

2005 - GEORGIA BUSINESS & TAX INCENTIVES

Direct Financial Incentives

Tax-exempt industrial development bonds:

Small issue (up to \$10 million) industrial development bonds are issued by local industrial development authorities after allocation is approved by the Georgia Department of Community Affairs. Larger scale projects such as pollution-control equipment, solid waste projects, and other projects qualifying under federal and state regulations can get allocations from the Department of Community Affairs on a first-come-first-served basis after meeting job creation and retention criteria.

Privately sponsored development credit corporation:

The Business Development Corporation of Georgia makes loans to new and existing small businesses. Direct loans range from \$100,000 to \$500,000, with a term from five to 20 years. Besides direct loans for business expansions, BDCG will also consider loans for sound new ventures backed by a guarantee from SBA. SBA-guaranteed loans may go as high as \$1.25 million. The term of the loan may range from five to 20 years, depending upon collateral and circumstances, but only loans for real estate may be made for the maximum 20-year term. Interest rates are based at a percentage over prime and float with the prime. As of March 1986, SBA established the interest rate at 2.75 percent over prime for guaranteed loans over seven years and 2.25 percent over prime for guaranteed loans under seven years.

Customized industrial training:

The Georgia Department of Technical and Adult Education provides customized no-cost pre-employment as well as on-the-job training for new and expanding industrial facilities. Recruiting, screening, and selection of trainees are coordinated with the company.

QuickStart is America's top-ranked program for production training and ICAPP, the Intellectual Capital Partnership Program is a comparable, no-cost program for specialized training for college graduates to meet the specific needs of companies.

Federally funded financing:

Through the Department of Community Affairs, Regional Development centers, and local Certified Development corporations, Georgia offers numerous financing options to new and expanding businesses. Packaged in a variety of programs, they can provide access to funding from the U.S. Small Business Association, Department of Housing and Urban Development, Economic Development Administration, and USDA Rural Development. In addition, enhancement programs are available from several sources to assist local communities with workforce training or infrastructure such as wastewater treatment facilities, underground utilities, street lighting, etc.

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Basic Business Taxes

Corporate income tax:

Corporate income tax of 6 percent is applied only to income apportioned to a company's property, payroll, and sales in Georgia. Sales are weighted double in the apportionment formula. Federal income tax is not deductible in determining net income.

Sales and use taxes:

A 4 percent sales, use, or rental tax is levied on the sales price/cost price of each article of tangible personal property, or its rental. In addition, counties and municipalities may levy a 1 percent sales and use tax if approved by local voters. Goods for resale are exempt from sales and use tax.

An additional 1 percent special-purpose sales and use tax may be levied — after voter approval — for specific purposes for a limited period of time.

A new constitutional amendment allows school boards to seek voter approval for a sales tax (instead of relying on property tax) to build new schools or pay off old debts.

Property tax:

Property tax rates vary among counties and cities from 0.45 percent to 2.6 percent of fair market value. The average rate is 1.2 percent. Intangible property taxation ranges from \$0.10 to \$1 for each \$1,000 of fair market value.

Job creation tax credits:

Georgia offers job creation tax credits for manufacturing, warehousing, distribution, processing, telecommunications, tourism, and research and development firms. The state's counties are grouped by economic factors into four tiers:

- In Tier 1 counties, companies creating 5 or more jobs receive a \$3,500 tax credit for each new job.
- Businesses in Tier 2 counties that create 10 or more jobs receive a \$2,500 per job tax credit.
- In Tier 3 counties, firms creating 15 or more jobs receive a \$1,250 credit for each.
- In Tier 4 counties, firms creating 25 or more jobs receive a \$750 credit for each.

Credits apply for five years after jobs are created and are limited to 50 percent of corporate tax liability. Unused credits may be carried forward 10 years.

An additional \$500 per job credit applies to companies locating in counties with joint development authorities, making possible tax credits up to \$4,000 per job.

Local government may provide tax breaks for businesses that create jobs in depressed communities.

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Job tax credits are available to businesses of any kind, including retail businesses, in counties recognized and designated as the 40 least developed counties.

Additional credit in less-developed areas:

A \$3,500 job tax credit is available when 10 or more jobs are created in specially designated census tracts and at least 30 percent of jobs are for local residents.

Capital investment:

Manufacturers that have had plants or support facilities in operation for at least three years may receive tax credits for plant expansion or facilities construction totaling \$50,000 or more, based on the same tier structure as for job tax credits:

- Companies in Tier 1 counties receive a 5 percent credit (or 8 percent for recycling, pollution-control, and defense conversion activities).
- In Tier 2 counties, businesses receive 3 percent or 5 percent credits.
- Firms in Tiers 3 & 4 counties receive 1 percent or 3 percent credits.

These credits cannot exceed 50 percent of state income tax liability, but unused credits may be carried forward five years.

Larger credit can, depending on location, offset up to 90 percent of a manufacturer's increased income tax liability following a major expansion.

A tax credit of 10 percent is available for a minimum investment of \$5 million for Tier 1 counties; 8 percent for a minimum investment of \$10 million for Tier 2 counties; and 6 percent for a minimum investment of \$20 million for Tier 3 & 4 counties. These larger investment tax credits can be carried forward for 10 years. A firm cannot take both the jobs tax credit and the investment tax credit.

