



# BUSINESS INCENTIVES 2019





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## GEORGIA IS THE NO. 1 STATE FOR BUSINESS

For the sixth year in a row, Georgia is America's #1 state for business (*Site Selection*, 2018). Boasting an extensive logistics system, global access, a talented workforce and an unbeatable quality of life, the "hub of the Southeast" is prime for taking your company to the next level.



We are pleased you are considering doing business in our state. From site location services and employee training, to export assistance and tax incentives, our industry teams at the **Georgia Department of Economic Development (GDEC)** are ready to help.





## STABLE, BUSINESS-FRIENDLY STATE

Georgia has fostered a stable, business-friendly financial and regulatory environment that businesses can count on.

### STEADY GOVERNMENTAL FOUNDATION

- Georgia is ranked 1st in Cooperative & Responsive State Government (*Area Development, 2014-2018*).
- Georgia has maintained a AAA rating from all three credit agencies for 20 years.
- The state has a fully-funded rainy day fund, approaching \$2.5B (10%+ of annual expenditures).
- Effective January 2019, Georgia's corporate income tax rate is 5.75%. Prior to this change, the state had a consistent 6% rate since 1969.

### FAVORABLE AND PREDICTABLE TAX POLICY AND REGULATIONS

- Georgia's main incentives for job creation have been in place for 25 years (Job Tax Credit) and 15 years (Quality Jobs Tax Credit and Mega Project Tax Credit).
- Some tax credits can be applied to state payroll withholding liability.
- Nationally, Georgia was early in adopting single-factor apportionment (and the first state in the Southeast).

#### In simplified terms, Single-Factor Apportionment means that:

the percentage of a company's Georgia taxable income that is subject to Georgia corporate income tax is determined by the percentage of a company's total sales that are made to customers in Georgia.

In other words, only 20% of a company's Georgia taxable income will be subject to Georgia's corporate income tax IF only 20% of a company's sales were made to customers in Georgia.

Many states still add a company's in-state property and payroll as factors. Single-factor apportionment can significantly reduce Georgia corporate income taxes for companies with substantial sales to customers outside Georgia.

**Example:** For the 2018 tax year, assume you have the following total overall taxable income and gross receipt sales in Georgia (as compared to total gross receipts).

**Taxable Income: \$10 million**

**Percent of Gross Receipts in Georgia: 5%**

In 2018, only \$500,000 of your income would be subject to Georgia's 6% corporate income tax, making corporate income tax liability \$30,000  $[(\$10 \text{ million} \times 5\%) \times 6\%]$ .



# HIRING, TRAINING AND EDUCATION



## QUICK START EMPLOYEE TRAINING

As the No. 1 workforce training program in the country, Quick Start develops and delivers fully customized, strategic workforce solutions for qualified companies investing in Georgia. Quick Start helps companies assess, select and train the right people at the right time for success. **Services are provided free of charge as a discretionary incentive for job creation** for clients opening or expanding manufacturing operations, distribution centers, headquarters operations and customer contact centers in a broad range of industries.

Services include:

- **Strategic workforce consultation:** Quick Start's training professionals work with company subject-matter experts to guarantee training meets business goals.
- **Pre-employment assessment:** Helps companies assess candidates according to their own defined criteria and preview their skills.

- **Customized post-employment and job-specific training:** From fundamental knowledge to supervised on-the-job training on a company's own technology and processes, Quick Start prepares employees for maximum effectiveness and efficiency.
- **Leadership and productivity enhancement training:** Businesses maintain competitiveness and emphasize continuous improvement for all team members with Quick Start's guidance. [GeorgiaQuickStart.org](http://GeorgiaQuickStart.org)

## OFFICE OF WORKFORCE DEVELOPMENT

The Technical College System of Georgia's Office of Workforce Development is focused on ensuring that education and training in Georgia is geared toward in-demand jobs. The office plays a critical role in maintaining Georgia's distinction as the No. 1 state in the nation to do business.

The Office of Workforce Development can provide access to a number of training resources that help companies develop a strong and competitive workforce. For more information on Georgia's workforce-related programs and resources, visit [TCSG.edu/Workforce](http://TCSG.edu/Workforce).



## HIRING ASSISTANCE

The Georgia Department of Labor (GDOL) assists employers with recruiting qualified employees by posting notices of their job openings, collecting and screening applications and resumes, referring qualified applicants to the employer for employment interviews, providing office space for interviews, and hosting job fairs and/or individual recruitments. The department's Business Services Unit will plan and execute customized recruiting for new companies.

The GDOL also works with private employment agencies that list job openings with the state.

## RETRAINING TAX CREDITS FOR IMPLEMENTING NEW TECHNOLOGY

The Retraining Tax Credit mitigates the cost of retraining existing employees so that companies can realize the full value of eligible new technology investments.

Eligible retraining providers include company subject matter experts, technology vendors, private training organizations and Georgia's public technical colleges. Eligible costs include wages paid to employees as they are being trained (and to an instructor from the company), and training materials.

The Retraining Tax Credit value is calculated at 50 percent of the employer's direct costs, up to \$500 per employee per approved retraining program per year. The total amount of credit for one employee cannot exceed \$1,250 per year. Training programs must be approved by the Technical College System of Georgia. Retraining Tax Credits can be:

- Used to offset up to 50 percent of a company's state corporate income tax liability
- Carried forward for 10 years if they are not used during a tax year
- Combined with other tax credits

Retraining Tax Credits are subject to program requirements as outlined in O.C.G.A. § 48-7-40.5. For a detailed guide on these credits, visit [TCSG.edu/quick-start](https://tcsgeorgia.edu/quick-start).

## GEORGIA'S COLLEGES AND UNIVERSITIES

Each year, more than 95,000 degrees are earned through Georgia's public and private colleges and universities. These institutions connect employers with their students and graduates through career services centers, which facilitate internships and co-ops, as well as provide employers with recruiting opportunities.

Employers can contact individual colleges and universities, the University System of Georgia, the Technical College System of Georgia and the Georgia Independent College Association to learn more.

## HOPE SCHOLARSHIP AND GRANT PROGRAMS

HOPE (Helping Outstanding Pupils Educationally) is Georgia's unique scholarship and grant program that rewards students with financial assistance in degree, diploma and certificate programs at eligible Georgia public and private colleges and universities, and public technical colleges.

