added that employment should start picking up soon, but the state "will be lucky" to add 40,000 jobs in 2010.

"The recovery of a consumer-driven economy is likely to be slow-paced because families will

devote more of their money over the next couple years to paying down the debts they incurred while they could borrow against rising home values" Walden said. "Most forecasts suggest the recovery nationally will take three to four years".

Walden nonetheless voiced optimism, predicting this state's economy would grow faster than the national average as demand for manufactured goods returns.

Our area's MSA continues to have the highest unemployment rate in the state at 14.8%. Alexander County's unemployment rate dropped for December and ended 2009 at 13.5%.

Welcome back

The Alexander County EDC would like to welcome industry leader Del Starnes back to the local manufacturing community. Del returned to resume his work as President and Chief Operating Officer of Taylor King in February.

"Definitely one reason I'm back is because of the great product line and the rock solid team that is in place here at Taylor King" Starnes said.

Del is a past member of the EDC Board of Directors where he served for several years. "His dedication to the manufacturing community was quite evident during his EDC Board term" said EDC Director David Icenhour. "We are fortunate to have him back in the local community." Welcome back, Del!



Links of Interest

Military Business Center
www.ncmbc.us

Small Business & Technology Development Center
www.sbtcdc.org

NC Office of Economic Recovery & Investment
www.ncrecover.gov

Business Link North Carolina
www.blnc.com

NC Small Business Center
www.sbcn.nc.gov

NC Department of Commerce
www.nccommerce.com

Alexander County Government
www.alexandercountync.gov

Assistance in Government Contracts

The NC Procurement Technical Assistance Center (PTAC) is available to help businesses obtain contracts by providing comprehensive assistance in selling products and services to local, state and federal government entities. The purpose of the PTAC is to generate employment and to improve the general economic condition of the state by assisting all North Carolina companies including those eligible for preferential consideration in obtaining and performing under local, state and federal government contracts.

The PTAC can assist your business by providing no-fee procurement technical assistance and confidential counseling on selling your products and/or services to the appropriate government agency.

PTAC counselors can provide assistance by: identifying prefer-

ence eligibility and assist in completing applicable certifications, researching contract award histories, help you understand solicitation requirements and terminology, locating specifications and standards, reviewing bids and proposals, assistance in completing mandatory/beneficial registrations, explaining how the government uses electronic transactions, searching government databases to identify opportunities, and providing "up to the minute" information on government procurement processes and procedures.

The PTAC serving Alexander County is located in the Small Business Technology Development Center's office at the Appalachian State University Center in Hickory. You can contact them at 828-345-1110 or visit their website at www.sbtcdc.org/services/gov_procurement.asp.

Local industries take awards at Chamber of Commerce Banquet

Local existing industries took the top business honors at the Alexander County Chamber of Commerce's Annual Banquet held in February. The 2010 Large Business of the Year award went to Shurtape Technologies. The company has been producing duct tape at their Stony Point facility since 1981 and is a vital employer to the local community. You can find their tapes in plants, offices, homes and worksites, and at such familiar retail stores as Ace Hardware, Lowe's, Office Max, Sears, Staples, Wal-Mart, and many more.

In June of 2009, Shurtape Technologies acquired the Duck, Painter's Mate Green and Easy Liner brands in the U.S. and Canada from Henkel Corporation. Shurtape has been a long-time supplier to Henkel, which is based in Dusseldorf, Germany and operates in Home Care, Personal Care and Adhesives Technologies businesses. The brands acquired by Shurtape are the "do-it-yourself" line of tapes, office and houseware products, including Duck brand duct tape and stationery, mailing and shipping, and the kitchen and

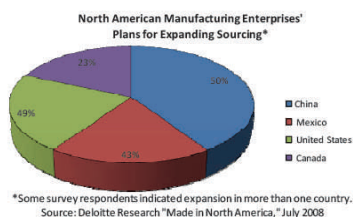
bath product lines. Small Business of the Year honors went to Piedmont Fiberglass. As one of the nation's premiere manufacturers of fiberglass products, Piedmont Fiberglass, Inc. makes products such as church steeples, baptismal pools, waterslides, cupolas, truck platforms, equipment for the cable industry, and various parts for the boating industry. Piedmont Fiberglass has clients in all 50 States and in six countries worldwide.

The company relocated to Alexander County from Mooresville in 2008. Since that time, Piedmont Fiberglass has been extremely active in the local community. Company owners have served on several Board of Directors locally including the Alexander County Economic Development Corporation and the Alexander County Chamber of Commerce.

Please join us in congratulating these industries on their recognitions. Local existing industries continue to be the backbone of the local economy and we applaud the efforts that all of you take to make Alexander County a great place to live and work.

Increasing Optimism for Manufacturing

Due to changes in the global economy and concerns over intellectual property, manufacturers are, again, viewing the US as a good place to grow. An article in *Area Development Online* notes, this is due to "the increasing costs of doing business halfway around the world. The realities behind those higher costs include the extremely long supply chain and inventory pipeline, and the problem of intellectual property theft, an ongoing problem in China that drives some companies back to the United States." If you would like to read the article and view information about advanced manufacturing in our region, go to www.MindsThatManufacture.com.



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 business activities that occur on or after January 1, 2007 and Article 3J Credits take effect for taxable years beginning on or after January 1, 2007. However, taxpayers will have the option, after signing a letter of commitment with the NC Department of Commerce, to utilize Lee Act Credits in place of Article 3J Credits for qualifying activity that takes place at a specific site in 2007. If the taxpayer intends to claim Lee Credits for 2007 activity at more than one site, it must sign a separate letter of commitment for each site. Taxpayers should carefully review and understand the differences between Lee Credits and Article 3J Credits before electing to claim Lee Act Credits for 2007 activity

Letters of commitment must be submitted to the Department of Commerce prior to 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.
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.