

Business Incentives

The following information on business incentive programs will assist businesses that are considering relocating, developing or expanding in Greer, South Carolina. Complete information on each program is available by contacting the telephone number noted or by contacting the Greer Development Corporation at (864) 416-0125.

Incentives from State and Local (County and/or City) 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.

Jobs Tax Credits (Statutory):

Tax Credits

A tax credit against South Carolina income tax or insurance premium tax for new or existing qualified companies creating new jobs in the state. To qualify for the job tax credit, a business must: (1) be a certain type of business and (2) create and maintain a required minimum number of “new, full time jobs” at the time a new facility or expansion is initially staffed. The number of new jobs is calculated as the increase in the average monthly employment from one year to the next.

Requirements and Value:

- For companies involved in manufacturing, processing, warehousing, distribution, tourism, or be considered a corporate office facility, and employ **100 or more** employees, increase annual average monthly employment by **10 or more** new full-time jobs they can claim a:
 - ✓ Credit of \$1,500 in Greenville County and \$2,500 in Spartanburg County annually for 5 years for each new job; the credit increases by \$1,000 per job when located in a Multi-County Business Park.
 - For companies involved in manufacturing, processing, warehousing, distribution, tourism, or be considered a corporate office facility, and employ **99 or less** employees, increase annual average monthly employment by **2 or more** new full-time jobs they can claim a:
 - ✓ Credit of \$1,500 in Greenville County and \$2,500 in Spartanburg County annually for 5 years for each new job with gross wages that equal or exceed \$16.31 per hour in Greenville County or \$16.31 in Spartanburg County; the credit increases by \$1,000 per job when located in a Multi-County Business Park.
- Or**
- ✓ Credit of \$750 in Greenville County and \$1,250 in Spartanburg County annually for 5 years for each new job with gross wages that pay less than \$16.31 per hour in Greenville County or \$16.31 in Spartanburg County; the credit increases by \$1,000 per job when located in a Multi-County Business Park.

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- Service-related facility engaged in a business, other than legal, accounting, investment services, or retail sales, may get a credit of \$1,500 in Greenville County and \$2,500 in Spartanburg County for 5 years for each new job but they must create at least:
 - 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 (\$40,777.50);
 - Create 75 jobs, with an average salary 2 times the State of South Carolina's per capita income (\$60,074.00); or
 - Create 30 jobs, with an average salary 2.5 times the State of South Carolina's per capita income (\$67,962.50).
- The credit increases by \$1,000 per job when located in a Multi-County Business Park.
- File New Jobs Credit form (SC Sch. TC4) with tax return

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 5 years beginning with years 2 through 6

Corporate Headquarters Credit (Statutory):

A credit against state corporate income tax, or corporate license fees for establishing a corporate headquarters in South Carolina, or expanding or adding to an existing corporate headquarters.

Value:

- A credit against corporate income tax, or corporate license fees imposed equal to 20% of the qualifying costs for establishing a corporate headquarters in South Carolina, or expanding or adding to an existing corporate headquarters.
- Credits are not limited to 50 percent of the company's income tax liability and can potentially eliminate corporate income taxes for as long as 10 year from the year ended.

Requirements:

- Create a minimum of 40 new full-time jobs engaged in Corporate HQ – 20 of these jobs must be classified as staff employees.
- Cost of new construction or addition must exceed \$50,000 (i.e. costs incurred in the design, preparation, & development of either establishing or expanding a corporate HQ; direct construction; or direct lease costs during the first five years of operation).
- The facility must be the location where corporate staff members or employees are domiciled and where the majority of the company's financial, legal, personnel, planning, and/or other staff functions are handled on a regional or national basis.

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- The facility must be the sole corporate headquarters within the region or nation. A region is defined as a geographical area comprised of either five states (including SC) or two or more states (including SC) if the entire business operations of the company are preformed in fewer than five states.

Child Care Program Tax Credit: (Statutory):

A credit against state corporate income tax, bank tax, or premium tax for childcare expenses.

Value:

- An amount equal to 50% of its capital expenditures in SC but no more than \$100,000, for costs incurred in establishing a child care program for its employees' children and 50% of the child care payments made not to exceed \$3,000 for each participating employee per year.

Requirements:

- The program and operation of the program must meet the licensing, registration, and certification standards prescribed by law.
- The credit taken in any one tax year cannot exceed 50% of the employer's tax liability for that year. Any unused credit can be carried forward for 10 years.
- The credit is claimed on Form TC-9, "Credit for Child Care Program."
- Expenditures for establishing a child care program include, but are not limited to:
 - ✓ Mortgage or lease payments for child care facilities.
 - ✓ Purchase of playground and classroom equipment, kitchen appliances, cooking equipment.
 - ✓ Purchases of real property and improvements.
 - ✓ Donations to a nonprofit organization that qualifies under Internal Revenue Code §501(c)(3) in order to help that organization establish a child care facility for the employees' children. The employer may not, however, also claim a charitable deduction for the contribution made to the §501(c)(3).
 - ✓ Expenses incurred in organizing and administering the direct payment program (see discussions below) for the first year.

