

2011



Georgia Business Incentives



ECG – Economic & Community Development
A Service of the Electric Cities of Georgia

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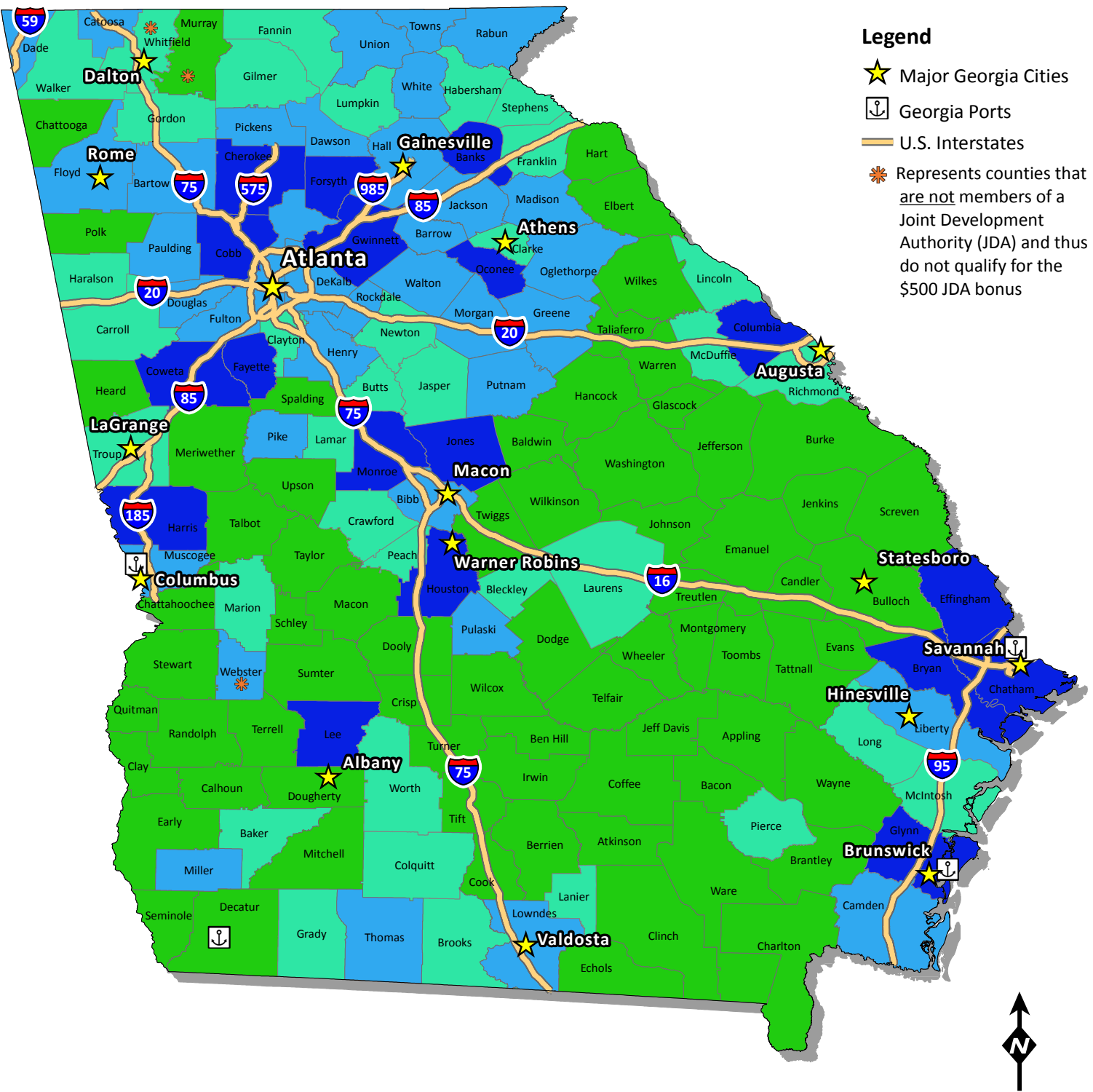
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2011 Georgia Job Tax Credit Tiers by County Map



