



Tax & Incentive Structure

With regards to taxation in South Carolina, the State administers corporate income, employee withholding, sales and use taxes; the County controls property tax. Hence, each governmental authority's means to reward growth is tied directly to its mode of taxation. South Carolina incentive legislation provides the ability for both agencies to incentivize business and industry when *new* jobs are created and *new* investment occurs. Incentives from both levels of government take one of two forms. Either they are statutory, meaning if requirements are met, one would automatically qualify; or negotiated, meaning they are offered at the discretion of the appropriate agency. In general, statutory incentives are fiscal, year-end oriented; negotiated incentives are time-sensitive and usually have a sixty-day window to capture eligible expenditures.

County Incentives

The Lowcountry Economic Network (LEN) was created by Beaufort and Jasper Counties to act as the agent for economic development. As each county's agent, the LEN has the sole responsibility to negotiate property tax based incentives; although final approval rests with Jasper County Council. Specifically, a company may take advantage of one of two potential incentive programs. Depending on total investment, a company may qualify for either a five-year abatement of a portion of property tax or, by agreement with the county, a fee-in-lieu-of-tax arrangement. Other unique options can be considered given the project size.

a. Property Tax Abatement – Statutory

South Carolina provides property tax abatement to new or existing companies making new capital investments in the state.

Purpose

- Reduce tax burden when new assets are at their greatest value

Value

- Approximately 20 to 25% tax reduction annually for 5 years on new capital investment

Requirements

- Invest greater than \$50,000 in new capital expenditures in one year
- Company must be involved in manufacturing, research and development, corporate headquarters, office, or distribution/warehouse facilities
- If other than manufacturer, must create at least 75 new jobs
- File tax return/PT-300 to SC Dept. of Revenue; deduction is automatic.

Mechanics

- The abatement is given for 5 years – years 2 through 6 and is a waiver of the county's operating portion (55.7 mills) of property tax

- Property Tax: Value x Assessment Ratio x Millage
Tax Example: (assumes manufacturer & non-depreciable asset)
 \$10 Million investment x 10.5% assessment ratio x .250 millage rate = \$262,500 annual tax
Abatement Example:
 \$10 Million investment x 10.5% assessment ratio x .0557 millage abatement = \$58,485
annual abatement savings or \$292,015 over 5 years
 So, taxes after the abatement in Year 1 would be \$240,015.

Note: Besides the abatement, SC provides the following **property tax exemptions** - All inventories (raw materials, work-in-progress and finished goods), all intangible property and all air pollution control equipment.

b. Fee-in-Lieu of Property Tax – Negotiated

A company may negotiate with the Jasper County a Fee-in-Lieu of Property Taxes (FILOT) agreement. FILOT agreements are subject to final approval by Jasper County Council.

Purpose

- Reward substantial investment by reducing tax burden over the long-term

Value

- Approximately 42% tax reduction annually for 20 years on new capital investment occurring in a 5-year investment window.

Requirements

- Company must be manufacturer, warehouse/distributor or an office/ headquarters
- Commit to significant new investment and new job creation (greater than \$10 million over 5 years)
- Project must be competitive in nature

Mechanics

- May lower assessment ratio from 10.5% to as low as 6% on real and personal property for manufacturers
- For headquarters and corporate offices, the assessment ratio can be reduced from 10.5% to as low as 6% on personal property
- May lock millage rate for 20 years or adjust it every 5 years; historically millage rate has increased 1.5% annually (school district)
- Bond/Incentive attorney must prepare legal documents
- 8-week process with County Council

Note: These credits may be offered in tandem with a FILOT or as a standalone incentive. Credits which are taken against an investor's property tax liability, may be utilized under State law to offset an investor's qualifying infrastructure-related expenditures: including improvements to utilities serving a project site, real estate expenditures and costs relating to improving real estate.

c. Industrial Revenue Bond – Negotiated

For small manufacturers, the lowest cost means to finance a new operation or an expansion due to tax-exempt status of the bond (loan). Can be used for the acquisition of land, the construction of buildings, improvements to real property and the acquisition of new machinery. Investment cannot exceed \$20 million in expenditures 3+/- years.

d. Multi-County Industrial Park (MCIP)

This incentive is often requested by investors seeking a FILOT. By being located within a MCIP, an investor is able to increase the value of its benefits under the State's Job Tax Credit program (no liability to the County). In addition, location within an MCIP can increase infrastructure credit benefits (discussed below).

