Business Incentives

Oconee County, South Carolina

Located in the northwestern corner of South Carolina, Oconee County is located in between Atlanta, GA and Charlotte, NC on the Interstate 85 corridor. Whether it is an expansion opportunity or relocation decision, Oconee County has a proven record that it possesses a competitive advantage when it comes to the right location.

The Palmetto State is proud to offer the following statutory incentives:

- No state property tax
- No local income tax
- No inventory tax
- No sales tax on manufacturing machinery, industrial power or materials for finished products
- No wholesale tax
- No unitary tax on worldwide profits
- Favorable corporate income tax structure

Here is information regarding other discretionary incentives, statutory incentives, and business incentives…..

<u>Business Incentives</u>

I. Tax & Incentive Structure

With regards to taxation in South Carolina, the State administers corporate income and sales and use taxes; the County levies property tax. Hence, each governmental authority's means to reward growth are tied directly to their mode of taxation.

South Carolina incentive legislation provides the ability for both legislative bodies to incent both new and existing business and industry when new jobs are created and/or new investment occurs. In addition, the State of South Carolina strongly encourages rural development weighting its incentive programs accordingly.

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 governing body. In general, statutory incentives are fiscal, year-end oriented; negotiated incentives are often time-sensitive and in some cases have a set look-back period to capture eligible expenditures.

Oconee County and the State of South Carolina aggressively recruit industry, and offer a wide range of development incentives. Our incentives are performance based, designed to foster growth by rewarding both existing industries and prospective companies.

II. County Incentives

The Oconee County Economic Development Commission (OCEDC) was created by Oconee County to act as the County's agent for economic development. As its agent, the OCEDC has the ability to negotiate property tax-based incentives; however, final approval rests with Oconee 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 statutorily-set 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% - 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, or distribution/warehouse facilities

- If other than manufacturer or R&D, must create at least 75 new jobs

- File tax return/PT-300 to SC Dept. of Revenue; deduction is automatic.

(See SC Department of Revenue website -- www.sctax.org -- for more information)

Mechanics:

The abatement is given for 5 years – years 2 through 6 and is a waiver of the county's operating portion (58.9 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 .2043 (average) millage rate = $214,515.00 annual tax (before abatement)

Abatement Savings Example:

$10 Million investment x 10.5% assessment ratio x .0589 millage abatement = $61,845 annual abatement savings or $309,225 over 5 years

So, taxes after the abatement in Year 1 would be $152,670.

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

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

A company may negotiate with the Oconee County Economic Development Commission a Fee-in-Lieu of Property Taxes (FILOT) agreement. FILOT agreements are subject to final approval by 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
- Project must be competitive with other locations

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 (real property is already assessed at 6%)
- May lock millage rate for 20 years or adjust it every 5 years; historical millage increase has been 1.5% annually (School System)
- Bond/Incentive attorney must prepare legal documents
- On average, a 8-week process with County Council

c. Industrial Revenue Bond – Negotiated

For small manufacturers, the IRB is the lowest cost means to finance a new operation or an expansion due to tax-exempt status of the bond (loan). It 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. Special Source Revenue Credit (SSRC)

The County may grant a SSRC to generate additional tax reductions to offset the cost of infrastructure, land and/or building. The SSRC is offered on a sliding scale based on the amount of the investment and is typically for ten (10) years.

If the company desires, a Special Source Revenue Bond may be purchased to provide up-front financing to offset initial costs. The SSRB stream is used to repay the bond.

Special considerations apply with regard to this program, and each project is evaluated individually.

The company will be required to obtain services of a Bond Attorney to draft an ordinance for the SSRC. The ordinance will require approval by County Council on three readings. It will also require a public hearing.

e. Multi-County Industrial Park

This is a written agreement between two or more counties. It includes provisions addressing the development of the park, the sharing between the participating counties of the expenses and revenues relating to the park, and the manner in which such revenues must be distributed to each of the taxing entities within each of the participating counties.

The park area is exempt from property tax. The owners or leasees of any property situated in the park must pay an amount equivalent to the property taxes or other fee in lieu of payments (FILOT) that would have been due and payable.

Job Tax Credits for each job are increased by $1,000 if new or expanding facility is located in a Multi-County Industrial Park.

A multi-county park agreement is required in order for the county to approve a special source revenue credit. the company will be required to obtain a bond attorney to draw up an ordinance which will be presented to the county council for approval. The ordinance will require approval on three readers and will also require a public hearing.

f. Other

The County also will help depending on the project with other incentives such as grading assistance or infrastructure enhancements.