Tier	Job Tax Credit \$	Jobs	Use of Credits	Carry Forward
1	\$3,500 - \$4,000*	5	100% of Tax Liability Excess to Withholding Tax up to \$3,500	10 Years
2	\$2,500 - \$3,000*	10	100% of Tax Liability	10 Years
3	\$1,250 - \$1,750*	15	50% of Tax Liability	10 Years
4	\$750 - \$1,250*	25	50% of Tax Liability	10 Years

In the table immediately above, the () denotes the inclusion of the \$500 bonus for counties that are members of a Joint Development Authority (JDA). This addition of the \$500 bonus creates the maximum Job Tax Credit amount which can be awarded to a business.*

Georgia continues to attract successful companies due to a pro-business environment, a talented workforce, world-class infrastructure and unparalleled access to the world market. State-level performance-based assistance packages, along with incentives offered by local municipalities and counties, help new and expanding ventures get the good start needed for their future success.



GEORGIA CORPORATE INCOME TAX FORMULA ADVANTAGE

❖ **Single Factor Apportionment Tax Formula**

In 2005, Georgia became the first state in the Southeast to adopt a “Single Factor Gross Receipts” apportionment formula. This apportionment formula treats a company’s gross receipts, or sales in Georgia, as the only relevant factor in determining the portion of that company’s income subject to Georgia’s six percent corporate income tax. In Georgia, a company’s Georgia is one of only 12 states currently using Single Factor Apportionment. Most states still use a traditional apportionment formula in which a company’s in-state property and payroll factor into the calculation of a company’s corporate income tax. Single Factor Apportionment significantly reduces the effective rate of Georgia income taxation of companies with substantial sales to customers outside Georgia.

In addition, Georgia does not use the so-called “Throw Back Rule,” which many states use to tax income from sales of goods or services to out-of-state customers if the customer’s state does not already tax that income.

Example: Assume for the 2011 tax year, In-State Manufacturing Co., Inc. has the following total overall taxable income and gross receipt sales in Georgia as compared to total gross receipts:

Taxable Income: \$10 million

Percent of Gross Receipts in Georgia: 13%

Accordingly, in 2011, only \$1.3 million of In-State Manufacturing Co., Inc.’s income would be subject to Georgia’s six percent corporate income tax, making its corporate income tax liability \$78,000. [(\$10 million x 13%) x 6%]



GEORGIA CORPORATE TAX CREDITS

Georgia offers a range of corporate tax credits that enable companies to minimize or completely eliminate state corporate income taxes which, at six percent, are already among the lowest in the nation.

For some of the credits, the amounts are dependent on the “tier status” of the community. **Tier status refers to an annual four-tier ranking of the economic vitality of Georgia’s counties.** The highest credits are offered in the counties with the greatest need (**Tier 1 and 2 counties**), while the most prosperous counties (**Tier 3 and 4 counties**) offer lesser amounts.

Please see the **2011 Georgia Job Tax Credit Tiers by County Map** at the beginning of the Georgia Business Incentives brochure.

❖ Job Tax Credits

Companies and their headquarters that are engaged in strategic industries such as manufacturing, warehousing & distribution, processing, telecommunications, broadcasting, tourism, and research and development may qualify for Georgia's Job Tax Credit Program. Depending on the community's tier, companies must create between five and 25 net new full-time jobs in the first year to qualify. Credits may also be accrued for additional jobs created in years 2-5.

Jobs created outside of year five may not be claimed unless a new threshold job creation (year 1) is met. Qualified companies can claim a tax credit with a value of \$750 – \$3,500 per job, per year beginning with the first taxable year in which the new job is created and for the following four years the job is maintained. An additional \$500 credit is offered in counties that participate in a multi-county Joint Development Authority (JDA). Increased job tax credits, equal to Tier 1 credits, are also allowed for companies that create jobs in **Less Developed Census Tracts (LDCT)**, **Opportunity Zones (OZ)**, or **Military Zones (MZ)**. Opportunity Zones, Military Zones, as well as Georgia's 40 least developed counties offer job tax credits to businesses of any nature, including retail businesses. The credit value for each county is indicated on the **2011 Georgia Job Tax Credit Tiers by County Map** at the beginning of the Georgia Business Incentives brochure.