State Incentives

a. Jobs Tax Credit

The Jobs Tax Credit is a valuable financial incentive that rewards new and expanding companies for creating jobs in South Carolina. In order to qualify, companies must create and maintain a certain number of net new jobs in a taxable year. The number of new jobs is calculated as the increase in the average monthly employment from one year to the next.

Purpose

- South Carolina rewards companies for job creation by reducing corporate income tax liability

Requirements and Corresponding Values

- 1) For companies involved in manufacturing, processing, warehousing, distribution, tourism, or considered a corporate office facility (HQ's), bank or qualified technology intensive facility, increase annual average monthly employment by 10 or more new full-time jobs.
 - Credit of \$1500 annually for 5 years for each new job; \$2500 when located in a Multi-County Business Park
- 2) "Small Business" - For companies involved in manufacturing, processing, warehousing, distribution, tourism, or considered a corporate office facility (HQ's), bank or qualified technology intensive facility and employing corporation-wide 99 or less employees, create 10 net new jobs (as noted in 1) above or increase annual average monthly employment by 2 or more new full-time jobs.
 - Credit of \$1500 annually for 5 years for each new job with gross wages that equal or exceed \$18.61 per hour (120% of the state's per capita of \$15.51); \$2500 when located in a Multi-County Business Park
 - Or \$750 annually for 5 years for each new job that pays less than \$18.61; \$1750 when located in a Multi-County Business Park
- 3) Service related facilities are eligible, but they must create 250 new full-time jobs (or the equivalent of 500 part-time jobs) OR meet one of the following criteria:
 - Create 125 jobs, with an average salary 1.5 times the State of South Carolina's per capita income (\$46,520);
 - Create 75 jobs, with an average salary 2 times the State of South Carolina's per capita income (\$62,026); or
 - Create 30 jobs, with an average salary 2.5 times the State of South Carolina's per capita income (\$77,533).

Service related companies are also eligible for a credit of \$1500 annually for 5 years for each new job; or \$2500 per job when located in a Multi-County Business Park

Mechanics

- Offsets corporate income tax liability up to 50% in a given year
- Can carry forward unused credits for 15 years
- Credits are given for five years beginning with years 2 through 6

Example

100 Employee Manufacturer to create 50 jobs
50 jobs x \$1500 = \$75,000 annual value
5 year value = \$375,000

b. Corporate Headquarters Credits – Statutory

In an effort to offset the costs associated with relocating or expanding a corporate headquarters facility, South Carolina provides an income tax credit to partially reimburse the company for real or personal property expenditures associated with the creation of new headquarters related jobs.

c. Child Care Credits – Statutory

South Carolina offers companies a credit against state corporate income tax, bank tax, or premium tax for childcare expenses. Companies may claim tax credits to partially reimburse the costs associated with the start-up and long-term operation of a day care facility.

d. Research and Development Tax Credit

In order to reward companies for increasing research and development activities in a taxable year, South Carolina offers a credit equal to 5% of the taxpayer’s qualified research expenses in the state. The term “qualified research expenses” is defined in Section 41 of the Internal Revenue Code. The credit taken in any one taxable year may not exceed 50% of the company’s remaining tax liability after all other credits have been applied. Any unused portion of the credit can be carried forward for 10 years from the date of the qualified expenditure.

Non-Tax Incentives

Non-tax incentives include, but are not limited to, the following: (i) land grants, (ii) discounted land sales, (iii) site preparation, (iv) construction of infrastructure to serve a project site (through cash outlay or issuance of bonds) or, (v) cash grants. These incentives may be offered in conjunction with the tax incentives discussed above or on a standalone basis.

More Information

For more information on incentives, please visit the following website:

Lowcountry Economic Network

www.lowcountrynet.org/incentives/