

Business Expansion Support Act (BEST), Georgia House Bill 582 and 609

The Department of Community Affairs recognizes Lee County as a Tier 4 Community based on high median income, low unemployment and low levels of poverty. Businesses locating or expanding in Lee are eligible for the following:

Job Tax Credit

New or expanding businesses in Lee County are eligible for \$1,250/job tax credits to be used against 50% of their corporate income tax liability. This credit can be used for 5 years and may result in \$625,000 for a company creating 100 new jobs. The company must create 25 new full-time or full-time equivalent jobs to be eligible for the credit.

Investment Tax Credits

This credit 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 to obtain a credit against income tax liability. Companies expanding in Tier 3 or 4 counties must invest \$50,000 to receive a 1% credit. That credit increases to 3% for recycling, pollution control, and defense conversion activities. An optional investment tax credit is available allowing a company investing \$20 million to receive a 6% credit. 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.

Retraining Tax Credits

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 Tax Credits

Employers who provide or sponsor childcare 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 childcare 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 childcare within 14 years after the property is placed in service. These two childcare credits can be combined.

Research and Development Tax Credits

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 net tax liability in

any one 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 headquarters or any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries having a state net taxable income 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 Georgia net income tax liability. 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. In Tier 3 Communities, An additional \$1,250 per job, or 5% investment tax credit, or 10% optional investment tax credit is available.

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 100 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 and 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 Tax Exemptions

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. on the first \$150,000 on each part and phased in in 20% increments from January 1, 2001 to January 1, 2005, 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
6. overhead material consumed in the performance of certain contracts between the Department of Defense or NASA and a contractor employing 500 or more full-time employees engaged in manufacturing (this exemption has been phased in at a 25% increment rate each year from January 1, 1997 to January 1, 2000)
7. 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 for any calendar year exceeds \$15 million, or, in the event of a lease of such computer equipment, the fair market value of such leased computer equipment for any calendar year exceeds \$15 million
8. and 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.

Primary Materials Handling

Purchases of primary material handling equipment and racking systems which 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.

Quickstart

The Department of Adult and Technical Education offers customized pre-employment training to new or expanding businesses in Georgia at no cost to the company. This training is unique and is a tremendous asset for the state. DTAE will evaluate your production process and implement a training program at no cost.