The HOPE Scholarship is available to eligible Georgia students who meet academic requirements, and covers a substantial percentage of tuition costs for degree programs in Georgia's public colleges and universities. The HOPE Grant provides tuition assistance to eligible Georgia residents seeking a technical degree or certificate at one of Georgia's technical colleges. Eligibility is not dependent upon high school GPA and is open to students enrolled in a technical college who have not already earned a bachelor's degree. These programs can be advantageous to relocating families with children, and for companies training employees through local technical colleges. [GAfutures.org](https://GAfutures.org)

The **HOPE Career Grant** is a state-funded grant that provides financial support for Technical College System of Georgia (TCSG) students in majors that prepare students for high-demand careers. The HOPE Career Grant supplements the HOPE Grant, resulting in free tuition, as well as some of the cost of books and fees. There are more than 370 different TCSG majors to choose from in the 17 HOPE Career Grant program areas. [TCSG.edu/free-tuition](https://TCSG.edu/free-tuition)

## HOPE CAREER GRANT PROGRAM AREAS

- |                                  |                                       |
|----------------------------------|---------------------------------------|
| • WELDING AND JOINING TECHNOLOGY | • LOGISTICS/TRANSPORTATION TECHNOLOGY |
| • DIESEL EQUIPMENT TECHNOLOGY    | • COMPUTER PROGRAMMING                |
| • COMMERCIAL TRUCK DRIVING       | • COMPUTER TECHNOLOGY                 |
| • PRECISION MANUFACTURING        | • MOVIE PRODUCTION/SET DESIGN         |
| • CERTIFIED ENGINEER ASSISTANT   | • HEALTH SCIENCE                      |
| • INDUSTRIAL MAINTENANCE         | • EARLY CHILDHOOD CARE AND EDUCATION  |
| • AUTOMOTIVE TECHNOLOGY          | • PRACTICAL NURSING                   |
| • AVIATION TECHNOLOGY            |                                       |
| • CONSTRUCTION TECHNOLOGY        |                                       |
| • ELECTRICAL LINEMAN TECHNOLOGY  |                                       |

# EXPANSION SERVICES

Existing Georgia firms may qualify for many of the programs outlined in this brochure and can also take advantage of several programs dedicated to them.

## INVESTMENT TAX CREDIT

Georgia has an investment tax credit available to existing companies in the state. The value of the credit is 1-5 percent (depending on the tier status of the county where the investment is made) of the qualifying investment expenses (the "project"). To qualify, a company must:

- Have operated either a manufacturing or telecommunications facility in Georgia for at least three years, and make a minimum \$50,000 investment in a new or existing manufacturing or telecommunications facility in Georgia; OR
- Have operated a corporate office or other support facility for a manufacturing or telecommunications company in Georgia for at least three years, and make a minimum \$50,000 investment in a new or existing manufacturing or telecommunications facility in Georgia.

Qualified investment expenses include, but are not limited to:

- Land acquisition
- Improvements
- Buildings
- Machinery and equipment to be used in a manufacturing or telecommunications facility

Higher credits (3-8 percent, depending on tier status) are available for investments in:

- Recycling or Pollution Control Equipment
- Defense Plant Manufacturing Conversion to a New Product

TIER	INVESTMENT CREDITS	MINIMUM INVESTMENT	LIMITS OF CREDITS	CARRY FORWARD
1	5%-8%*	\$50,000	50% of tax liability	10 years
2	3%-5%*	\$50,000	50% of tax liability	10 years
3	1%-3%*	\$50,000	50% of tax liability	10 years
4	1%-3%*	\$50,000	50% of tax liability	10 years

\*Recycle, Defense Conversion, Pollution Control

The duration of a project shall not exceed three years unless expressly approved in writing by the Commissioner of the Georgia Department of Revenue. This credit may be applied against 50 percent of state corporate income tax liability. Excess credits may be carried forward for 10 years. To be eligible to receive the credits, a taxpayer must submit a written application to the Georgia Department of Revenue requesting approval of the project plan no later than thirty (30) days after the completion of the project. Taxpayers may claim only one of the job or investment tax credits for a given project.

Investment Tax Credits are subject to program requirements as outlined in O.C.G.A. § 48-7-40.2, 48-7-40.3, and 48-7-40.4 and in rules published by the Georgia Department of Revenue in regulation 560-7-8-.37.

**Example:** In a Tier 1 county, you invest \$100 million in a manufacturing plant plus \$25 million in recycling equipment. You are eligible for a \$7 million tax credit to reduce or eliminate Georgia corporate income tax [ $\$100 \text{ million} \times 5\%$ ] + [ $\$25 \text{ million} \times 8\%$ ] = \$7 million.





## CENTERS OF INNOVATION

Exclusive to Georgia, the Centers of Innovation (COI) are the state's leading resource for facilitating business innovation. Through the assistance of the five centers, Georgia companies translate new ideas and technologies into commercially viable products and services to better compete in the global marketplace. As a division of the Georgia Department of Economic Development, the five individual centers operate statewide.



Georgia businesses receive:

- Focused, deep technical industry expertise
- Identification of new markets and business opportunities
- New product commercialization and development assistance
- Access to research and collaborations
- Business, academic and government partnerships

## INTERNATIONAL TRADE

The International Trade Division provides Georgia businesses with free export services including market intelligence, key in-country contacts and cost-effective international opportunities to help them diversify and grow. The division leverages the state's international representatives in 12 strategic global markets - Brazil, Canada, Chile, China, Colombia, Europe, Israel, Japan, Korea, Mexico, Peru and the UK and Ireland - providing customized export services and solutions.

- **Global Insight** - Providing knowledge including the "how-to's" of exporting, industry-specific and country-specific data. Services include research, export education, consultations, market assessments and partner resources.
- **Global Connections** - Matching Georgia suppliers with international buyers/representatives. Accomplished through international and domestic tradeshows, trade missions, incoming buyer delegations, in-country matching, business partner identifications and Trade Opportunity Alert notifications.



*"With the Center of Innovation, they're not interested in equity. They're interested in employment and the revenue that can be driven from your product that's going to create a tax base, that's going to make things better for Georgia."*