Ports activity job and investment tax credits:

Companies are qualified for increased job or investment tax credits if they increase their port traffic tonnage (net tons, containers, or 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 criteria for the county in which they are located. All companies meeting the above criteria may take an additional \$1,250 credit over and above the job tax credit.

Retraining:

Firms providing retraining for employees may receive a tax credit of 50 percent of their costs, up to \$500 per participant, to a maximum of 50 percent of state income tax liability. This credit can be carried forward for 10 years.

Headquarters:

New headquarters locations with a minimum employment of 50 and investment of \$1 million are eligible for job tax credit of \$2,500 per job for five years if the new jobs are between 100 percent and 115 percent of the prevailing average wage in the county, and for a credit of \$5,000 if the jobs pay twice the average county wage.

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Basic skills education:

Companies are eligible for a \$150 credit for each employee who successfully completes an approved employer-provided basic skills education program.

Intangible tax:

Georgia has eliminated its intangible tax on stocks, bonds, cash on hand, copyrights, patents, etc.

Computer software:

Computer software is taxable on the value of its storage medium, effectively exempting it from property taxation.

Business inventory:

Local taxing jurisdictions can exempt from property tax a manufacturer's raw materials, goods-in-process, and finished goods held by the original manufacturer.

Goods in transit:

Local taxing jurisdictions have the option of exempting business inventories in transit from the property tax.

Pollution-control equipment:

Purchases of machinery, equipment, and materials used to control air and water pollution, including the recycling process, are exempt from sales tax. Facilities designed to control air and water pollution are exempt from property tax. Additionally, pollution-control facilities are eligible for accelerated depreciation treatment in determining corporate tax liability.

Childcare:

Firms providing or sponsoring child care for employees are eligible for a tax credit of 75 percent of their costs, up to 50 percent of state income tax liability. Employers who construct childcare centers can deduct the total cost of building the facility at 10 percent each year for 10 years.

Small business (fast growth) tax credits:

Georgia income tax credits are available to a small business having Georgia net taxable income growth of 20 percent or more each year for three consecutive years. The credit in year three is the difference in the net taxable income of year three and year two. Eligible companies include the same categories that can receive the job tax credit except for processing and retail. The credit can be used against 50 percent of a company's Georgia income tax liability in a given year. There is no carry forward provision. This process can continue until the taxpayer's Georgia income tax liability exceeds \$1.5 million, at which time the taxpayer would no longer be considered a small business. This credit may be combined with other tax credits.

Industrial machinery and equipment:

Purchases of new machinery and equipment used directly in the manufacturing process are exempt from sales and use taxes. Machinery incorporated as additional

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machinery for the first time in an existing plant and used directly in the remanufacture of aircraft engines, parts and components, and overhead materials by a government defense contractor for DOD or NASA is exempt from sales and use taxes.

Sales tax on purchases up to \$150,000 of the purchase price of manufacturing machinery components bought for repair, replacement, or upgrade of existing machines is now exempted.

High-technology firms may exempt sales tax on purchases of computer equipment exceeding \$15 million.

Material handling equipment:

Material handling equipment purchased by warehouses and distribution centers that are valued at \$5 million or more and do not engage in retail sales is exempt from sales tax.

Raw materials:

Purchases of industrial materials used as component parts in the manufacturing process are exempt from sales and use taxes.

Electricity:

Electricity used directly in manufacturing a product is exempt from sales taxation if it totals at least 50 percent of materials costs, and is available to new and existing firms.

Purchases for resale:

Purchases for resale are exempt from sales and use taxes.

Freeport exemption:

Ninety percent of the counties in Georgia provide inventory tax exemptions (Freeport) ranging from 20 to 100 percent for raw materials and goods in process, finished goods held by manufacturers, and finished goods held for out-of-state shipment.

Technical and support services:

Free consultations and management training for small businesses are available from the University of Georgia's Small Business Center.

Georgia Tech's Advanced Technology Development Center offers low-cost, start-up "incubator" space for new product development groups. Georgia Tech's FaciliTech program is a unique economic development incentive that connects business and industry with Georgia Tech experience and resources.

The FaciliTech program assists business and industry considering moving to or expanding in Georgia. The program provides new and expanding industry with an entree to Georgia Tech's extensive array of expertise and resources through Tech's Economic Development Institute (EDI).

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Staff from Georgia Tech can provide 20 to 30 days of service (sometimes longer), helping companies prepare for and start new operations quickly and efficiently. The Georgia Department of Economic Development has 22 regional business support positions in 11 regional offices to focus on the needs of established industry and to help local development organizations attract new businesses and support existing ones.

Mega-project Legislation — 2003

New-to-Georgia manufacturers that 1) invest \$450 million by the end of the sixth taxable year and 2) create and maintain at least 1,800 jobs by the same year can receive, subject to recapture provisions, \$5,250 per job against income tax liability, then from retained payroll-withholding payments in the event tax liability is eliminated by the credit. Credits may be claimed for up to 3,300 jobs and carried forward for 10 years.

Manufacturers in Georgia for three years that construct a new plant or expand an existing manufacturing facility in the state that 1) invest \$800 million, 2) create 1,800 jobs, and 3) produce a "significant economic benefit" to the region in which it locates may receive, subject to recapture provisions, a credit of up to 6 percent of the cost of property used to construct the new facility against income tax liability, then from retained payroll-withholding payments in the event tax liability is eliminated by the credit. Credits carry forward for 15 years, but may not exceed \$50 million.