Credits may be taken against 100 percent of state corporate income tax liability in Tier 1 and 2 counties, or against 50 percent of state corporate income tax liability in Tier 3 and 4 counties. Credits that are claimed but not used in any taxable year may be carried forward for 10 years from the close of the taxable year in which qualified jobs were established. Additionally, in Tier 1 counties, excess credits may be credited to Georgia payroll withholding taxes (with a limitation of \$3,500 per job, per year).

Georgia Job Tax Credits Overview				
County Job Tax Credit Tiers & Additional Job Tax Credits	Job Tax Credit \$	Jobs	Use of Credits	Carry Forward
1	\$3,500 - \$4,000*	5	100% of Tax Liability Excess to Withholding Tax Up to \$3,500	10 years
2	\$2,500 - \$3,000*	10	100% of Tax Liability	10 years
3	\$1,250 - \$1,750*	15	50% of Tax Liability	10 years
4	\$750 - \$1,250*	25	50% of Tax Liability	10 years
Military Zones (MZ) / Opportunity Zones (OZ) Job Tax Credits	\$3,500	2	100% of Tax Liability Excess to Withholding Tax	10 years
Less Developed Census Tract (LDCT) Job Tax Credits	\$3,500	5	100% of Tax Liability Excess to Withholding Tax	10 years

In the table immediately above, the () denotes the inclusion of the \$500 bonus for counties that are members of a Joint Development Authority (JDA). This addition of the \$500 bonus creates the maximum Job Tax Credit amount which can be awarded to a business.*

***Example:** Taxpayer creates 50 jobs in a Tier 1 county offering a \$4,000 credit, receives \$1 million in tax credits over five years to reduce or eliminate Georgia income tax [50 jobs x \$4,000 x 5 years = \$1 million].*

❖ **Port Tax Credit Bonus**

The Port Tax Credit Bonus is available to taxpayers who increase imports or exports through a Georgia port by 10 percent over the previous or base year. Base year port traffic must be at least 75 net tons, five containers or 10 TEUs (twenty-foot equivalent units); if not, the percentage increase in port traffic will be calculated using 75 net tons, five containers, or 10 TEUs as the base. The port tax credit bonus can be used with either the Job or the Investment Tax Credit program, provided that the company meets the requirements for one of those programs. Port Tax Credits may be used to offset up to 50 percent of the company's corporate income tax liability. Unused credits may be carried forward for 10 years, provided that the increase in port traffic remains above the minimum level and that the company continues to meet the job or investment tax credit requirements. Note that the Port Tax Credit Bonus cannot be utilized with the Quality Jobs Tax Credit and can only be used in Opportunity Zones, Military Zones and Less Developed Census Tracts in limited cases by existing large distribution centers. The Georgia Ports are indicated on the **2011 Georgia Job Tax Credit Tiers by County Map** at the beginning of the Georgia Business Incentives brochure.

○ **Port Tax Credit Bonus for Job Tax Credits**

This "port bonus" is an additional \$1,250 per job credit for taxpayers with qualified increases in shipments through a Georgia port. The \$1,250 is added to the job tax credit.

*Example: Taxpayer that creates 50 jobs in a **Tier 1** county and increases their port traffic by at least 10 percent is eligible to receive the port bonus. Taxpayer is eligible for \$1,312,500 in tax credits spread over five years to reduce or eliminate Georgia income tax:*

[50 jobs x (\$4,000 job tax credit + \$1,250 port tax credit bonus) x 5 years] = \$1,312,500.

○ **Port Tax Credit Bonus for Investment Tax Credit**

This "port bonus" increases the investment tax credit to the equivalent of a **Tier 1** location regardless of the tier level. The port bonus would therefore be equal to five percent of the qualified investment in expenses directly related to manufacturing or providing telecommunication services with the credit increasing to eight percent for recycling, pollution control and defense conversion.