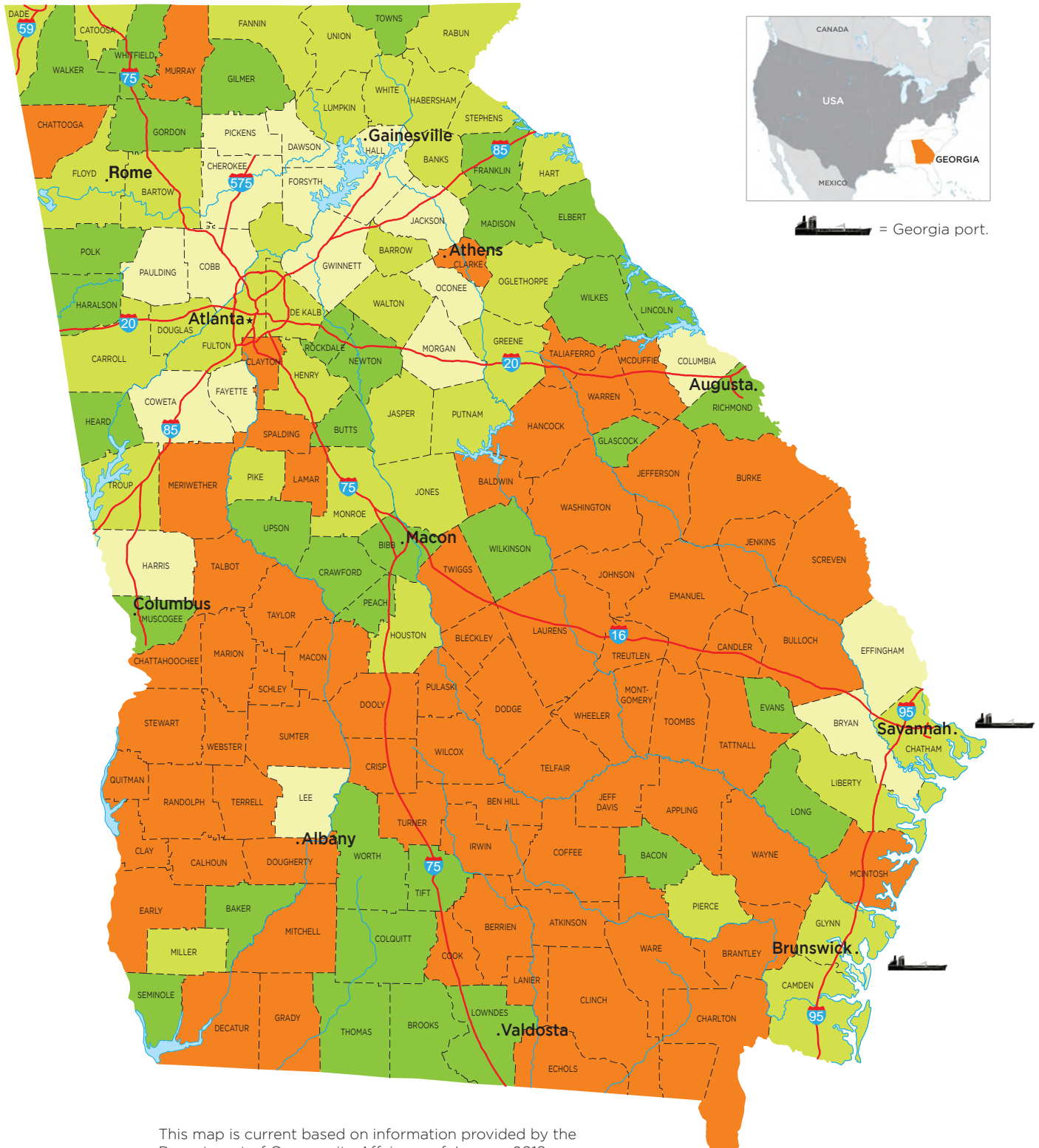
Rick Huszagh,  
Co-Founder  
ESCOGO



*"The professionalism and work ethic of the GDECD Trade staff could not be better. GDECD is a key reason why AdEdge is growing successfully in Latin America and other countries. We're lucky to have such a great team working with us all around the globe."*

Richard J Cavagnaro  
Corporate Communications  
AdEdge Water Technologies

# GEORGIA 2019 JOB TAX CREDIT TIERS



This map is current based on information provided by the Department of Community Affairs as of January 2019.



# JOB CREATION TAX CREDITS

## JOB TAX CREDIT

New and expanding companies may earn Job Tax Credits for creating new jobs in Georgia. These credits can effectively eliminate a company's corporate income tax liability, and in certain areas can also reduce the company's payroll withholding obligations.

The requirements and benefits depend on where the new jobs are located, with lower qualification requirements and higher benefits in Georgia's less developed areas. Each year, all 159 Georgia counties are assigned to one of four "tiers" based on the unemployment rate, per capita income and poverty rate.

Once a company has qualified to earn Job Tax Credits, it can earn a tax credit for each net new job it creates (and maintains) during the next five years. Each of those jobs can earn an annual credit for five years after it is created.

TIER	JOB TAX CREDIT \$ (FOR 5 YEARS)	MIN. NEW JOBS	USE OF CREDITS**	CARRY FORWARD
1	\$4,000*	2	100% of tax liability - excess to withholding up to \$3,500	10 years
2	\$3,000*	10	100% of tax liability	10 years
3	\$1,750*	15	50% of tax liability	10 years
4	\$1,250*	25	50% of tax liability	10 years
MZ/OZ	\$3,500	2	100% of tax liability - excess to withholding	10 years
LDCT	\$3,500	5	100% of tax liability - excess to withholding	10 years

\*Includes \$500 bonus for Joint Development Authority (JDA). Georgia counties can form partnerships that benefit companies with this \$500 Job Tax Credit bonus. The majority of counties are in a JDA. To confirm a county's status, please call 404.962.4931.

\*\* Tax credits are applied to Georgia corporate income taxes

MZ= Military Zone

OZ= Opportunity Zone

LDCT= Less Developed Census Tract

**Example:** You create 50 jobs in a **Tier 1** county that offers a \$4,000 credit, and you will receive \$1 million in tax credits over five years to reduce or eliminate Georgia corporate income tax [50 jobs x \$4,000 x 5 years = \$1 million]. Excess credits may be applied to state payroll withholding liability.



*From the very beginning, the Georgia Economic Development team has acted as a valued partner — supporting the startup, and now ongoing operations of our Athens facility. Recently, the workforce-related support we have received, in particular the Quick Start program, has truly contributed to the success of our facility."*

Todd Henry  
Athens Operations Manager  
Building Construction Products Division  
Caterpillar Inc.

## USING JOB TAX CREDITS TO REDUCE GEORGIA PAYROLL WITHHOLDING LIABILITY

Companies with projects located in Tier 1 counties, Opportunity Zones, Military Zones, and Less Developed Census Tracts may apply Job Tax Credits to 100 percent of their Georgia corporate income tax liability. After all Georgia corporate income tax liability has been satisfied, companies may apply any remaining Job Tax Credits (up to a maximum of \$3,500 per job) against their Georgia payroll withholding liability. Job Tax Credits applied to payroll withholding liability essentially represent new cash flow for the company.

