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, broadcasting, tourism, or research and development industries, but does not include retail businesses. If the following two requirements are met, job tax credits are available to businesses of any nature, including retail businesses: (1) in counties recognized and designated as the 40 least developed counties; and (2) in designated census areas located near a military base (MZ) or in an Opportunity Zone (OZ) which suffer from pervasive poverty.

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	County Rankings	Minimum New Jobs Creation	Credit Amount Per Eligible New Job
1	1 through 71	5	$3,500
2	72 through 106	10	$2,500
3	107 through 141	15	$1,250
4	142 through 159	25	$750
MZ / OZ	N/A	2	$3,500
LDCT	N/A	5	$3,500

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

Credits similar to the credits available in Tier 1 counties are potentially available to companies in certain "less-developed" census tracts (LDCT) throughout the state. Beginning January 1, 2004, this was expanded to include other census areas within the state, including Opportunity Zones and census tracts adjacent to a federal military installation which are suffering from pervasive poverty.

The credit may be claimed for eligible new full-time, permanent jobs (a full-time job is defined as 35 hours or more per week). Note that average wages for these 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.

For businesses creating the initial job threshold in a tax year beginning on or after January 1, 2009, credits are allowed for new full-time jobs for five years in years one through five. In Tier 1 and Tier 2 counties and in qualifying census areas, the total credit amount may offset up to 100 percent of a taxpayer’s state income tax liability for a taxable year. In Tier 3 and Tier 4 counties, the total credit amount may offset up to 50 percent of a taxpayer’s state income tax liability for a taxable year. In Tier 1 counties and qualifying census areas only, credits may also be taken against a company's income tax withholding. (Note: The maximum use of the tax credit against withholding is $3,500 per job.) 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, when claiming the credit under the county tier ranking (O.C.G.A. § 48-7-40), for a business enterprise locating within the jurisdiction of a joint authority established by two or more contiguous counties. The joint development authority bonus may not exceed $500, even if the county is a member of multiple joint authorities.

Job Tax Credit Bonus for Existing Industries
For business enterprises which have operated in Georgia for the preceding three years, an additional $500 in job tax credit may be claimed for each eligible new job created in tax years beginning on or after January 1, 2006 and ending with tax years beginning prior to January 1, 2011. The business enterprise must meet Year One eligibility requirements for job creation in order to be eligible for the additional credit amount. The credit is then available to be claimed in Year One if the threshold is met in a tax year beginning on or after January 1, 2009. There is no carry forward provision on this additional credit amount, so it must be utilized in the year it is claimed. Please note that unlike the Job Tax Credit itself, which may be claimed for five years, the bonus credit for existing industries may only be claimed for one year.

Investment Tax Credit
The Investment Tax Credit (ITC) is based upon the same tiers as the Job Tax Credit program. The
ITC allows a taxpayer that has operated an existing manufacturing or telecommunications facility, or a manufacturing or telecommunications support facility, in the state for the previous three years (36 months) to obtain a credit against income tax liability. The credit is available in reference to expenses directly related to manufacturing or providing telecommunications services.

- Companies expanding in Tier 1 counties must invest $50,000 to receive a 5 percent credit. That credit increases to 8 percent for recycling, pollution control, and defense conversion activities.
- Companies expanding in Tier 2 counties must invest $50,000 to receive a 3 percent tax credit. That credit increases to 5 percent 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 percent
Tier 2 $10 Million 8 percent
Tier 3 or Tier 4 $20 Million 6 percent

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 optional 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 percent of the direct costs of retraining full-time employees up to $1,250 per employee for all approved retraining per year (new in 2009). The credit cannot be more than 50 percent 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. The training must:

1. enhance the skills of the employees otherwise unable to function effectively on new equipment;
2. be approved by the Technical College System of Georgia; and
3. be provided at no cost to the employee.

Child Care Credits

Employers who provide or sponsor child care for employees are eligible for a tax credit of up to 75 percent of the direct cost of the operation to the employer. The credit cannot exceed more than 50 percent of the taxpayer’s total state income tax liability for that taxable year. Businesses that construct on-site childcare facilities for the children of their employees are allowed a 100 percent write-off of the construction over a ten year period.

