Georgia Business Expansion and Support Act
Executive Summary

INCOME TAX CREDITS

JOB TAX CREDIT

Provides for a statewide job tax credit for any business or headquarters of any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries, but does not include retail businesses. If other requirements are met, job tax credits are available to businesses of any nature, including retail businesses, in counties recognized and designated as the 40 least developed counties.

Counties and certain census tracts in the state are ranked and placed in economic tiers using the following factors:

1. highest unemployment rate;
2. lowest per capita income; and
3. highest percentage of residents whose incomes are below the poverty level.

- Tier 1 counties are ranked 1st through 71st and represent the state's least developed counties. Companies creating five or more new jobs in a Tier 1 county may receive a $3,500 tax credit.
- Tier 2 counties are ranked 72nd through 106th. Companies creating 10 or more new jobs in a Tier 2 county may receive a $2,500 tax credit.
- Tier 3 counties are ranked 107th through 141st. Companies creating 15 or more new jobs in a Tier 3 county may receive a $1,250 tax credit.
- Tier 4 counties are ranked 142nd through 159th. Companies creating 25 or more new jobs in a Tier 4 county may receive a $750 tax credit.

The credit amounts listed above are applicable to new jobs created on or after January 1, 2001. Jobs created prior to January 1, 2001 are calculated at the credit amounts in place at the time the jobs were created.

Credits similar to the credits available in Tier 1 counties are potentially available to companies in certain "less developed" census tracts in the metropolitan areas of the state. At least 30% of the new jobs created in these census tracts must be held by residents of the eligible census tracts or a Tier 1 county.

Note that average wages for the new jobs must be above the average wage of the county that has the lowest average wage of any county in the state. Also note that employers must make health insurance available to employees filling the new full-time jobs. Employers are not, however, required to pay all or part of the cost of such insurance unless this benefit is provided to existing employees.

Credits are allowed for new full-time employee jobs for five years in years two through six after the creation of the jobs. In Tier 1 and Tier 2 counties, the total credit amount may offset up to 100% of a taxpayer's state income tax liability for a taxable year. In Tier 3 and Tier 4 counties

and in “less developed” census tracts, the total credit amount may offset up to 50% of a taxpayer’s state income tax liability for a taxable year. In Tier 1 counties and “less developed” census tracts only, credits may also be taken against a company's income tax withholding. (The maximum use of the tax credit against withholding is $3,500 per job regardless of any bonuses for either the joint development authority credit or the port authority credit.) A credit claimed but not used in any taxable year may be carried forward for 10 years from the close of the taxable year in which the qualified jobs were established. *The measurement of new full-time jobs and maintained jobs is based on average monthly employment. Georgia counties are re-ranked annually based on updated statistics. See the Job Tax Credit law and regulations for further information.*

JOB TAX CREDIT FOR JOINT DEVELOPMENT AUTHORITIES

Provides for an additional $500 job tax credit per job for a business locating within the jurisdiction of a joint authority of two or more contiguous counties.

INVESTMENT TAX CREDIT

Based on the same tiers as the Job Tax Credit program. Allows a taxpayer that has operated an existing manufacturing or telecommunications facility or manufacturing or telecommunications support facility in the state for the previous three years (36 months) to obtain a credit against income tax liability.

- Companies expanding in Tier 1 counties must invest $50,000 to receive a 5% credit. That credit increases to 8% for recycling, pollution control, and defense conversion activities.
- Companies expanding in Tier 2 counties must invest $50,000 to receive a 3% tax credit. That credit increases to 5% for recycling, pollution control, and defense conversion activities.
- Companies expanding in Tier 3 or Tier 4 counties must invest $50,000 to receive a 1% credit. That credit increases to 3% for recycling, pollution control, and defense conversion activities.

Generally, a taxpayer may not take both the job tax credit and the investment tax credit for the same project.

OPTIONAL INVESTMENT TAX CREDIT

Taxpayers qualifying for the investment tax credit may choose an optional investment tax credit with the following threshold criteria:

Designated Area	Minimum Investment	%Tax Credit
Tier 1	$5 Million	10%
Tier 2	$10 Million	8%
Tier 3 or Tier 4	$20 Million	6%

The credit may be claimed for 10 years, provided the qualifying property remains in service throughout that period. A taxpayer must choose either the regular or optional investment tax credit. Once this election is made, it is irrevocable.