### QUALIFYING FOR THE JOB TAX CREDIT

A company may qualify for Georgia's Job Tax Credit by creating net new full-time jobs at any location in the state. To qualify, the Georgia facility must be engaged in a specified operation, or the headquarters of a company engaged in a specified industry, including:

- Manufacturing
- Warehousing, Distribution and Logistics
- Software Development
- FinTech
- Data Centers
- Contact Centers
- Telecommunications
- Research and Development Facilities

To qualify, each job must be full-time, offer health insurance benefits consistent with what is offered to existing employees, and pay more than the average wage of the county with the lowest average wage in the state (\$484/week as of June 2018).

The location of the jobs determines the minimum number of net new full-time jobs that must be created in order to qualify for the credit, ranging from two net new jobs (Tier 1) to 25 net new jobs (Tier 4) in the first qualifying year.

New jobs created after the five-year period ends do not earn tax credits unless the project meets the minimum requirement of new jobs in a single year again, and then another five-year cycle may start.



*Georgia is our home state and very important to us. The Port of Savannah is very strategic for the state of Georgia and very strategic for The Home Depot. About 20% of our imports enter through the Port of Savannah."*

Mark Holifield  
Executive Vice President,  
Supply Chain & Product Development  
The Home Depot



## VALUE OF THE JOB TAX CREDIT

The value of the tax credit ranges from \$750 to \$4,000 each year for five years (depending on the tier and whether the county is a member of a Joint Development Authority) for each new job created over a five-year period. The credit value for each county is indicated on pages 8 and 9.

Credits may be taken against 100 percent of state corporate income tax liability in Tier 1 and 2 counties, or against 50 percent of state corporate income tax liability in Tier 3 and 4 counties. Claimed but unused credits may be carried forward for 10 years from the close of the taxable year in which qualified jobs were established.

Additionally, in Tier 1 counties, excess Job Tax Credits may be credited to Georgia payroll withholding taxes (with a limitation of \$3,500 per job, per year).

## SPECIAL ZONES

Certain areas have special designations. Companies in Less Developed Census Tracts (LDCT), Opportunity Zones (OZ), and Military Zones (MZ) are eligible for a \$3,500 job tax credit that can be applied to 100 percent of corporate income tax liability. Any excess credits may be used to offset state payroll withholding liability. OZs and MZs, as well as Georgia's 40 least-developed counties, offer job tax credits to businesses of any nature, including retail businesses, that create at least two net new jobs.

LDCTs, OZs and MZs are located throughout the state, and the job threshold requirement, job tax credit value, and use of credits allowed in these areas supersede those of the county in which these designated areas are located. In 2018, the Governor signed into law an expansion of what areas in Georgia qualify as Military Zones. To review where these zones are, visit [Georgia.org/SiteSelector](http://Georgia.org/SiteSelector).

Job Tax Credits are subject to program requirements as outlined in O.C.G.A. § 48-7-40 and rules published by the Georgia Department of Community Affairs in Chapter 110-9.1.



## GEORGIA VS. FEDERAL OPPORTUNITY ZONES

Georgia's Opportunity Zones (Georgia OZs) are a state-level program that pre-dates the new federal Qualified Opportunity Zones (federal OZs).<sup>\*</sup> The Georgia OZs and federal OZs have different geographic areas of eligibility, as well as different types of tax benefit to encourage investment. Georgia OZs reward job creation with credits that the employer can apply to state corporate income taxes and state payroll withholding.

The federal OZs reward private investment with temporary deferrals of federal capital gains taxes for the investor. For more information on federal opportunity zones, including a map of locations in Georgia, visit [www.georgia.org/dca](http://www.georgia.org/dca).

<sup>\*</sup>created by the Tax Cuts and Jobs Act of 2017

# PORT ACTIVITY TAX CREDITS

## PORT TAX CREDIT BONUS

The Port Tax Credit Bonus is available to taxpayers who qualify for the Job Tax Credit or the Investment Tax Credit (see page 6), and increase imports or exports through a Georgia port by 10 percent over the previous or base year. Base year port traffic must be at least 75 net tons, five containers or 10 TEUs (twenty-foot equivalent units); if not, the percentage increase in port traffic will be calculated using 75 net tons, five containers, or 10 TEUs as the base. The Port Tax Credit bonus can be used with either the Job or the Investment Tax Credit program, provided that the company meets the requirements for one of those programs. Port Tax Credits may be used to offset up to 50 percent of the company's corporate income tax liability. Unused credits may be carried forward for 10 years, provided that the increase in port traffic remains above levels established in year one for eligibility and that the company continues to meet the job or investment tax credit requirements. Note that the Port Tax Credit Bonus cannot be utilized with the Quality Jobs Tax Credit. *The Georgia Ports Authority deepwater ports are indicated on the Tier Map found on page 8.*

Port Tax Credits are subject to program requirements as outlined in O.C.G.A. § 48-7-40.15.

### Port Tax Credit Bonus for Job Tax Credits

This “port bonus” is an additional \$1,250 per job, per year, for up to five years for taxpayers with qualified increases in shipments through a Georgia port. The \$1,250 is added to the Job Tax Credit.

**Example:** If you create 50 jobs in a **Tier 1** county and increase port traffic by at least 10 percent, then you are eligible to receive the Port Tax Credit Bonus. You receive \$1,312,500 in tax credits spread over five years to reduce or eliminate Georgia income tax:  $[50 \text{ jobs} \times (\$4,000 \text{ job tax credit} + \$1,250 \text{ port tax credit bonus}) \times 5 \text{ years}] = \$1,312,500$ .

### Port Tax Credit Bonus for Investment Tax Credits

This “port bonus” increases the Investment Tax Credit to the equivalent of a **Tier 1** location regardless of the tier level; therefore, it would be equal to 5% of the qualified investment in expenses directly related to manufacturing or providing telecommunication services with the credit increasing to 8% for recycling, pollution control and defense conversion. *See page 6 for additional information on Investment Tax Credits.*

**Example:** You qualify for a port bonus in a **Tier 4** county, investing \$100 million in a manufacturing plant plus \$25 million in recycling equipment. You are eligible for a \$7 million investment tax credit to reduce or eliminate Georgia income tax:  $[\$100 \text{ million} \times 5\%] + [\$25 \text{ million} \times 8\%] = \$7 \text{ million}$ .

GEORGIA'S PORT OF SAVANNAH IS THE  
FASTEST-GROWING CONTAINER PORT  
IN THE UNITED STATES.





# MEGA PROJECT TAX CREDITS

## MEGA PROJECT TAX CREDIT

Companies that

- hire at least 1,800 net new full-time employees;
- either invest a minimum of \$450 million or have a minimum annual payroll of \$150 million; and
- pay an average wage above specified minimums or show high growth potential may claim a \$5,250 per job, per year tax credit for the first five years of each net new job position.

