

N.C. Senate bill would likely steer incentives for corporate headquarters projects to Raleigh and Charlotte

By Richard Craver Winston-Salem Journal – November 27, 2018



Members of the N.C. House. THE ASSOCIATED PRESS/

A Republican-sponsored bill, introduced Tuesday, aims to make North Carolina more attractive for recruiting corporate headquarters, particularly to Charlotte and the Triangle.

Senate Bill 820 will increase the amount of incentives per job created from up to \$6,500 to up to \$16,000 through the Job Development Investment Grant program. The bill would work by raising the per-employee tax withholdings cap by those amounts.

Bill sponsors are Sens. Jerry Tillman, R-Randolph, Paul Newton, R-Cabarrus, and John Alexander, R-Wake. All three won re-election in the general election.

The incentives are being aimed at corporations with high-earning employees, defined as \$150,000 or more.

“This is for the big boys with deep pockets out there looking,” Tillman said.

The Senate Finance committee recommended the bill in a bipartisan vote to the full Senate.

The bill comes shortly after Raleigh, and Charlotte and Triad before it, failed to lure one of what proved to be two new 25,000-job corporate headquarters locations for Amazon.

The higher cap excludes “transformative” economic development projects. The 2018-19 state budget included lowering the qualifying criteria for such a project from \$4 billion in capital investment and 5,000 new jobs to \$1 billion and 3,000 new jobs.

Newton said state Commerce officials have indicated the failure to raise the cap since 2012 has cost North Carolina opportunities at corporate headquarters projects.

Bob Leak Jr., president of Winston-Salem Business Inc., said raising the cap “will make us more competitive for high-value job opportunities.”

The project that North Carolina had the most realistic chance at winning came in 2015 when Mercedes Benz announced it was moving its U.S. headquarters out of New Jersey. Georgia offered \$23.3 million in cost savings to coax 800 jobs paying an average of \$78,000 to suburban Atlanta.

Other corporate headquarters moves that North Carolina sought include: AllianceBernstein from Manhattan to Nashville, Tenn.; Core Construction (second largest construction firm in school-building sector) from Phoenix to Dallas; Edible Arrangements from Wallingford, Conn., to Atlanta; Norfolk Southern from Norfolk, Va., to Atlanta; and General Electric from Fairfield, Conn., to Boston.

Tillman said the state has at least one corporate headquarters in play. “There won’t be that many corporations (to apply), but for those that do, it could represent several thousands of jobs overall,” Tillman said.

Some committee members said they would want the bill to require corporations to make a commitment to hiring North Carolinians for some of the high-paying jobs rather than bringing all of those employees with the move.

Sen. Joyce Krawiec, R-Forsyth, said the bill represents “an exciting opportunity for North Carolina and I endorse this legislation wholeheartedly.”

Rep. Evelyn Terry, D-Forsyth, said that “any economic incentives to create jobs paying a living wage must be measured by their impact on return on investment to enhance North Carolina’s overall economic health.”

Analysts and advocates say SB820 could be a signal that legislators recognize the state must continue to be competitive with neighboring states with incentives even as they have touted the benefits from cutting the corporate and individual income taxes in recent years.

The state corporate tax rate is slated to go from 3 percent to 2.5 percent in 2019. A N.C. Justice Center report, titled “Corporations over Carolinians?” and released in May, determined that corporate tax rate cuts “have failed to create pathways out of poverty or generate enough jobs that pay a living wage.”

The report’s findings fall in line with the “two Carolinas” economic theory, whether urban vs. rural, or more recently Charlotte and the Triangle vs. the rest of the state.

GOP legislative leaders have been gleeful in crediting the state corporate tax rate cuts for spurring economic growth, contributing to an 18-year low in the state jobless rate, as well as the state’s lofty, if not top, rankings in several national business climate and economic prosperity studies.

However, many economists say much of North Carolina’s recovery has come from piggybacking on the U.S. recovery. “At first glance, this bill is going to triple the cost to the state of each project and probably reduce the total number of projects we offer in a year,” said Allen Freyer, director of the left-leaning N.C. Justice Center’s Workers Rights project.

“I am also concerned that fewer, more expensive projects will squeeze out incentives to the rural counties since those projects tend to be bigger.”

Mitch Kokai, policy analyst with Libertarian think tank John Locke Foundation, said the bill co-sponsors “seem to believe that North Carolina hasn’t been paying these companies enough money to get the types of jobs politicians want to see.” “The best incentives are those that create a better economic playing field for every business: big or small, new or old.”

John H. Boyd, a national site-selection analyst based in Princeton, N.J., said the bill could make North Carolina, including the Triad, more competitive considering corporate headquarters “are more mobile and more in play than ever before.”

“The rather significant increase is also indicative of the kinds of high-paying, high-skill jobs in information technology, pharma, finance, biotech and other high-tech, white-collar sectors that North Carolina is competing for in today’s economy.”

“Simply put, our clients want it all these days ... the optimum location, plus financial assistance from government to help write down the cost of the move,” Boyd said.