III. State Incentives

a. Jobs Tax Credit - Statutory

The Jobs Tax Credit (JTC) is a valuable financial incentive that rewards new and expanding companies for creating jobs in South Carolina. The Job Tax Credit is available to manufacturing, distribution, processing, warehousing, research and development, and tourism facilities.

In order to qualify, companies must create and maintain a certain number of net new jobs in a taxable year. The company must create a monthly average of 10 new full-time jobs to receive a Job Tax Credit which is available for five years if the jobs are maintained. The credit can offset 50% of the company's income tax and unused credits can be carried forward for 15 years. The amount of the credit depends on the facility location and a county's designated status for Job Tax Credit availability. 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 be considered a corporate office facility (HQs), 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 as a corporate office facility (HQs), bank or qualified technology facility and employing corporation-wide 99 or less employees, create 10 net new jobs as noted III.a.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 $19.50 per hour (120% of the state's per capita of $16.25/hr); $2500 when located in a Multi-County Business Park

    - or $750 annually for 5 years for each new job that pays less than $19.50; $1750 when located in a Multi-County Business Park

3) Service-related facilities are eligible but they must create 250 new full-time jobs within 5 years (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 ($48,743); or

    - Create 75 jobs, with an average salary 2 times the State of South Carolina's per capita income ($64,990); or

    - Create 30 jobs, with an average salary 2.5 times the State of South Carolina's per capita income ($81,238).

If meeting one of the above requirements, 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 each year 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. Job Development Credit

A Job Development Credit (JDC) is a discretionary, performance-based incentive that rebates a portion of new employees' withholding taxes that can be used to address the specific needs of individual companies. JDCs are approved on a case-by-case basis by the S.C. Coordinating Council for Economic Development. To qualify, a company must meet certain business requirements and the amount a company receives depends on the company's pay structure and location.

Snapshot of the Job Development Credit (JDC) Program

- Quarterly cash refund of employee withholding tax
- Generally available for 10 years
- Rebates are applied to eligible costs
- Requires application and discretionary approval
- Starts once company meets job and investment goals

JDC Eligibility Criteria

- Minimum of 10+ new jobs with healthcare benefits to apply
- Positive cost/benefit analysis
- Company financially viable and creditworthy
- Wages for new jobs equal or above county per capita
- $4,000 application fee; $500 annual renewal fee
- Approval by SC Coordinating Council for Economic Development

JDC Potential Value

- Up to 2-5% rebate of employee’s wages subject to SC withholding
- 100% of maximum
- Capped At: Value of eligible capital costs
- Eligible Costs:
  - Utility system upgrades
  - Fixed transportation facilities
  - Real estate (site/building improvements)
  - Manufacturing pollution control equipment
  - Approved training costs -Employee relocation expenses for technology intensive facilities, R&D and certain corporate headquarters

c. Corporate Headquarters Credits – Statutory (South Carolina Code § 12-6-3410)

Income tax credits to partially reimburse for real and personal property expenditures associated with new Headquarters related jobs. Companies establishing a corporate headquarters, or expanding or adding to an existing corporate headquarters in South Carolina may be eligible for this credit.

Qualifying real property costs involved must be at least $50,000, and the creation of at least 40 new headquarters jobs are required to qualify for this credit. Of the jobs created, 20 must be classified as executive, administrative or professional jobs. The company may receive a credit to the corporate income tax or corporate license fee equal to 20 percent of the qualifying real property costs.

Qualifying real property costs are:

- costs incurred in the design, preparation, and development of establishing, expanding or adding a corporate headquarters, and
- direct construction costs or, with respect to leased facilities, direct lease costs for the first 5 years of operations for the headquarters.