Companies can have up to 10 years to meet the job creation threshold depending on the amount of qualified investment:

By the end of:	If the company has purchased or acquired qualified investment property valued:	The company must meet the job creation threshold no later than the end of:
Year 6	Between \$450 million and \$600 million	Year 6
	Between \$600 million and \$800 million	Year 8
Year 8	≥\$800 million	Year 10

### USING MEGA PROJECT TAX CREDITS TO REDUCE GEORGIA PAYROLL WITHHOLDING LIABILITY

Credits are first applied to 100% of state corporate income tax liability, with excess credits eligible for use against state payroll withholding. Mega Project Tax Credits applied to payroll withholding liability essentially represent new cash flow for the company.

Credits may be carried forward for 10 years. A maximum of 4,500 new jobs created by any one project may be eligible to receive these credits. If the required 1,800 new jobs are not maintained, the company may be subject to recapture provisions.

Mega Project Tax Credits are subject to detailed program requirements as outlined in O.C.G.A. § 48-7-40.24.



# HIGH-PAYING JOB CREATION TAX CREDITS

## QUALITY JOBS TAX CREDIT

Companies may receive Quality Jobs Tax Credits (QJTC) if, during a 24-month period, they create and maintain at least 50 net new jobs that pay at least 110 percent of the county's average wage. The QJTC value ranges from \$2,500 to \$5,000 per job, per year, for up to five years.

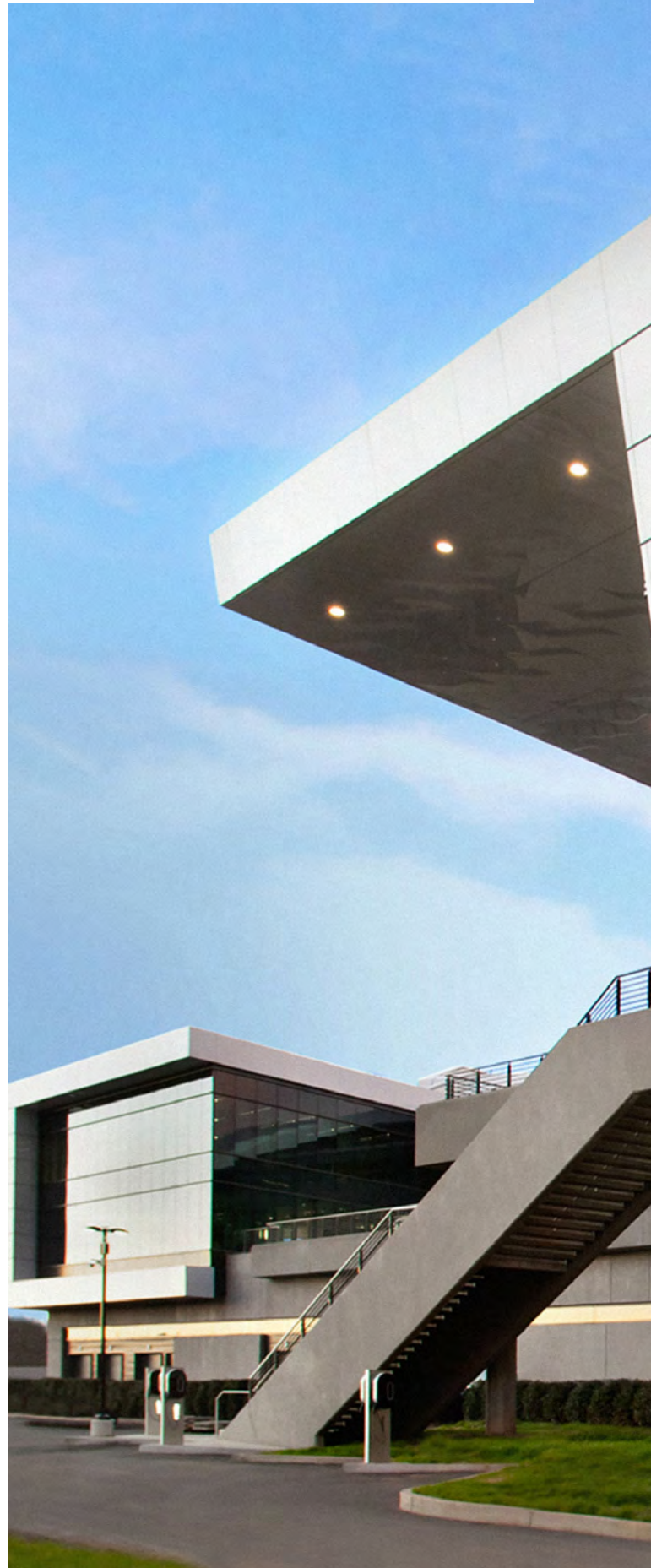
After qualifying, a company can earn additional QJTC credits over the next seven years by creating and maintaining additional qualifying jobs. New jobs created after the seven-year period ends do not earn QJTC credits unless the project creates at least 50 net new qualifying jobs in a 24-month period again to begin another seven-year cycle.

Georgia companies that invest a minimum \$2.5 million in a new facility (as defined by law) while they are earning credits within an established QJTC seven-year window can open a second seven-year window before the end of the one already established.

QJTC may be applied against 100 percent of the state corporate income tax liability, and once that liability has been exhausted, the credits may be used to offset the company's state payroll withholding. Claimed but unused credits may be carried forward for 10 years from the close of the taxable year in which the qualified jobs were established.

A qualifying job can earn QJTCs or Job Tax Credits (JTCs), but not both. However, new jobs that do not meet the requirements for the QJTC may be claimed for JTCs if they meet JTC eligibility requirements separately. For current average county wages, view the annual Georgia Employment and Wages report on the Publications page of the Georgia Labor Market Explorer website (<https://explorer.gdol.ga.gov>). QJTCs are subject to requirements outlined in O.C.G.A. § 48-7-40.17 and rules published by the Georgia Department of Revenue in regulation 560-7-8-.51.

% OF COUNTY AVERAGE WAGE	QUALITY JOB TAX CREDIT \$ (FOR 5 YEARS)
≥110% and <120%	\$2,500
≥120% and <150%	\$3,000
≥150% and <175%	\$4,000
≥175% and <200%	\$4,500
200% or greater	\$5,000







Porsche Headquarters

## USING QUALITY JOBS TAX CREDITS TO REDUCE GEORGIA PAYROLL WITHHOLDING LIABILITY

Credits are first applied to 100% of state corporate income tax liability, with excess credits eligible for use against state payroll withholding. Quality Jobs Tax Credits applied to payroll withholding liability essentially represent new cash flow for the company.

