

**GENERAL ASSEMBLY OF NORTH CAROLINA  
EXTRA SESSION 2004**

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**SENATE BILL 2**

Short Title: Computer Manufacturing Tax Incentives. (Public)

Sponsors: Senators Hoyle, Garrou, Hagan, Dorsett, Purcell; Bingham, Hunt, Jenkins, Kerr, Malone, Moore, Rand, and Weinstein.

Referred to: Finance.

November 4, 2004

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE A TAX CREDIT FOR CERTAIN MAJOR COMPUTER  
3 MANUFACTURING FACILITIES AND TO ENHANCE CERTAIN EXISTING  
4 TAX INCENTIVES FOR THOSE FACILITIES.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. Chapter 105 of the General Statutes is amended by adding a  
7 new Article to read:

8 "Article 3G.

9 "Tax Incentives for Major Computer Manufacturing Facilities.

10 "**§ 105-129.60. Legislative findings.**

11 The General Assembly finds that:

- 12 (1) It is the policy of the State to stimulate economic activity and to create  
13 and maintain sustainable jobs for the citizens of the State in  
14 strategically important industries.
- 15 (2) Both short-term and long-term economic trends at the regional, State,  
16 national, and international levels have made the successful  
17 implementation of the State's economic development policies and  
18 programs both more critical and more challenging; in particular,  
19 national trade policies and the resulting impact on domestic  
20 competitiveness have made the retention of manufacturing jobs more  
21 difficult at a time of transition in the national, State, and regional  
22 economies.
- 23 (3) Manufacturing employment in the State has been disproportionately  
24 affected by trade policies and global economic trends, resulting in the  
25 loss of jobs by many in the State's capable industrial workforce.
- 26 (4) Computer manufacturing and distribution has been an important  
27 industry for the State and has prospered in this State due to our strong

- 1                   and productive workforce, focused worker training programs, research  
2                   capabilities, tradition of innovation, and concentration of companies.  
3           (5)       The computer manufacturing and distribution industry will remain a  
4                   vital part of the world's, nation's, and State's future economy as society  
5                   becomes more dependent on advanced computer technology.  
6           (6)       It is the intent of the State to encourage the sustainability of this  
7                   industry cluster in this State and to encourage the maintenance and  
8                   growth of computer manufacturing and distribution employment in the  
9                   State through tax policies, investments in training capacity, and other  
10                  policies and programs.  
11           (7)       The State must be an innovative leader in creating policies and  
12                  programs that encourage the maintenance of manufacturing jobs in this  
13                  country and State and in the development of efforts to support  
14                  manufacturers during the transitional period as they adapt to rapidly  
15                  changing global conditions.

16       **"§ 105-129.61. Definitions.**

17           The following definitions apply in this Article:

- 18           (1)       Computer manufacturing. – Defined in G.S. 105-164.14.  
19           (2)       Facility. – A single building or structure or a group of buildings or  
20                  structures that are located on a single parcel of land or on contiguous  
21                  parcels of land under common ownership and any other related real  
22                  property contained on the parcel or parcels.  
23           (3)       Full-time job. – A permanent position that requires at least 1,600 hours  
24                  of work per year and is intended to be held by one employee during  
25                  the entire year.  
26           (4)       Increased employment level. – The total number of new full-time jobs  
27                  and new permanent part-time jobs converted into full-time  
28                  equivalences created by the taxpayer at the facility with respect to  
29                  which the credit is claimed, either directly or indirectly through a  
30                  related entity or strategic partner, as of December 31 as compared to  
31                  the employment level of the taxpayer as of December 31 in the year in  
32                  which the taxpayer begins construction of the facility with respect to  
33                  which the credit is claimed or as of the date the Secretary makes the  
34                  written determination required under G.S. 105-129.62, whichever is  
35                  earlier. Jobs transferred from one area in the State to another area in  
36                  the State are not considered new jobs for the purposes of this Article  
37                  and may not be included in the increased employment level.  
38           (5)       Related entity. – An entity for which the taxpayer possesses directly or  
39                  indirectly at least eighty percent (80%) of the control and value.  
40           (6)       Strategic partner. – A business that is engaged in activities at the  
41                  facility that directly contribute to the manufacture and distribution of  
42                  computers and computer peripherals and with whom the taxpayer has  
43                  contracted to provide those activities at the facility in direct support of  
44                  its manufacturing and distribution activities.