The optional investment tax credit is calculated based upon a three-year tax liability average. The annual credits are then determined using this base year average. The credit available to the taxpayer in any given year is the lesser of the following amounts:

1. 90% of the increase in tax liability in the current taxable year over that in the base year, or
2. The excess of the aggregate amount of the credit allowed over the sum of the amounts of credit already used in the years following the base year.

Generally, a taxpayer may not take both the job tax credit and the investment tax credit for the same project.

RETRAINING TAX CREDIT

The retraining tax credit allows some employers to claim certain costs of retraining employees to use new equipment, new technology, or new operating systems. The credit can be worth 50% of the direct costs of retraining full-time employees up to $500 per employee per approved retraining program per year. The credit cannot be more than 50% of the taxpayer's total state income tax liability for a tax year. Credits claimed but not used may be carried forward for 10 years.

CHILD CARE CREDITS

Employers who provide or sponsor child care for employees are eligible for a tax credit of up to 75% of the employers' direct costs. The credit cannot be more than 50% of the taxpayer's total state income tax liability for that taxable year. Any credit claimed but not used in any taxable year may be carried forward for five years from the close of the taxable year in which the cost of the operation was incurred. In addition, employers who purchase qualified child care property will receive a credit totaling 100% of the cost of such property. The credit is claimed at the rate of 10% a year for 10 years. The qualified property credit may be carried forward for three years from the close of the taxable year in which the qualified property is placed in service, and the limitation on the use of the credit in any one year is 50%. Recapture provisions apply if the property is transferred or committed to a use other than child care within 14 years after the property is placed in service. These two child care credits can be combined.

RESEARCH & DEVELOPMENT TAX CREDIT

A tax credit is allowed for research expenses for research conducted within Georgia for any business or headquarters of any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries. The credit shall be 10% of the additional research expense over the "base amount," provided that the business enterprise for the same taxable year claims and is allowed a research credit under Section 41 of the Internal Revenue Code of 1986. The credit may be carried forward 10 years but may not exceed 50% of the business's remaining Georgia net income tax liability after all other credits have been applied for the current year. (Note that the base amount must contain positive Georgia taxable net income for all years.)

SMALL BUSINESS GROWTH COMPANIES TAX CREDIT

A tax credit is granted for any business or the headquarters of any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries having a Georgia net taxable income in the current year

which is 20% or more above that of the preceding year if its net taxable income in each of the two preceding years was also 20% or more. The credit shall be the excess over 20% of the percentage growth and shall not exceed 50% of the business's remaining Georgia net income tax liability after all other credits have been applied for the current year. The credit is available to companies whose total tax liability does not exceed $1.5 million.

PORTS ACTIVITY JOB TAX & INVESTMENT TAX CREDITS

Businesses or the headquarters of any such businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development that have increased their port traffic tonnage through Georgia ports during the previous 12-month period by more than 10% over their 1997 base year port traffic, or by more than 10% over 75 net tons, five containers or 10 20-foot equivalent units (TEU's) during the previous 12-month period are qualified for increased job tax credits or investment tax credits. NOTE: Base year port traffic must be at least 75 net tons, five containers, or 10 TEU's. If not, the percentage increase in port traffic will be calculated using 75 net tons, five containers, or 10 TEU's as the base. Companies must meet Business Expansion and Support Act (BEST) criteria for the county in which they are located.

The job tax and investment tax credits are as follows:

Tier 1 companies:

An additional $1,250 per job, or 5% investment tax credit, or 10% optional investment tax credit.

Tier 2 companies:

An additional $1,250 per job, or 5% investment tax credit, or 10% optional investment tax credit.

Tier 3 companies:

An additional $1,250 per job, or 5% investment tax credit, or 10% optional investment tax credit.

Tier 4 companies:

An additional $1,250 per job, or 5% investment tax credit, or 10% optional investment tax credit.

The additional job tax credit is limited to 50 percent of the taxpayer's Georgia net income tax liability in the current year regardless of the tier in which the jobs are located. The investment tax credit taken under the port traffic provision is limited to 50 percent of the taxpayer's net income tax liability. Any unused job or investment tax credit may be carried forward for ten years from the close of the taxable year in which the qualified jobs were established or the qualified property was placed in service. The optional investment tax credit taken under the port traffic provision shall be claimed for up to ten taxable years, provided the qualifying property remains in service throughout that period.