**Example:** You create 75 new jobs in a Tier 1 county that is part of a Joint Development Authority (JDA). Of those 75 jobs, 50 of them meet the QJTC wage requirement, with an average wage for those qualifying jobs of 205 percent above the county average. This earns a \$5,000 QJTC credit for each of the 50 jobs; the 25 jobs that do not meet the QJTC wage requirement qualify for the JTC. This earns a \$4,000 JTC credit for each job. You are eligible for \$1,750,000 in tax credits [50 jobs x \$5,000 QJTC x 5 years + 25 jobs x \$4,000 JTC x 5 years = \$1,750,000].

“

*It was on the one hand the brilliant support we got from the state of Georgia and the city of Atlanta. Second, and I would say equally as important, is that we can depend on our very proud and very experienced workforce we have here in Atlanta.”*

*Bernhard Maier  
Executive Board of Management  
Porsche Cars North America, Inc.*

# RESEARCH & DEVELOPMENT TAX CREDITS

## RESEARCH & DEVELOPMENT TAX CREDIT

Georgia companies performing qualified research and development (R&D) activities in the state may be eligible for tax credits if the facility is engaged in a specified operation, or the headquarters of a company engaged in a specified industry, including:

- Manufacturing
- Warehousing, Distribution and Logistics
- Software Development
- FinTech
- Data Centers
- Contact Centers
- Telecommunications
- Research and Development Facilities

Eligible companies may claim up to a 10 percent tax credit of R&D expenses in Georgia, subject to a base amount calculation. This credit is not just for dedicated R&D facilities. Any facility in the above strategic industries may claim these credits with qualifying expenditures.

The R&D credit is applied to 50 percent of the company's net Georgia corporate income tax liability after all other credits have been applied. Any excess R&D credits can then be applied to the company's state payroll withholding liability. Any unused credits can be carried forward for up to 10 years from the close of the taxable year in which the qualified R&D expenses were made.

Qualified R&D expenses are defined in Section 41 of the Internal Revenue Code of 1986, as amended, except that all wages paid and all purchases of services and supplies must be for R&D conducted within the state of Georgia.

The value of the credit is equal to 10 percent of the qualified R&D expenses minus a base amount. To calculate the base amount, multiply a company's Georgia sales in the current taxable year by either:

- the average of the ratios of its aggregate qualified R&D expenses to sales in Georgia for the preceding three taxable years; OR
- 0.300, whichever is less.

If a company had no sales in Georgia during one or more of the three preceding tax years, multiply a company's sales in Georgia in the current taxable year by 0.300 to calculate the base amount.

R&D Tax Credits are subject to program requirements as outlined in O.C.G.A. §48-7-40.12.

## USING RESEARCH & DEVELOPMENT (R&D) TAX CREDITS TO REDUCE GEORGIA PAYROLL WITHHOLDING LIABILITY

R&D tax credits may be applied against 50% of Georgia corporate income tax liability after all other Georgia tax credits have been applied to the liability. After companies apply the earned R&D Tax Credits to 50% of the remaining Georgia corporate income tax liability, they may apply any remaining R&D Tax Credits against their Georgia payroll withholding liability. R&D Tax Credits applied to payroll withholding liability essentially represent new cash flow for the company.





Most companies have some level of activity that can qualify for Georgia's R&D tax credit. If your company has been involved in any of the following types of activities, some of your expenses related to these initiatives will qualify for the credit:

- R&D to get capital purchases for process improvements up and running, such as implementing ERP software or new plant equipment
- Developing or prototyping new products or processes
- Investing in improvement of legacy software solutions
- Moving services to the cloud

R&D TAX CREDITS ESSENTIALLY MAY PROVIDE  
NEW CASH FLOW FOR REINVESTMENT.



# PREMIUM TAX CREDITS

## PREMIUM TAX CREDIT

Georgia offers a tax credit against the annual premium tax applied to insurance companies in the state. The tax credit is earned based on new job creation in Georgia.

The amount of the per-job tax credit, how the credits can be used, and the qualification requirements depend on the community's location, which assigns it a designated tier. The map on page 8 illustrates the tier designations of the counties, and the chart below provides details on how the parameters change based on the tier designation.

Once a company has qualified to earn the premium tax credit, each job can earn an annual credit for years two through six, as long as the job is maintained.

Companies must create between five and 25 net new jobs in a year to qualify, depending on the tier of the county. To qualify, the new jobs must have:

- No predetermined end date;
- A regular work week of 35 hours or more;
- The same benefits provided to other regular employees of the local company (including health insurance coverage); and
- An average wage above the average wage of the county with the lowest average wage in the state (\$484/week as of June 2018)

Premium Tax Credits are subject to program requirements as outlined in O.C.G.A. 33-8-4.1 and the 2008 rules and regulations published by the Georgia Department of Community Affairs in 110-9-1.

TIER	JOB TAX CREDIT \$ (FOR 5 YEARS)	NET NEW JOBS TO QUALIFY	USE OF CREDITS	CARRY FORWARD
1	\$3,500	5	100% of Georgia premium tax liability	10 years
2	\$2,500	10	100% of Georgia premium tax liability	10 years
3	\$1,250	15	50% of Georgia premium tax liability	10 years
4	\$750	25	50% of Georgia premium tax liability	10 years

**Example:** An insurance company that creates 200 qualifying jobs in a **Tier 3** county is eligible for \$1,250,000 (200 jobs x \$1,250 x 5 years) in tax credits taken against 50% Georgia premium tax liability.



*The state of Georgia truly understands business and the requirements of doing business better than most other states. From the start, we appreciated and recognized the business-friendly community. This type of environment, along with a valuable incentive package, attracts big companies and compels them to get involved and give back."*

James Williams  
Executive Vice President (2015)  
Mitsubishi Hitachi Power Systems Americas





# CHILD CARE & PAROLEE TAX CREDITS

## CHILD CARE TAX CREDITS

The Child Care Tax Credit is for employers who purchase or build qualified child care facilities, or who provide or sponsor child care for employees.

For employers who purchase or build a state-licensed facility, the credit is equal to 100 percent of the cost of construction, which is earned over 10 years (10 percent each year). Unused credits can be carried forward for three years.

Employers who provide or sponsor child care at a state-licensed facility are eligible for a credit equal to 75 percent of the employer's direct costs. Credits that are related to providing or sponsoring child care may be carried forward for five years.

All child care tax credits can be applied to 50 percent of the corporate income tax liability.

Child Care Tax Credits are subject to program requirements as outlined in O.C.G.A. § 48-7-40.6 and rules published by the Georgia Department of Revenue in regulation 560-7-8-.38.

## PAROLEE TAX CREDIT

Georgia offers a \$2,500 per person tax credit for hiring an individual granted parole within 12 months of his or her date of hire.

