

## How North Carolina stands to gain as Florida loses key tax credit for job recruitment



By Lauren Ohnesorge – Senior Staff Writer, Triangle Business Journal, July 221, 2020

One of North Carolina’s top economic development rivals has one less tool in its toolbox – perhaps positioning the Tar Heel state to win more job-creating projects in the future.

Florida’s Qualified Target Industry Tax Refund program expired at the end of June, an incentive that has helped the Sunshine State score thousands of jobs over the competition. The program offered state and local tax refunds to businesses creating or retaining jobs with above-average salaries in Florida. And, according to the Florida Department of Economic Opportunity, it’s been utilized in exchange for the creation of more than 50,000 jobs across the state since 2011.

But not anymore, as Florida’s legislature quietly let the program expire.

It’s expected to be good news for North Carolina, as the two states are often competing for the same projects.

Chris Chung, CEO of the Economic Development Partnership of North Carolina, said its absence will give the Tar Heel state another leg up in a fight it’s already winning.

Two mega-projects in particular, Honeywell’s global headquarters relocation and Centene’s recent East Coast hub operation – both of which went to Charlotte – were considering Florida.

“You have to imagine the QTI incentive was an important part of the ‘total package’ that Florida offered to both those companies,” Chung told TBJ. “So, in that context, it’s fair to assume that

Florida no longer having its flagship incentive program will diminish its competitiveness relative to other states like N.C. that can still utilize the full breadth of their incentives arsenal.”

John Boyd, a site selection consultant out of New Jersey, calls the expiration of the Florida incentive “a gift to low cost pro-business states like North Carolina.”

“While incentives have become controversial today in some circles, in the real world they are powerful tools to help companies underwrite the costs associated with a relocation or an expansion,” Boyd said. “In the development and site selection world, we call incentives a ‘necessary evil.’ And given the Covid-weakened economy with soaring unemployment levels, corporate cost cutting and the need to get people back to work, business incentives like Florida’s QTI are an important part of a winning and job-creating program.”

However, Chung noted that incentives are just one part of the package – and that Florida can still put up a fight for key project wins.



*Christopher Chung, CEO of Economic Development Partnership of North Carolina. TBJ File Photo*

Every state has its own advantages, from its workforce to its tax climate to its location and logistics, he said.

“Incentives are meant to help enhance those advantages, not make up for a fundamentally uncompetitive business location,” Chung said. “While incentives are not the only factor a company looks at, they can often play a big role as a ‘tie-breaker’ between locations that are similar across other business criteria.”

In the case of Centene, the tie-breaker took the form of the largest incentives offer in North Carolina history, worth nearly \$388 million in exchange for \$1 billion in investment and 3,000 new jobs. That project took advantage of one of the state's most powerful incentive tools, the "Transformative project classification," reserved for companies investing more than \$1 billion in North Carolina and creating at least 3,000 jobs.

*Recent wins for eastern North Carolina over Florida include:*

- Aircraft Solutions USA considered Panama, Florida before picking Kinston for a 475-job project
- Pamlico Air considered Bartow, Florida before picking Wilson for a 305-job project
- LabCorp considered Florida before committing to add 422 jobs to its Durham facility

But not all projects use incentives as the deal breaker. Boyd points to Florida's pro-business climate as one of its biggest attractants - allowing some companies to save money even without incentive dollars.

"However, I would expect states like N.C. to be pleased the [Florida] incentives have expired and to use that theme in their industry attraction efforts in the months ahead," he said.

Chung said the types of projects that typically pit North Carolina against Florida tend to be headquarters, office hubs and even the occasional aerospace facility.

Mike Walden, economist with North Carolina State University, said he wouldn't be surprised to see heightened competition for tech projects.

"South Florida, in particular, has been trying to expand its tech sector, so the removal of this incentive plan might make N.C. more competitive in landing new tech firms – a sector, of course, which is one of the state's strengths."

Earlier this year, Site Selection Magazine ranked Florida as the number four state in terms of projects in the South Atlantic. North Carolina ranked second in that same report.