*Example: Taxpayer qualifies for a port bonus in a **Tier 4** county, invests \$100 million in a manufacturing plant plus \$25 million in recycling equipment. Taxpayer is eligible for a \$7 million investment tax credit to reduce or eliminate Georgia income tax:*

[\$100 million x 5%] + [\$25 million x 8%] = \$7 million.

❖ **Foreign Trade Zone**

This program allows qualified businesses to defer, decrease, or eliminate duties on materials imported from overseas that are used in products assembled in Georgia.

❖ **Quality Jobs Tax Credit**

Companies that create at least 50 jobs in a 12-month period where each job pays wages at least 110 percent of the county average are eligible to receive a tax credit of \$2,500-\$5,000 per job, per year, for up to five years, based on the scaled system below. New quality jobs created within seven years can qualify for the credit. Credits may be used to offset the company’s payroll withholding once all other tax liability has been exhausted, and may be carried forward for 10 years. New jobs that do not meet the requirements for the Quality Jobs Tax credit may count toward the Jobs Tax Credit Program if they meet the eligibility requirements for that program separately. For Current Average County Wages, visit: www.explorer.dol.state.ga.us/mis/Current/ewcurrent.pdf.

Average Wage Requirement (% of County Average)	Credit Value Per New Quality Job
≥110% and <120%	\$2,500
≥120% and <150%	\$3,000
≥150% and <175%	\$4,000
≥175% and <200%	\$4,500
200% or greater	\$5,000

❖ **Research & Development**

Georgia offers an incentive to new and existing business entities performing qualified research and development in Georgia. Companies may claim a 10 percent tax credit of increased R&D expenses subject to a base year calculation.

For existing companies, the base amount is calculated on the average of the past three years’ R&D expenditures and the credit is applied to the tax liability. **For new Georgia companies** or for companies with no prior R&D expenditures in Georgia, the base calculation is 30 percent of the first year’s qualified R&D expense.

The credit is determined by subtracting the current year’s qualified R&D expenses, less the base year’s R&D expenses, multiplied by 10 percent. The R&D credit is applied to 50 percent of the company’s net Georgia income tax liability after all other credits have been applied. In the first five years of a newly formed business entity in Georgia, any excess R&D credit can then be applied to the company’s state payroll withholding. Any unused credits can be carried forward for up to 10 years from the close of the taxable year in which the qualified research expenses were made.

❖ **Mega Project Tax Credit**

Companies that employ at least 1,800 net new employees, and either invest a minimum of \$450 million or have a minimum annual payroll of \$150 million may claim a \$5,250 per job, per year tax credit for the first five years of each net new job position. Credits are first applied to state corporate income tax, with excess credits eligible for use against payroll withholding. Credits may be carried forward for 10 years.

❖ **Child Care Tax Credits**

Employers who purchase or build qualified child care facilities are eligible to receive Georgia income tax credits equal to 100 percent of the cost of construction. The credit for the cost of construction is spread over 10 years [10 percent each year]. Unused child care credits from the purchase or construction of a child care facility can be carried forward three years. The child care facility must be licensed by the state.

Employers who provide or sponsor child care for employees are eligible for a credit against Georgia income tax equal to 75 percent of the employer's direct costs. Credits that are related to the operating cost of the facility may be carried forward five years. All child care credits can be used against 50 percent of the taxpayer's income tax liability in a given year.



GEORGIA TAX EXEMPTIONS

❖ **Sales and Use Tax Exemption**

Qualified equipment purchases or leases are exempt from sales tax when the equipment purchased is used in the manufacturing process. Under certain conditions, primary material handling equipment (in warehouses and distribution centers), computer equipment and Class 100 (or less) clean room machinery, equipment and materials can also be exempted.

❖ **Inventory Tax Exemption**

Effective January 1, 2011, business inventory is exempt from state property taxes (0.25 mills). Many Georgia counties also exempt from property tax up to 100 percent of qualified raw material, work-in-process and finished goods inventory under Georgia's local-option "Freeport" law. In most of these counties, distribution center and warehouse inventories are exempt if the inventory is destined to be shipped out of state.