This credit, which can be used in addition to any job tax credits that the company may be eligible for with the position, can be used only once per individual, and there is a per-employer limit of \$50,000 for each tax year. The credits are applied to 100% of state corporate income tax liability, with the ability to carry forward any excess credits for three years.

Employers from any industry are eligible for the tax credit, but the company can claim the tax credit only if it pays the individual at or above the average wage of the county with the lowest average wage in the state (\$484/week as of June 2018).

Parolee Tax Credits are subject to program requirements as outlined in O.C.G.A. 48-7-40.31 and rules published by the Georgia Department of Revenue in regulation 560-7-8-.58.



# TAX EXEMPTIONS

## EXEMPTIONS FOR MANUFACTURERS

### SALES AND USE TAX EXEMPTION

Georgia offers sales and use tax exemptions on a wide range of expenditures that manufacturing facilities must make for their operations. Below are key expenditure areas for which Georgia exempts the 6-8.9% sales and use tax for its manufacturers.

Exemption	Description
<b>Manufacturing Machinery and Equipment</b>	Manufacturing machinery and equipment that is integral and necessary to the manufacturing process and used in a manufacturing facility is exempt from sales tax. Qualifying machinery or equipment must be purchased for a new manufacturing facility, as replacement machinery in an existing manufacturing facility, or for the upgrade or expansion of an existing manufacturing facility. [Ga. Comp. R. & Regs. 560-12-2-.62]
<b>Repair to Industrial Machinery</b>	The sale or use of repair or replacement parts, machinery clothing, molds, dies, waxes or tooling for machinery which is necessary and integral to the manufacture of tangible personal property in a presently existing manufacturing plant is exempt from taxation. [Ga. Comp. R. & Regs. 560-12-2-.62]
<b>Raw Materials and Packaging</b>	Materials used for further processing, manufacture, or conversion into components of a finished product; materials coated upon or impregnated into a product being manufactured for sale; and non-reusable materials used to package products for sale or shipment may be purchased tax-free. [Ga. Comp. R. & Regs. 560-12-2-.62]
<b>Energy Used in Manufacturing</b>	The sale, use, storage, or consumption of energy which is necessary and integral to the manufacture of tangible personal property at a manufacturing plant shall be exempt from all sales and use taxation except for the sales and use tax for educational purposes (typically 1.0%). This includes energy used directly or indirectly in a manufacturing facility. [Ga. Comp. R. & Regs. 560-12-2-.64]
<b>Primary Material Handling Equipment</b>	For manufacturers who have a separate portion of their facility designated exclusively for the material handling function, purchases of the machinery and equipment used to handle, move, or store tangible personal property is exempt from sales and use taxes where the total purchase or expansion is valued at \$5 million or more. [Ga. Comp. R. & Regs. 560-12-2-.103]
<b>Pollution Control Equipment</b>	Machinery & equipment used for the primary purpose of reducing or eliminating air and water pollution is exempt. [Ga. Comp. R. & Regs. 560-12-2-.62]
<b>Clean Room Equipment</b>	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 is exempt from sales tax, if the room is used to produce tangible personal property. The exemption does not include the building of any permanent, nonremovable component of the building that houses the clean room. [O.C.G.A. § 48-8-3(69)]

### INVENTORY TAX EXEMPTION

Georgia has no state property tax on inventory or any other real or personal property. Under Georgia's Level One Freeport law, counties and municipalities have the option of enacting a local property tax exemption for four different classes of inventory at 20, 40, 60, 80 or 100 percent of the value.

There are two classes of goods under Level One Freeport that relate to manufacturers:

**Class One:** Inventory of goods in the process of being manufactured or produced including raw materials and partly finished goods.

**Class Two:** Inventory of finished goods manufactured or produced within this state held by the manufacturer or producer for a period not to exceed 12 months.



# EXEMPTIONS FOR DATA CENTERS AND HIGH-TECH COMPANIES

## SALES AND USE TAX EXEMPTION

Georgia exempts the 6-8.9% sales and use tax for data centers and high-tech companies.

Exemption	Description
<b>Data Centers New – Jan 2019</b>	Data center (co-located and single-user) projects that create at least 20 new jobs that are eligible for the Quality Jobs Tax Credit and meet a minimum threshold of investment may be eligible for a sales and use tax exemption on qualified purchases. The investment thresholds are linked to the population of the county in which the facility is located (from \$100 million to \$250 million). Eligible expenses include materials, components, machinery, hardware, software, or equipment, including but not limited to cooling towers, energy storage or energy efficiency technology, switches, power distribution units, switching gear, peripheral computer devices, routers, batteries, wiring, cabling, or conduit. [proposed Ga. Comp. R. & Regs. 560-12-2-.117]
<b>High-Tech Companies (including Single-User Data Centers)</b>	The sale of certain computer equipment is exempt when the total qualifying purchases by a High Technology Company in a calendar year exceeds \$15 million. A High Technology Company must be classified under certain relevant North American Industry Classification System (NAICS) codes, which include single-user data centers (but not co-located data centers), software publishers, computer systems design, certain telecommunications firms, financial transaction processing facilities, and R&D centers. [Ga. Comp. R. & Regs. 560-12-2-.107]

## EXEMPTIONS FOR DISTRIBUTION CENTERS

### SALES AND USE TAX EXEMPTION

Georgia exempts the 6-8.9% sales and use tax for the following equipment.

Exemption	Description
<b>Primary Material Handling Equipment</b>	Distribution or warehouse facilities that invest \$5 million or more in the purchase or expansion are eligible for sales and use tax exemptions on qualifying purchases. Qualifying equipment is defined as machinery and equipment used to handle, move, or store tangible personal property. The distribution or warehouse facility may not have retail sales equal to or greater than 15 percent of the facility's total revenues. [Ga. Comp. R. & Regs. 560-12-2-.103]

### INVENTORY TAX EXEMPTION

Georgia has no state property tax on inventory or any other real or personal property. Under Georgia's Level One Freeport law, counties and municipalities have the option of enacting a local property tax exemption for four different classes of inventory at 20, 40, 60, 80 or 100 percent of the value. Georgia's Freeport law includes a third and fourth class of goods relevant to distribution centers and warehouse facilities.

**Class Three:** Inventory of finished goods stored in a warehouse, dock or wharf, which is destined for shipment outside this state for a period not to exceed 12 months.

**Class Four:** Stock in trade of a fulfillment center that is stored in a warehouse.

Local governments can also hold a referendum to approve Level Two Freeport, which would extend the exemption to any inventory or real property not covered by Level One, including retail inventory. Level One and Level Two Freeport Exemptions are outlined in O.C.G.A. 48-5-48.1, 48-5-48.2, 48-5-48.5, and 48-5-48.6.