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, broadcasting, tourism, or research and development industries. Taxpayer must qualify for a research credit under Section 41 of the Internal Revenue Code of 1986 to be eligible for the Georgia credit. The credit shall be 10 percent of the of the additional research expense over the “base amount”. The tax credit may be carried forward 10 years but may not exceed 50 percent of the business’s net tax liability in any one year. Emerging companies will be allowed their first five years to use this credit against payroll withholding (new in 2009).

Ports Activity Job Tax & Investment Tax Credits

Businesses that increase their port traffic tonnage – net tons, containers, or 20-foot equivalent units (TEUs) – through Georgia ports by more than 10 percent over 1997 base year port traffic, or 75 net tons, five containers or 10 TEUs during the previous 12-month period, and meet the Business Expansion and Support Act (BEST) criteria for the county in which they are located, are qualified for increased job tax credits of $1,250 per job or investment tax credits. NOTE: Base year port traffic must be at least 75 net tons, five containers, or 10 TEUs. NOTE FROM DOR: For tax years beginning January 1, 2010, the rules are changing significantly.

NEW Quality Jobs Tax Credit

In the 2009 session of the Georgia General Assembly, the Legislature passed a law amending Georgia’s former Headquarters Tax Credit program. In its place it created the new Quality Jobs Tax Credit – offering higher incentives for higher paying jobs. Jobs must be created on or after January 1, 2009 to be eligible. Regulations for this program may be accessed at:
https://etax.dor.ga.gov/inctax/newregs/Rule_560-7-8-_51.pdf

In order to qualify for any level of the Quality Jobs Tax Credit, a company must create at least 50 eligible new full-time jobs in a 12-month period and ALL JOBS must meet the 110 percent minimum wage requirement.

Qualifying Level	Credit earned
110 percent of county average wage	$2,500 per person tax credit
120 percent of county average wage	$3,000 per person tax credit
150 percent of county average wage	$4,000 per person tax credit
175 percent of county average wage	$4,500 per person tax credit
200 percent of county average wage	$5,000 per person tax credit

Once all earned credit has been applied against a company's Georgia corporate income tax liability, excess credit may be monetized against employee withholding taxes. This credit is administered by the Department of Revenue.

Mega Project Tax Credit
Companies that meet the job creation requirement by employing at least 1,800 net new employees, and meet either the $450 million qualified investment property requirement OR the minimum $150 million payroll requirement (in total annual Georgia W-2 reported payroll within the six-year period) may claim a $5,250 per job per year tax credit for the first five years for 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. This credit is administered by the Department of Revenue.

SALES AND USE TAX EXEMPTIONS

Georgia provides several exemptions for its sales and use tax on corporations, including:

- Purchases intended for resale
- Machinery used directly in the manufacturing or production process (such machinery purchase must be made by a Georgia company, after filing a sales tax exemption application; the machinery maker does not need to be a Georgia company).
- Manufacturing machinery replacement parts, costing up to $150,000 per part.
- Primary material handling equipment is exempted from sales tax if a company invests $5 million or more in a new or expanded facility; equipment covered is:
  1. The principal machinery and equipment used to lift or move tangible personal property in a warehouse or distribution facility located in this State.
  2. The computer software and hardware whose purpose is to lift or move tangible personal property qualifies for the exemption.
  3. A racking system defined as any system of machinery equipment, fixtures or portable devices whose function is to store, organize, or move tangible personal property within a warehouse or distribution facility, including, but not limited to, converting systems, chutes, shelves, racks, bins, drawers, pallets, and other containers and storage devices which form a necessary part of the facility's storage system.
- Sale of fuel and supplies for use or consumption on board ships plying the high seas in foreign or interstate commerce.
- Property manufactured for export when delivery is taken outside of Georgia.
- Transportation equipment manufactured for exclusive use outside the state.
- Items used in packaging.
- Air/water pollution machinery and equipment.
- Computer equipment purchased by high-technology companies (or companies operating high-technology facilities such as data centers) that purchase or lease in excess of $15 million in such

equipment in one calendar year. This does not include data cabling and other infrastructure, or soft costs.
- 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.

Contact Information:

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For further information on retraining tax credits contact:

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