GEORGIA'S HIRING, TRAINING AND HIGHER EDUCATION ASSISTANCE

❖ **Hiring Assistance**

Georgia's Department of Labor (GDOL) assists companies in recruitment by posting job notices, collecting and screening applications and/or résumés, providing interview space, scheduling interviews and hosting job fairs. GDOL will work with private employment agencies that list jobs with the state.

❖ **Quick Start Employee Training**

Georgia's nationally-ranked employee training program, Quick Start, provides customized training for new employees in skill-based jobs at no cost to qualifying companies. The training program is given to the company for its future use. Quick Start provides training space, instructors and all needed materials related to the program, potentially saving companies millions of dollars in training costs.

www.GeorgiaQuickStart.org

❖ **Georgia Work Ready**

Georgia Work Ready is available for companies meeting minimum hiring requirements and is easy to access through the state's network of technical colleges. Georgia companies can implement Work Ready two ways - through job profiling and Work Ready Certificates. Work Ready job profiles identify the job tasks and skill levels necessary to be successful in any job. Companies match those profiles to

❖ **Georgia Work Ready** *continued...*

employees' Work Ready Certificates, which measure core skills, to ensure the right person is placed in the right job. www.gaworkready.org

❖ **Retraining Tax Credit**

A company's direct investment in training can be claimed as a tax credit. The credit is available to all Georgia businesses that file a Georgia income tax return. Fifty percent of the employer's direct cost, up to \$500 per full-time employee, per approved training program, may be claimed as a credit. The total amount of credit cannot exceed \$1,250 per employee per year. Training programs must be approved by the Technical College System of Georgia.

The retraining program must be for quality and productivity enhancements and certain software technologies. This tax credit can be used to offset up to 50 percent of a company's state corporate income tax liability. Unused credits can be carried forward for 10 years. These credits can be combined with other tax credits.

❖ **HOPE Scholarship and Grant**

The **HOPE Scholarship** provides free tuition at one of Georgia's 35 public colleges or universities for graduating Georgia high school seniors with a B or better average. The HOPE Grant provides an opportunity for all Georgians to receive degree or certificate programs at no cost through Georgia's technical colleges and schools. These programs can be advantageous to relocating families with children, and for a company training employees through local technical colleges.

❖ **Georgia's Intellectual Capital Partnership Program (ICAPP)**

Georgia's Intellectual Capital Partnership Program (ICAPP) is the University System of Georgia's economic development program. It was created by the Board of Regents of the University System of Georgia in 1995. ICAPP connects the intellectual resources of Georgia's 35 public college and universities to the state's business community in innovative ways. ICAPP staff and a team of economic development leaders from each campus help Georgia businesses tap into the University System of Georgia for college-educated employees, access to the latest research and access to business and operations advice.

www.icapp.org



GEORGIA'S ASSISTANCE FOR SMALL BUSINESSES AND ENTREPRENEURS

Small businesses can qualify for many of the programs outlined in this brochure. In addition, Georgia offers several programs specifically designed to meet the needs of small businesses and entrepreneurs.

❖ **Angel Investor Tax Credit**

Georgia now offers an income tax credit for qualified investors who invest in certain qualified businesses in Georgia in calendar years 2011, 2012 and 2013. The credit is claimed two years later, in 2013, 2014, and 2015 respectively. The credit is 35 percent of the investment with an individual investor cap of \$50,000 per year. The aggregate annual cap for this program is \$10 million. The qualified investor must get approval from the Georgia Department of Revenue before claiming the credit.

❖ **Small Business Tax Relief**

Georgia now allows small businesses making capital investments of less than \$410,000 to write off up to \$102,000 of those expenses. For capital investments greater than \$410,000, the tax write-off is reduced dollar for dollar.

❖ **Entrepreneur and Small Business Loan (ES B) Guarantee Program**

In partnership with the **OneGeorgia Authority**, the state can provide loan guarantees to spur entrepreneurial growth in specified rural communities throughout Georgia. The guarantee amounts can range between \$35,000 and \$250,000, can be used for hard assets or for start-up and working capital, and require a 10 percent cash equity injection by the borrower. www.onegeorgia.org/programs/esb

❖ **Work Ready Reimbursements**

Businesses employing fewer than 50 people are eligible to receive \$250 (up to \$1,250) per certified Work Ready individual hired to assist with hiring and training costs. www.gaworkready.org



ASSISTANCE FOR GEORGIA'S EXISTING INDUSTRIES

Existing Georgia firms may qualify for many of the programs outlined in this brochure and can also take advantage of several unique programs.