1           (7) Successor in business. – A corporation that through amalgamation,  
2           merger, acquisition, consolidation, or other legal succession becomes  
3           invested with the rights and assumes the burdens of the predecessor  
4           corporation and continues the computer manufacturing and distribution  
5           business.

6           (8) Unit output. – The total number of computers and computer  
7           peripherals produced, assembled, or manufactured at the facility  
8           during the taxable year.

9           **§ 105-129.62. Eligibility.**

10          (a) Determination by Secretary of Commerce. – A taxpayer is eligible for the  
11          credit allowed under this Article with respect to a facility in this State only if the  
12          Secretary of Commerce makes a written determination that the taxpayer has or is  
13          expected to have an increased employment level at the facility of at least 1,200 within  
14          five years after the time that the facility is first used as a computer manufacturing and  
15          distribution facility and that the taxpayer, either directly or indirectly through a related  
16          entity or strategic partner, has invested or is expected to invest at least one hundred  
17          million dollars (\$100,000,000) in private funds to construct a computer manufacturing  
18          and distribution facility over a five-year period. For the purposes of this Article, costs of  
19          construction may include costs of acquiring and improving land for the facility, costs for  
20          renovations or repairs to existing buildings, and costs of equipping or reequipping the  
21          facility.

22          (b) Health Insurance. – A taxpayer is eligible for the credit allowed under this  
23          Article with respect to a facility in this State only if the taxpayer and the taxpayer's  
24          related entities and strategic partners whose employees are included in the taxpayer's  
25          increased employment level provide health insurance for all of the full-time jobs at the  
26          facility with respect to which the credit is claimed each year it claims a credit or  
27          carryforward of a credit. For the purposes of this subsection, an entity provides health  
28          insurance if it pays at least fifty percent (50%) of the premiums for health care coverage  
29          that equals or exceeds the minimum provisions of the basic health care plan of coverage  
30          recommended by the Small Employer Carrier Committee pursuant to G.S. 58-50-125.

31          Each year that a taxpayer claims a credit or carryforward of a credit allowed under  
32          this Article, the taxpayer must provide with the tax return the taxpayer's certification  
33          that the taxpayer and the taxpayer's related entities and strategic partners whose  
34          employees are included in the taxpayer's increased employment level continue to  
35          provide health insurance for all the full-time jobs at the facility with respect to which  
36          the credit is claimed. If the taxpayer, or a related entity or strategic partner of the  
37          taxpayer whose employees are included in the increased employment level of the  
38          taxpayer, ceases to provide health insurance for the jobs during a taxable year, the credit  
39          expires and the taxpayer may not take any remaining carryforward of the credit.

40          (c) Environmental Impact. – A taxpayer is eligible for the credit allowed under  
41          this section with respect to a facility in this State only if as of the last day of the taxable  
42          year for which a credit or carryforward is claimed the taxpayer and the taxpayer's  
43          related entities and strategic partners whose employees are included in the taxpayer's  
44          increased employment level have no pending administrative, civil, or criminal

1 enforcement actions based on alleged significant violations of any program  
2 implemented by an agency of the Department of Environment and Natural Resources,  
3 and have had no final determination of responsibility for any significant administrative,  
4 civil, or criminal violation of any program implemented by an agency of the Department  
5 of Environment and Natural Resources within the last five years. For the taxpayer's  
6 related entities and strategic partners, this subsection applies only to the activities of the  
7 related entity or strategic partner at the facility with respect to which a credit is claimed.  
8 A significant violation is a violation or alleged violation that does not satisfy any of the  
9 conditions of G.S. 143-215.6B(d). Upon request, the Secretary of Environment and  
10 Natural Resources must notify the Department of Revenue of whether a person  
11 currently has any of these pending actions or has had any of these final determinations  
12 within the last five years.

13 (d) Safety and Health Programs. – A taxpayer is eligible for the credit allowed  
14 under this section with respect to a facility in this State only if as of the last day of the  
15 taxable year for which a credit or carryforward is claimed the taxpayer and the  
16 taxpayer's related entities and strategic partners whose employees are included in the  
17 taxpayer's increased employment level have no citations under the Occupational Safety  
18 and Health Act at the facility with respect to which the credit is claimed that have  
19 become a final order within the past three years for willful serious violations or for  
20 failing to abate serious violations. For the purposes of this subsection, 'serious violation'  
21 has the same meaning as in G.S. 95-127. Upon request, the Secretary of Labor must  
22 notify the Department of Revenue of whether a person has had these citations become  
23 final orders within the past three years.

