

TAX PROVISION INFORMATION

If a business purchases or constructs facilities or equipment for recycling or resource recovery, it may be entitled to special tax treatment for the following types of tax:

Real and personal property tax
Corporate state income tax
Franchise tax on domestic and foreign corporations

Facilities and equipment used part of the time for recycling or resource recovery do not qualify: prorating of time is not allowed. However, division of space is allowed. For example, if used all the time for recycling, a small space within a larger building can qualify. Incidental and supportive facilities and equipment (such as bathrooms and office areas) do not qualify.

The specific tax provisions for each of the three types of tax are explained below.

Real and Personal Property Tax

Real or personal property that is used or, if under construction, is to be used exclusively for recycling or resource recovery is exempted from being listed, appraised, assessed, or taxed by state or local government after an approved certification.

Corporate State Income Tax

An income tax levied on corporations operating in North Carolina on the portion of net income allocable to the state. At the option of the corporation, when it is computing taxable income for corporate income tax, a deduction for the cost of constructing facilities or purchasing equipment for resource recovery or recycling can be amortized over a period of 60 months, in lieu of any depreciation allowance. This option, in effect, allows the corporation to replace the normal depreciation schedule of 15 to 30 years with an accelerated deduction for amortization of costs.

Franchise Tax on Domestic and Foreign Corporations

A franchise tax is a tax on corporations for the privilege of engaging in business. The North Carolina franchise tax is levied on the largest of the three alternate tax bases:

1. The total amount of issued and outstanding capital stock, surplus, and undivided profits apportionable to the state;
2. The appraised value of property in the state subject to local taxation plus the assessed value of intangible property subject to taxation;
3. The book value of real and tangible personal property in the state less any debt outstanding which was created to acquire or improve real property.

When the corporate franchise tax is computed, the cost of equipment and facilities used exclusively in resource recovery or recycling can be deducted from either capital stock, surplus, or undivided profits. These costs can also be deducted from real and tangible personal property, minus depreciation, if the equipment and facilities are certified as excluded from the county property valuation.