❖ **Investment Tax Credits**

Existing Georgia companies that have operated a manufacturing or telecommunications, manufacturing or telecommunications support facility in Georgia for at least three years, and that make a minimum \$50,000 additional qualified capital investment, may claim from one percent to five percent (depending on tier status) of the new investment directly related to manufacturing or providing telecommunications services as a tax credit. Higher credits (three percent to eight percent, depending on tier status) are available for investments in recycling or pollution control equipment and for defense plant manufacturing conversion to a new product. Taxpayers must choose either the investment tax credit or the job tax credit. This credit may be applied against 50 percent of state corporate income tax liability and carried forward for 10 years.

Tier	Investment Credits	Limits of Credits	Carry Forward	Minimum Investment
1	5% - 8%*	50% of tax liability	10 years	\$50,000
2	3% - 5%*	50% of tax liability	10 years	\$50,000
3	1% - 3%*	50% of tax liability	10 years	\$50,000
4	1% - 3%*	50% of tax liability	10 years	\$50,000

*Recycle, Defense Conversion, Pollution Control

Example: Taxpayer in a Tier 1 county invests \$100 million in a manufacturing plant plus \$25 million in recycling equipment. Taxpayer is eligible for a \$7 million tax credit to reduce or eliminate Georgia corporate income tax. [$\$100 \text{ million} \times 5\%$] + [$\$25 \text{ million} \times 8\%$] = \$7 million.

❖ Optional Investment Tax Credits

The optional investment tax credit can be taken in lieu of the investment tax credit. The credits range from six to 10 percent of qualified capital investment. This credit is available to taxpayers that qualify for investment tax credits, with the minimum investment ranging from \$5 million to \$20 million. A taxpayer can use the tax credits up to the calculated amount for a given year. The credit may be claimed up to 10 years after the year the property was first placed in service, provided the property remains in service. The optional investment tax credit is a calculated risk. Without large increases each year in income tax liability, the usable tax credit could be very small and possibly zero.

❖ Existing Industry Job Tax Credit Bonus

Qualified companies that have been doing business in Georgia for at least three years can claim a one-time additional \$500 tax credit for eligible new jobs created in tax years beginning on or after January 1, 2006, and ending with tax years beginning prior to January 1, 2011. The company must first meet Year One eligibility requirements for the Job Tax Credit program in order to be eligible for the additional credit amount. There is no carry forward provision on this additional credit amount; therefore, the credit must be utilized in the year it is claimed.

❖ Centers of Innovation

Georgia's six Centers of Innovation provide unique, technology-oriented support to businesses and start-ups in the areas of Aerospace, Agribusiness, Energy, Life Sciences, Logistics and Advanced Manufacturing. Each center provides direct access to university and technical college applied research, commercialization resources, technology connections, matching grant funds, potential investor networks and key government agencies. Client companies are connected with industry-specific experts who are on the leading edge of technology and new ideas. A common goal across all of the centers is to cut red tape, streamline connections and seek technology solutions to industry-led challenges. Within this framework the centers create a pro-growth, innovative business environment for industries critical to Georgia's expansion. www.georgiainnovation.org

❖ Georgia Film Tax Credit

The Georgia Entertainment Industry Investment Act offers an across-the-board flat tax credit of 20 percent based on a minimum investment of \$500,000 on qualified productions in Georgia. An additional 10 percent uplift can be earned by including an imbedded animated Georgia logo on approved projects. Qualified expenditures include materials, services and labor.

Eligible productions include: feature films, television movies, pilots or series, commercials, music videos, and certain interactive projects including types of animation, special effects and video game development.

The \$500,000 minimum expenditure threshold can be met with one or the total of multiple projects aggregated. The income tax credit may be used against Georgia income tax liability or the company's Georgia withholding. If the production company chooses, they may make a one-time sale or transfer of the tax credit to one or more Georgia taxpayers.