24 (e) Overdue Tax Debts. – A taxpayer is eligible for the credit allowed under this  
25 section with respect to a facility only if as of the last day of the taxable year for which a  
26 credit or carryforward is claimed the taxpayer and the taxpayer's related entities and  
27 strategic partners whose employees are included in the taxpayer's increased employment  
28 level have no overdue tax debts that have not been satisfied or otherwise resolved.

29 (f) Relationship With Related Entities and Strategic Partners. – A taxpayer must  
30 obtain the written consent of related entities and strategic partners to include jobs  
31 created by those entities in the taxpayer's increased employment level. If a taxpayer fails  
32 to obtain this written consent, the taxpayer may not include jobs created by the  
33 applicable business in its increased employment level. This consent, once granted, is  
34 irrevocable. A job may not be included in the increased employment level of more than  
35 one entity. The taxpayer is responsible for providing all information needed to verify  
36 eligibility for the credit, including information relating to the related entities or strategic  
37 partners of the taxpayer.

38 **"§ 105-129.63. Determination by the Secretary of Commerce.**

39 The taxpayer must apply to the Secretary of Commerce for the determination  
40 required under G.S. 105-129.62. The application must be made under oath and must  
41 provide any information the Secretary requires in order to make the determination. The  
42 determination by the Secretary of Commerce is a factual determination. The Secretary  
43 must make this determination in any case in which the taxpayer can demonstrate  
44 performance or can provide a credible plan for performance.

1 If the taxpayer fails to create the required number of new jobs or to make the  
 2 required investment, the information provided by the taxpayer on the application proves  
 3 to have been false at the time it was given, and the person making the application knew  
 4 or should have known that the information was false, the taxpayer forfeits any credits  
 5 claimed under this Article with respect to the facility. A taxpayer that forfeits a credit  
 6 under this section is liable for all past taxes avoided as a result of the credit plus interest  
 7 at the rate established under G.S. 105-241.1(i), computed from the date the taxes would  
 8 have been due if the credit had not been allowed. The past taxes and interest are due 30  
 9 days after the date the credit is forfeited; a taxpayer that fails to pay the past taxes and  
 10 interest by the due date is subject to the penalties provided in G.S. 105-236.

11 **"§ 105-129.64. Credit for major computer manufacturing facilities.**

12 (a) General Credit. – A taxpayer that meets the eligibility requirements of  
 13 G.S. 105-129.62 is eligible for a credit against the taxes imposed by Articles 3 and 4 of  
 14 this Chapter. For taxable years beginning with the 2006 taxable year, the amount of the  
 15 credit allowable in a year is determined based on the taxable year, the unit output of the  
 16 facility, the production factor, and the increased employment level at the facility in the  
 17 current taxable year and previous taxable years.

18 (b) 2005 Taxable Year. – For taxable years beginning on or after January 1,  
 19 2005, but before January 1, 2006, the amount of the credit is equal to ten million dollars  
 20 (\$10,000,000) if the taxpayer, either directly or through a related entity, has invested at  
 21 least twenty-five million dollars (\$25,000,000) in private funds by the end of the taxable  
 22 year to construct a computer manufacturing and distribution facility in this State.

23 (c) 2006-2009 Taxable Years. – For taxable years beginning on or after January  
 24 1, 2006, but before January 1, 2010, the maximum amount of the credit is ten million  
 25 dollars (\$10,000,000). The amount of the credit that may be claimed is determined by  
 26 multiplying the employment level adjustment factor by the lesser of ten million dollars  
 27 (\$10,000,000) and the product of the unit output of the facility and the applicable  
 28 production factor listed in subsection (f) of this section. For the purposes of this  
 29 subsection, the employment level adjustment factor is the lesser of one and the number  
 30 derived by dividing the taxpayer's increased employment level for the year by the  
 31 applicable target increased employment level provided in the table below:

<u>Year</u>	<u>Target Increased Employment Level</u>
<u>2006</u>	<u>600</u>
<u>2007</u>	<u>1,000</u>
<u>2008</u>	<u>1,100</u>
<u>2009</u>	<u>1,500</u>

37 (d) 2010-2014 Taxable Years. – For taxable years beginning on or after January  
 38 1, 2010, but before January 1, 2015, the maximum amount of the credit is fifteen  
 39 million dollars (\$15,000,000) if the taxpayer has in any year attained an increased  
 40 employment level of 1,500. Otherwise the maximum amount of the credit is ten million  
 41 dollars (\$10,000,000). The amount of the credit is determined as follows:

- 42 (1) If the taxpayer has ever attained an increased employment level of at  
 43 least 1,500, the amount of the credit that may be claimed is the lesser  
 44 of fifteen million dollars (\$15,000,000) and the amount determined by

1 multiplying the unit output of the facility by the applicable production  
2 factor listed in subsection (f) of this section. If the taxpayer's increased  
3 employment level has decreased by more than forty percent (40%)  
4 from that of the previous taxable year, the amount of the credit that  
5 may be claimed must be reduced by multiplying the amount  
6 determined under this subdivision by a fraction, the numerator of  
7 which is the taxpayer's increased employment level for the taxable  
8 year and the denominator of which is 1,500.

9 (2) If the taxpayer has never attained an increased employment level of at  
10 least 1,500, the amount of the credit that may be claimed is equal to  
11 the employment level adjustment factor multiplied by the lesser of ten  
12 million dollars (\$10,000,000) and the product of the unit output of the  
13 facility and the applicable production factor listed in subsection (f) of  
14 this section. For the purposes of this subdivision, the employment level  
15 adjustment factor is the lesser of one and the number derived by  
16 dividing the taxpayer's increased employment level for the year by  
17 1,500.

18 (e) 2015-2019 Taxable Years. – For taxable years beginning on or after January  
19 1, 2015, but before January 1, 2020, the maximum amount of the credit is twenty  
20 million dollars (\$20,000,000) if the taxpayer has in any year attained an increased  
21 employment level of 2,500. If the taxpayer has in any year attained an increased  
22 employment level of at least 1,500, but in no year has attained an increased employment  
23 level of at least 2,500, the maximum amount of the credit is fifteen million dollars  
24 (\$15,000,000). Otherwise the maximum amount of the credit is ten million dollars  
25 (\$10,000,000). The amount of the credit is determined as follows:

26 (1) If the taxpayer has ever attained an increased employment level of at  
27 least 2,500 and the taxpayer's increased employment level for the  
28 current year is at least 1,500, the amount of the credit is the lesser of  
29 twenty million dollars (\$20,000,000) and the amount determined by  
30 multiplying the unit output of the facility by the applicable production  
31 factor listed in subsection (f) of this section.

32 (2) If the taxpayer has ever attained an increased employment level of at  
33 least 1,500 but has never attained an increased employment level of at  
34 least 2,500, or if the taxpayer has ever attained an increased  
35 employment level of at least 2,500 and the taxpayer's current increased  
36 employment level is less than 1,500, the amount of the credit that may  
37 be claimed is the lesser of fifteen million dollars (\$15,000,000) and the  
38 amount determined by multiplying the unit output of the facility by the  
39 applicable production factor listed in subsection (f) of this section. If  
40 the taxpayer's increased employment level has decreased by more than  
41 forty percent (40%) from that of the previous taxable year and (i) the  
42 increased employment level of the previous year was 1,500 or less or  
43 (ii) the increased employment level of the current year is 900 or less,  
44 the amount of the credit that may be claimed must be reduced by

1           multiplying the amount determined under this subdivision by a  
2           fraction, the numerator of which is the taxpayer's increased  
3           employment level for the taxable year and the denominator of which is  
4           1,500.

5           (3) If the taxpayer has never attained an increased employment level of at  
6           least 1,500, the amount of the credit that may be claimed is equal to  
7           the employment level adjustment factor multiplied by the lesser of ten  
8           million dollars (\$10,000,000) and the product of the unit output of the  
9           facility and the applicable production factor listed in subsection (f) of  
10           this section. For the purposes of this subdivision, the employment level  
11           adjustment factor is the lesser of one and the number derived by  
12           dividing the taxpayer's employment level for the year by 1,500.

13           (f) Production Factor. – For taxable years beginning on or after January 1, 2006,  
14           but before January 1, 2007, the production factor is fifteen dollars (\$15.00). For all other  
15           taxable years, the production factor is six dollars and twenty-five cents (\$6.25).

16           (g) Expiration. – If the taxpayer fails to attain an increased employment level of  
17           at least 1,200, either directly or in conjunction with its strategic partners and related  
18           entities, within five years after beginning construction of the facility with respect to  
19           which a credit is claimed or the taxpayer fails to invest at least one hundred million  
20           dollars (\$100,000,000) in private funds to construct a computer manufacturing and  
21           distribution facility over a five-year period, the taxpayer may not take any further  
22           credits under this Article with respect to that facility. Failure to attain an increased  
23           employment level of 1,200 within the five years or to invest at least one hundred million  
24           dollars (\$100,000,000) in private funds to construct the facility does not result in  
25           forfeiture of credits previously taken under this section unless the provisions of  
26           G.S. 105-129.63 apply.