Further, the company may receive an additional 20 percent credit for the cost of tangible personal property in the case that certain conditions are met. Some of these conditions include:

- the personal property is purchased for the establishment, expansion, or addition of a corporate headquarters
- the personal property is used for corporate headquarters related functions and services
- the establishment, expansion or addition of a corporate headquarters must result in the creation of at least 75 new full-time jobs the jobs must have an average SC employee compensation level for all employees in SC of more than twice the per capita income

This credit is not limited to a percentage of tax due. There is a ten-year carry forward period for unused credits.

d. Corporate Contributions for Infrastructure Construction Credit (South Carolina Code § 12-6-3420)

Credits to corporate income taxes are permitted for corporate contributions for the construction of or improvements to any one infrastructure project. Qualified projects for this credit include water and sewer infrastructure and roads that do not exclusively benefit the taxpayer and are dedicated to public use. The credit is permitted for 50 percent of the expense, up to $10,000 per year. Unused credits up to $30,000 may be carried forward for three years.

e. Tourism Infrastructure Development Incentive (South Carolina Code § 12-21-6510 – 12-21-6580)

A portion of the state admissions tax collected from a qualified establishment may be returned to the local government to fund public infrastructure development. Fifty percent of the admissions tax generated by a qualified new or expanding tourism or recreation facility may be used for public infrastructure improvements. In the case of an expansion of an existing facility, this incentive only applies to the increase in admissions tax attributable to the expansion.

To qualify, an investment in land and new capital assets of at least $20 million must be made within a five-year period. A designated development area may be established by local ordinance, whereas all qualified investments within the area can be combined to achieve the $20 million investment threshold. In addition, secondary support facilities such as hotels, restaurants and retail establishments, located within or adjacent to a tourism project or designated development area may also be included in the aggregate investment.

The funds, collected for a period of 15 years, are allocated accordingly:

- 25% of the admissions tax is diverted to the county or municipality where the facility is located, and
- 25% of the admissions tax is allocated to a special tourism infrastructure development fund administered by the SC Coordinating Council for Economic Development (CCED). Local units of government located within five miles of the qualifying facility may apply to CCED for this fund.

f. Port Volume Increase Credit

South Carolina provides a possible credit against income taxes or withholding taxes to entities that use state port facilities and increase base port cargo volume by 5% over base-year totals. To qualify, a company must have 75 net tons of non-containerized cargo or 10 loaded TEUs transported through a South Carolina port for their base year.

The South Carolina Coordinating Council has the sole discretion in determining eligibility for the credit and the amount and type of credit that a company may receive. The total amount of tax credits allowed to all qualifying companies is limited to $8 million per calendar year. A company must submit an application to the Coordinating Council to determine its qualification for, and the amount and type of, any tax credit it will receive.

d. Economic Development Set-Aside Program

The Economic Development Set-Aside Program assists companies in locating or expanding in South Carolina through road or site improvements and other costs related to business location or expansion. Overseen by the Coordinating Council for Economic Development, it is the Council’s primary business development tool for assisting local governments with road, water/sewer infrastructure, or site improvements related to business location or expansion.

e. 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.

f. Sales Tax and Incentives

South Carolina currently has a 6% state sales tax and use tax rate. Many counties throughout South Carolina also have local sales taxes which may reach 2% in some counties.

SALES TAX EXEMPTIONS

- Electricity and fuels used in the manufacturing process
- Machinery and equipment used in the production process and repair parts
- Raw materials
- Packaging materials
- Water sold by public utilities
- Construction materials for projects with $100 million investment in a single site over and 18 month period

IV. Recruitment and Training Support

a. ReadySC

No cost recruitment, screening, testing and pre-employment training when hiring 15-20 new production workers; on-the-job training reimbursement possible when hiring less than 15 new employees.

b. Enterprise Zone Retraining Credits

The Enterprise Zone Retraining Credit Program helps existing industries maintain their competitive edge and retain their existing workforce by allowing them to claim a Retraining Credit for existing production employees. If approved for the Enterprise Zone Retraining Credit, companies can reimburse themselves up to 50 percent of approved training costs for eligible production workers (not to exceed $500 per person per year). This program is also overseen by the Coordinating Council for Economic Development.

Cash match of up to $2,000 per employee over 5 years for retraining of existing production employees.

c. WorkLink & One-Stop Business Services

This business services is geared to assist employers with pre-screening of applicants, pre-employment skills assessments, and referrals of qualified job seekers accessing the local One-Stop Career System. Potential grant funds are available for incumbent worker training programs, on-the-job training, customized training for new employees up to 50% of training costs for new employees, and reimbursements for training of Worklink referrals. Worklinks assistance complements support provided by ReadySC.

d. Apprenticeship Carolina

Cash match of up to $2,000 per employee over 5 years for retraining of existing production employees.

e. Tri-County Technical College Programs

The technical school can and will customize training programs to meet specifications of industry. Typically, this is done at no cost to the client served.

For more information related to Oconee County, please contact:

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