Companies that create 400 or more new jobs, invest $20 million or more in new and expanded facilities, and increase their port traffic by more than 20% above their base year port traffic may take both job tax credits and investment tax credits

HEADQUARTERS TAX CREDIT

Companies establishing their headquarters or relocating their headquarters to Georgia may be entitled to a tax credit if the following criteria are met: 1) headquarters is defined

as the principal central administrative offices of a company; 2) new jobs created at a new headquarters must be full-time (as defined by law and regulation) and must pay above the average wage for Tier 1 counties, at least 105% of the average wage for Tier 2 counties, at least 110% of the average wage for Tier 3 counties, and at least 115% of the average wage for Tier 4 counties; 3) within one year, a company must invest $1 million and create 50 jobs at a new headquarters facility; and 4) the company must elect not to take the job or investment tax credits. The credit is equal to $2,500 annually per new full-time job or $5,000 if the average wage of the new full-time jobs is 200% or more of the average wage of the county in which the new jobs are located. The credits apply for five years beginning with the year in which jobs are placed in service. The credit may be taken against Georgia income tax liability with any excess credit applied against a company's withholding taxes. Credits may be carried forward for 10 years. Other requirements include: 1) no new full-time jobs created after seven years from the close of the taxable year in which the taxpayer first becomes eligible for the credit may receive credits; and 2) the number of new full-time jobs shall be determined by comparing the monthly average of full-time jobs subject to Georgia income tax withholding for the taxable year with the corresponding average for the prior taxable year.

SALES AND USE TAX EXEMPTIONS

MANUFACTURING MACHINERY

Provides for an exemption from the sales and use tax for:

1. Machinery used directly in the manufacture of tangible personal property when the machinery is bought to replace or upgrade machinery in a manufacturing plant presently existing in the state and machinery components which are purchased to upgrade machinery used directly in the manufacture of tangible personal property in a manufacturing plant;
2. Machinery used directly in the manufacture of tangible personal property when the machinery is incorporated as additional machinery for the first time into a manufacturing plant presently existing in this state;
3. Machinery which is used directly in the manufacture of tangible personal property when the machinery is incorporated for the first time into a new manufacturing plant located in this state;
4. Machinery used directly in the remanufacture of aircraft engines, parts, and components on a factory basis;
5. The sale or use of repair or replacement parts, machinery clothing or replacement machinery clothing, molds or replacement molds, dies or replacement dies, and tooling or replacement tooling for machinery used directly in the manufacture of tangible personal property in a manufacturing plant presently existing in this state. This exemption has been phased in over a 5-year period beginning on January 1, 2001 at 20% of the purchase price per year with a limitation of $150,000 per part;
6. Overhead materials consumed in the performance of certain contracts between the Department of Defense or NASA and a contractor engaged in manufacturing (this exemption has been phased in at a 25% increment rate each year from January 1, 1997 to January 1, 2004); and
7. The sale of machinery, equipment, and materials incorporated into and used in the construction or operation of a clean room of Class 100 or less in Georgia, provided that such clean room is used directly in the manufacture of tangible personal property.

COMPUTER SALES AND USE TAX EXEMPTION

The sale or lease of computer equipment to be used at a facility or facilities in this state to any high-technology company classified under certain NAICS Codes where such sale of computer equipment exceeds $15 million for any calendar year, or, where in the event of a lease of such computer equipment, the fair market value of such leased computer equipment exceeds $15 million for any calendar year.

PRIMARY MATERIALS HANDLING SALES AND USE TAX EXEMPTION

Purchases of primary material handling equipment and racking systems that are used directly for the storage, handling, and moving of tangible personal property in a new or expanding warehouse or distribution facility when such new facility or expansion is valued at $5 million or more and does not have greater than 15% retail sales are exempt from sales and use taxes.

ELECTRICITY SALES AND USE TAX EXEMPTION

Electricity purchased that interacts directly with a product being manufactured is exempt from sales taxes when the total cost of the electricity exceeds 50% of the cost of all materials used, including electricity, in making the product. This exemption requires a utility study to document the conditions of the exemption.

For further information on job tax credits contact:

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Also see: www.dca.state.ga.us/economic/taxcredit.html

For further information on retraining tax credits contact:

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and Adult Education
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(404) 679-2922 mgrundmann@georgiaquickstart.org
Also see www.dtae.org/econdev/retrain.html

For further information on income tax credits contact:

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Also see www2.state.ga.us/departments/dor/inctax/info_taxcredits.shtml

For further information on sales and use tax exemptions contact:

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Also see www2.state.ga.us/departments/dor/salestax/index.shtml