27           **"§ 105-129.65. Allocation; cap; makeup; and carryforward.**

28           (a) Allocation. – The credit allowed by this Article may be taken against the  
29           franchise taxes levied under Article 3 of this Chapter and the income taxes levied under  
30           Article 4 of this Chapter. When the taxpayer claims a credit under this Article, the  
31           taxpayer must elect the percentage of the credit to be applied against the taxes levied  
32           under Article 3 of this Chapter with any remaining percentage to be applied against the  
33           taxes levied under Article 4 of this Chapter. This election is not binding for the year in  
34           which it is made or for any carryforwards of that credit. A taxpayer may elect a different  
35           allocation for each year in which the taxpayer qualifies for a credit.

36           (b) Cap. – The amount of credit claimed in a taxable year under this Article may  
37           not exceed the lesser of the amount determined under G.S. 105-129.64 and the total  
38           amount of tax imposed under Articles 3 and 4 of this Chapter, reduced by the sum of all  
39           other credits allowed against those taxes, except tax payments made by or on behalf of  
40           the taxpayer. Credits that may eliminate only a portion of the taxpayer's liability must be  
41           taken before credits that may eliminate all of a taxpayer's liability, which in turn must  
42           be taken before any credits that are refundable. This limitation applies to the cumulative  
43           amount of the credit allowed in any tax year, including carryforwards claimed by the  
44           taxpayer under this Article for previous tax years.

1       (c) Makeup. – In any year in which the amount of the credit calculated based on  
2 output exceeds the applicable cap under G.S. 105-129.64, the excess credit may be  
3 credited to a make up account. Amounts credited to the make up account may remain in  
4 the account for seven years or until they are used as provided in this subsection,  
5 whichever is earlier. In any year in which the amount of the credit calculated based on  
6 output is less than the applicable cap under G.S. 105-129.64, the taxpayer may increase  
7 the credit allowed for that taxable year to the cap amount, as adjusted by any applicable  
8 employment level adjustment factor, by using excess credit available in the make up  
9 account. A successor in business may take the amounts available in a make up account  
10 of a predecessor corporation as if they were excess credits available in a make up  
11 account of the successor in business.

12       (d) Carryforward. – Any unused portion of a credit allowed under this Article  
13 may be carried forward for the next succeeding 25 years. A successor in business may  
14 take the carryforwards of a predecessor corporation as if they were carryforwards of a  
15 credit allowed to the successor in business.

16 **"§ 105-129.66. Sunset.**

17       This Article is repealed for business activities occurring in taxable years beginning  
18 on or after January 1, 2020."

19       **SECTION 2.** G.S.105-129.4 is amended by adding a new subsection to read:

20       "(b7) Major Computer Facilities. – A taxpayer that is otherwise eligible for a tax  
21 credit under this Article and who satisfies the conditions of G.S. 105-129.62 is eligible  
22 for the major computer facility enhancements provided for credits under this Article.  
23 The major computer facility enhancements are the following:

- 24       (1) The wage standard requirement does not apply to the activities of the  
25 taxpayer at the major computer facility.
- 26       (2) For the credit for creating jobs under G.S. 105-129.8, the amount of  
27 the credit is increased by four thousand dollars (\$4,000) per job for  
28 jobs at the major computer facility.
- 29       (3) For the credit for investment in machinery and equipment under  
30 G.S. 105-129.9, the applicable percentage is seven percent (7%) and  
31 the applicable threshold is zero dollars (\$0.00) regardless of the  
32 enterprise tier designation of the county in which the major computer  
33 facility is located.
- 34       (4) For the credit for worker training under G.S. 105-129.11, the  
35 maximum amount of the credit per worker trained is one thousand  
36 dollars (\$1,000) regardless of the enterprise tier designation of the  
37 county in which the major computer facility is located.
- 38       (5) For the credit for substantial investment in other property under  
39 G.S. 105-129.12A, the taxpayer is eligible for the credit regardless of  
40 the enterprise tier designation of the county in which the major  
41 computer facility is located."

