

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025**

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**SENATE BILL 521**

Short Title: Community Infra. and Resilience Tax Credit. (Public)

Sponsors: Senators Theodros, Salvador, and Garrett (Primary Sponsors).

Referred to: Rules and Operations of the Senate

March 26, 2025

A BILL TO BE ENTITLED  
AN ACT TO CREATE THE QUALIFIED INVESTMENT ENTITY TAX CREDIT.  
The General Assembly of North Carolina enacts:

**SECTION 1.** Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-153.12. Qualified investment entity tax credit.**

(a) Definitions. – The following definitions apply in this section:

(1) Accredited investor. – As defined in 17 C.F.R. § 230.501(a).

(2) Contribution to community infrastructure and resilience. – Services performed by an eligible business that have a demonstrable positive impact on the physical and economic stability of one or more communities in the State. Contribution to community infrastructure and resilience includes services related to projects that enhance critical infrastructure such as transportation networks, communications systems, or utilities, as well as initiatives that improve community resilience such as disaster preparedness, sustainable energy projects, and other efforts that support long-term public safety and economic vitality.

(3) Eligible business. – A registered business that (i) was organized no more than five years prior to receipt of the first qualifying investment received by the business under this section, (ii) employs 25 or fewer people in this State at the time it is registered as an eligible business, (iii) generates two million dollars (\$2,000,000) or less in gross annual revenue, and (iv) has contribution to community infrastructure and resilience as its primary business purpose.

(4) Pass-through entity. – A partnership, an S-corporation, or a limited liability company subject to income tax under Part 1A or Part 2 of Article 4 of this Chapter.

(5) Qualified investment. – An investment of cash by a qualified investment entity in an eligible business in exchange for common or preferred stock or an equity interest or a purchase for cash of subordinated debt in an eligible business. Investment of common or preferred stock or an equity interest or purchase of subordinated debt does not qualify as a qualified investment if a broker fee or commission or a similar remuneration is paid or given directly or indirectly for soliciting an investment or a purchase.

(6) Qualified investment entity. – A registered business that (i) is a pass-through entity, (ii) is an accredited investor, (iii) makes qualified investments, and (iv)



is formed solely for investment purposes and does not engage in traditional non-investment business operations.

(7) Registered or registration. – A business that has been certified by the Secretary as an eligible business at the time of application to the Secretary.

(8) Secretary. – The Secretary of State.

(b) Credit. – A qualified investment entity is entitled to a nonrefundable income tax credit of thirty-five percent (35%) of its qualified investment made pursuant to this section. Fifty percent (50%) of the allowed credit may be applied to the qualified investment entity's net income tax liability in the tax year during which the qualified investment is made, and the remainder may be applied to the qualified investment entity's net income tax liability in the tax years after the qualified investment is made and may be carried forward for a period not to exceed 10 years.

(c) Allocation. – Each individual who is a shareholder, partner, or member of the qualified investment entity must be allocated the credit allowed the entity in an amount determined in the same manner as the proportionate shares of income or loss of such entity would be determined. The qualified investment entity must make an irrevocable election with the Department of Revenue as to the manner in which the credit is allocated. If an individual's share of the pass-through entity's credit is limited due to the maximum allowable credit under this section for a taxable year, the entity and its owners may not reallocate the unused credit among the other owners.

(d) Limitations. – The credit allowed under this section is subject to the following limitations:

(1) The total amount of credits allowed pursuant to this section may not exceed in the aggregate five million dollars (\$5,000,000) for all taxpayers for any one calendar year.

(2) The aggregate amount of credit allowed an individual for one or more qualified investments in a single taxable year under this section, whether made directly or by a pass-through entity and allocated to an individual, shall not exceed one hundred thousand dollars (\$100,000), not including any carryforward credits.

(3) The amount of the tax credit allowed an individual under this section for a taxable year shall not exceed an individual's net income tax liability. An unused credit amount is allowed to be carried forward for 10 years from the close of the taxable year in which the qualified investment was made.

(e) Registration. – An eligible business shall register with the Secretary for purposes of this section. Approval of this registration constitutes certification by the Secretary for 12 months after being issued. A business is permitted to renew its registration with the Secretary so long as, at the time of renewal, the business remains an eligible business. If the Secretary finds that any information contained in an application of a business for registration under this section is false, the Secretary shall revoke the registration of the business. The Secretary shall not revoke the registration of a business only because it ceases business operations for an indefinite period of time, as long as the business renews its registration.

A registration as an eligible business may not be sold or otherwise transferred, except that, if an eligible business enters into a merger, conversion, consolidation, or other similar transaction with another business and the surviving company would otherwise meet the criteria for being an eligible business, the surviving company retains the registration for the remainder of the 12-month registration period without further application to the Secretary. In this case, the eligible business shall provide the Secretary with written notice of the merger, conversion, consolidation, or similar transaction and other information required by the Secretary.

By January 31 of each year, the Secretary shall report to the Joint Legislative Commission on Governmental Operations a list of the businesses that have registered with the Secretary as an eligible business. The report must include, by county, the name and address of each business; the

1 location of its headquarters; a description of the type of services in which it engages; the amount  
2 of capital it has raised, including the amount of qualified investment as defined in this section;  
3 the number of full-time, part-time, and temporary jobs created by the business during the period  
4 covered by the report; and the average wages paid by these jobs. An aggregated statewide report  
5 containing the number of businesses; the amount of capital raised by the businesses, including  
6 the amount of qualified investment as defined by this section; the number of full-time, part-time,  
7 and temporary jobs created by the businesses; and the average wages paid by these jobs also must  
8 be made available in a conspicuous place on the Secretary's website.

9 (f) Application. – A qualified investment entity seeking to claim a tax credit provided for  
10 under this section shall submit an application to the Department of Revenue for tentative approval  
11 for the tax credit in the year for which the tax credit is claimed or allowed. Applications shall be  
12 accepted on a first come, first served basis. The Department of Revenue shall provide for the  
13 manner in which the application is to be submitted. The Department of Revenue shall review the  
14 application and tentatively shall approve the application upon determining that it meets the  
15 requirements of this section by January 31 of the year after the application was submitted. If the  
16 credit amounts on the tax credit applications filed with the Department of Revenue exceed the  
17 maximum aggregate limit of tax credits, then the tax credit must be allocated among the qualified  
18 investment entities who filed a timely application on a first come, first served basis based upon  
19 the amounts otherwise allowed by this section. Once the tax credit application has been approved  
20 and the amount has been communicated to the applicant, the qualified investment entity then may  
21 apply the amount of the approved tax credit to its tax liability for the tax year of which the  
22 approved application applies.

23 (g) Report. – By March 31 of each year, the Department of Revenue shall report to the  
24 Joint Legislative Committee on Governmental Operations by county, the number of qualified  
25 investment entity tax credit applications the Department has received, the number of tax credit  
26 applications approved, and the tax credits approved. This report must be made available in a  
27 conspicuous place on the Department's website."

28 **SECTION 2.** This act is effective for taxable years beginning on or after January 1,  
29 2025.