### FOREIGN-TRADE ZONE (FTZ)

The FTZ program allows qualified companies to defer, decrease or eliminate duties on materials imported from overseas that are used in products assembled in Georgia. The three international ports of entry in Georgia each have FTZ projects associated with them:

- Atlanta - FTZ #26
- Brunswick - FTZ #144
- Savannah - FTZ #104

In 2018, *Site Selection* magazine ranked FTZ #26 (Atlanta) as one of two Top U.S. Free Trade Zones.

# ENTERTAINMENT TAX CREDITS

## DIGITAL ENTERTAINMENT TAX CREDIT

A tax credit of 20 percent may be available to digital/interactive entertainment production companies with a minimum of \$250,000 in qualified expenditures in Georgia (new in 2018). An additional 10 percent uplift can be earned by including an embedded Georgia logo and web link on the project's promotional webpage, or through approved alternatives if they offer equal or greater marketing opportunities for the state.

This income tax credit may be used against Georgia income tax liability or the company's Georgia payroll withholding. If the interactive entertainment production company chooses, it may make a one-time sale or transfer of the tax credit to one or more Georgia taxpayers.

Interactive entertainment companies will be eligible for this credit only if their gross income is less than \$100 million. New in 2018 – pre-released interactive games may qualify for the tax credit at the 20% rate for up to three years.

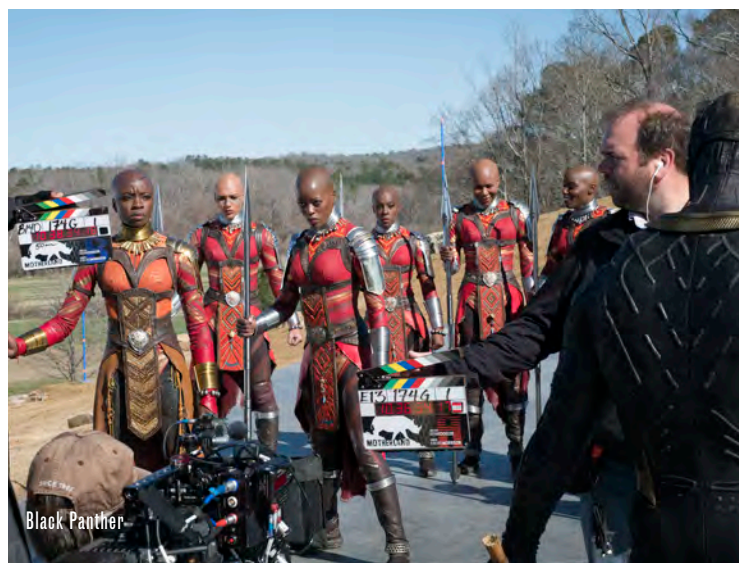
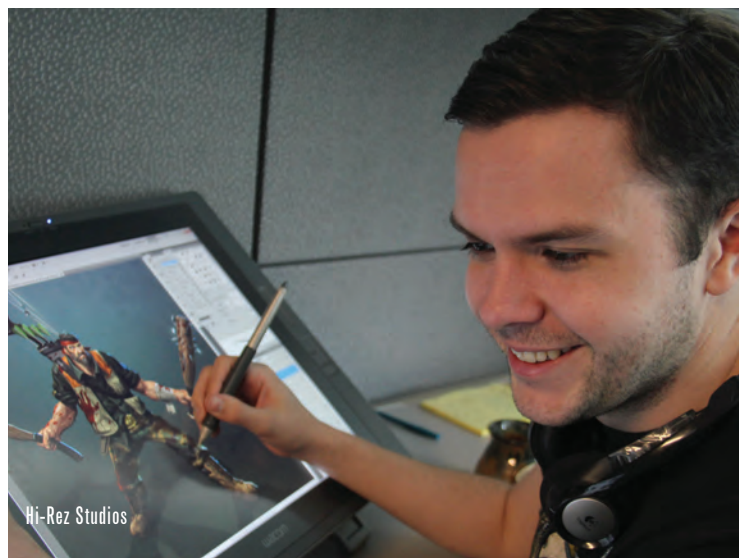
The total credits available for interactive entertainment production companies and affiliates will be capped at \$12.5 million each year and will be awarded on a first-come, first-served basis. No single company can receive more than \$1.5 million or the amount of its Georgia payroll total (whichever is less) in a given year.

## FILM & TELEVISION TAX CREDIT

Georgia offers tax credits for qualified film, television, music video and commercial productions in Georgia, as well as qualified musical or theatrical performances, or a recorded musical performance synchronized with a movie, television or interactive entertainment production.

Film, Television and Interactive Entertainment Tax Credits are subject to program requirements as outlined in O.C.G.A. § 48-7-40.26. Musical and Theatrical Performance Tax Credits are subject to program requirements as outlined in O.C.G.A. § 48-7-40.32.

For more information, visit [Georgia.org/Film](http://Georgia.org/Film).





# ASSISTANCE FOR SMALL BUSINESSES AND ENTREPRENEURS

Small businesses can qualify for many of the programs outlined in this brochure. In addition, Georgia offers several programs specifically designed to meet the needs of small businesses and entrepreneurs. **Georgia.org/SmallBusiness** provides resources on how to start, grow, finance, connect and innovate your small business.

## STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI)

The State Small Business Credit Initiative is designed for small business lending through banks offering 50% guarantees on loans up to \$400,000 and a loan participation program using SSBCI funds to purchase up to 25% of a loan originated by a participating lender to small business borrowers.

## ANGEL INVESTOR TAX CREDIT

Georgia offers an income tax credit for qualified investors who invest in certain qualified businesses in Georgia. The credit is claimed two years after the investment is made. The credit is 35% of the investment with an individual investor cap of \$50,000 per year. §O.C.G.A 48-7-40.30.



*Partnership has been the key to our success. We are so thankful to live in a state that partners with businesses in order to build an environment that is conducive to growth and innovation. From local Main Street Initiatives to tax incentives and credits for capital improvements - it is no wonder that Georgia is the country's number one state to do business in. Regardless of the need of our growing business over the years, we have always found a partner from the state along the way."*

Heather Abbott  
Director of Sales and Marketing  
SouthLife Supply Co. in Thomas County





## ABOUT GDEcD

The Georgia Department of Economic Development (GDEcD) is the state's sales and marketing arm, the lead agency for attracting new business investment, encouraging the expansion of existing industry and small businesses, locating new markets for Georgia products, attracting tourists to Georgia, and promoting the state as a destination for arts and location for film, music and digital entertainment projects, as well as planning and mobilizing state resources for economic development.

To take advantage of our complimentary expertise and connections visit **Georgia.org**.