42       **SECTION 3.** G.S. 105-164.14(j)(2) and (3) read as rewritten:

- 43       (2) Eligibility. – A facility is eligible under this subsection if it meets both  
44 of the following conditions:



- 1 a. It is primarily engaged in one of the industries listed in this  
2 subsection.
- 3 b. The Secretary of Commerce has certified that the owner of the  
4 facility will invest at least the required amount of private funds  
5 to construct the facility in this State. For the purpose of this  
6 subsection, costs of construction may include costs of acquiring  
7 and improving land for the facility and costs of equipment for  
8 the facility. If the facility is located in an enterprise tier one,  
9 two, or three area as defined in G.S. 105-129.3, the required  
10 amount is fifty million dollars (\$50,000,000). For all other  
11 facilities, the required amount is one hundred million dollars  
12 (\$100,000,000). In the case of a computer manufacturing  
13 facility, the owner may invest these funds either directly or  
14 indirectly through a related entity or strategic partner as those  
15 terms are defined in G.S. 105-129.61. In the case of a computer  
16 manufacturing facility, the term 'facility' has the same meaning  
17 as under G.S. 105-129.61.
- 18 (3) Industries. – This subsection applies to the following industries:
- 19 a. Aircraft manufacturing. Aircraft manufacturing means  
20 manufacturing or assembling complete aircraft.
- 21 b. Bioprocessing. Bioprocessing means biomanufacturing or  
22 processing that includes the culture of cells to make commercial  
23 products, the purification of biomolecules from cells, or the use  
24 of these molecules in manufacturing.
- 25 d. Computer manufacturing. Computer manufacturing means  
26 manufacturing or assembling electronic computers, such as  
27 personal computers, workstations, laptops, and computer  
28 servers. The term includes the assembly or integration of  
29 processors, coprocessors, memory, storage, and input/output  
30 devices into a user-programmable final product. The term ~~does~~  
31 ~~not include~~ includes manufacturing or assembling computer  
32 peripheral equipment, such as storage devices, printers,  
33 monitors, input/output devices, and ~~terminals~~ terminals only if  
34 the manufacture or assembly of this peripheral equipment  
35 occurs at a facility or campus at which the taxpayer also  
36 manufactures or assembles electronic computers.
- 37 g. Motor vehicle manufacturing. Motor vehicle manufacturing  
38 means any of the following:
- 39 1. Manufacturing complete automobiles and light-duty  
40 motor vehicles.
- 41 2. Manufacturing heavy-duty truck chassis and assembling  
42 complete heavy-duty trucks, buses, heavy-duty motor  
43 homes, and other special purpose heavy-duty motor  
44 vehicles for highway use.

1 3. Manufacturing complete military armored vehicles,  
2 nonarmored military universal carriers, combat tanks,  
3 and specialized components for combat tanks.

4 j. Pharmaceutical and medicine manufacturing and distribution of  
5 pharmaceuticals and medicines. Pharmaceutical and medicine  
6 manufacturing means any of the following:

7 1. Manufacturing biological and medicinal products. For  
8 the purpose of this sub-subdivision, a biological product  
9 is a preparation that is synthesized from living organisms  
10 or their products and used medically as a diagnostic,  
11 preventive, or therapeutic agent. For the purpose of this  
12 sub-subdivision, bacteria, viruses, and their parts are  
13 considered living organisms.

14 2. Processing botanical drugs and herbs by grading,  
15 grinding, and milling.

16 3. Isolating active medicinal principals from botanical  
17 drugs and herbs.

18 4. Manufacturing pharmaceutical products intended for  
19 internal and external consumption in forms such as  
20 ampoules, tablets, capsules, vials, ointments, powders,  
21 solutions, and suspensions.

22 m. Semiconductor manufacturing. Semiconductor manufacturing  
23 means development and production of semiconductor material,  
24 devices, or components."

25 **SECTION 4.** G.S. 105-259(b) is amended by adding a new subdivision to  
26 read:

27 "(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State  
28 who has access to tax information in the course of service to or employment by the State  
29 may not disclose the information to any other person unless the disclosure is made for  
30 one of the following purposes:

31 ...

32 (30) To verify with a related entity or strategic partner information relating  
33 to that entity provided by a taxpayer claiming a credit under Article 3G  
34 of this Chapter."

35 **SECTION 5.** Section 3 of this act becomes effective January 1, 2005, and  
36 applies to sales made on or after that date. The remainder of this act is effective for  
37 business activities occurring on or after November 1, 2004, and for taxable years  
38 beginning on or after January 1, 2005.