- For purposes of the child care portion of the credit, 50% of the following payments not to exceed \$3,000 for each participating employee per year qualify for the credit:
 - ✓ Payments incurred by the taxpayer to operate a child care program for the taxpayer's employees in SC.

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- ✓ Payments made directly to licensed or registered independent child care facilities in the name of, and for the benefit of, the employer's employees who are residents of, and employed in, SC qualify if the children are kept at the facility during the employee's working hours. In addition, the employer may include any administrative costs, not to exceed 2%, that are associated with payment to a licensed or registered independent child care

Research & Development Tax Credit (Statutory):

A credit against corporate income tax or corporate license fees.

Value:

- A credit equal to 5% of qualified research & development expenditures made in SC.
- The credit is limited to 50% of the taxpayer's tax liability remaining after all other credits have been applied.
- Any unused credit can be carried forward, but must be used before a taxable year beginning 10 years or after from the date of the qualified expenditure.

Requirements:

- Taxpayer must claim a federal income tax credit pursuant to Internal Revenue Code §41 for increasing research activities for the taxable year.
- Qualified research and development has the same meaning as provided in Internal Revenue Code § 41.

Property Tax Based Incentives

To offset property tax liability, a company may take advantage of one of two incentive programs. Depending upon total investment, a company may qualify for either a five-year abatement of a portion of property tax or, by agreement with the appropriate county, a fee-in-lieu-of-taxes arrangement. Other unique options can be considered given a projects size.

Property Tax Abatement (Statutory):

A 5 year exemption from county property taxes for all new qualifying establishments and all additions costing \$50,000 or more to existing qualifying facilities. The exemption applies to land, buildings, and additional machinery and equipment installed in the facility. **The exemption does not apply to school taxes. In 2005 the City of Greer passed a local ordinance exempting the municipal property tax millage on new investment for not more than 5 years for qualified business.**

Purpose:

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

Value:

- Approximately 25 percent tax reduction annually for 5 years on new capital investment.

Requirements:

- Invest greater than \$50,000 in new capital expenditures in one year.
- Companies involved in manufacturing, research & development, corporate headquarters, corporate office, or distribution/warehouse facilities.
- If other than manufacturer and research & development, the company must create at least 75 new jobs or 150 more substantially equivalent jobs.
- South Carolina Revenue Ruling #98-10 addresses the meaning of corporate office facility for purposes of the property exemption. To qualify as a “corporate office facility,” a company must have the following types of employees present at the location: (1) managerial, (2) technical, (3) professional, and (4) administrative. Also, a taxpayer must have the following corporate functions at the facility: (1) financial, (2) personnel, (3) legal, (4) technical, (5) support services, and (6) any other business functions. These functions must be performed for the entire corporate entity, and not for a geographical region or a segregated division of the corporation.
- File tax return/PT-300 to SC Department of Revenue; deduction is automatic.

Mechanics:

- The abatement is given for 5 years – Years 2 through 6 and is a waiver of the county and/or municipal portion of property tax.
- Property tax = Value x Assessment Ratio x Millage

Fee-in-Lieu of Property Tax (Negotiated):

A company may negotiate with the county a Fee-in-Lieu of Property Tax (FILOT) agreement. FILOT agreements are subject to final approval by county council.

Purpose:

- Provides qualified companies with a significant tax savings by reducing assessment ratio and negotiating an applicable millage rate.

Value:

- Approximately 42 percent tax reduction annually for 20 years on new capital investment.

Requirements:

- Companies must be a manufacturer, warehouse/distributor or an office/headquarters.
- Commit to significant new investment and new job creation.
- Project must be competitive in nature.

Mechanics:

- May lower assessment ratio from 10.5 percent to as low as 6 percent on real & personal property for manufacturers.
- For HQ and corporate offices, the assessment ratio can be reduced from 10.5 percent to as low as 6 percent on personal property.
- May negotiate a locked or a 5 year adjustable millage rate for 20 years; historically millage rate has increased 2.5 percent annually.
- Can only capture expenditures 60-days prior to execution of the agreement.
- Bond/Incentive attorney must prepare legal documents.
- 8 - 10 week process with county and/or city councils.

Infrastructure Improvement Assistance

Special Source Revenue Bonds (Negotiated):

A county, municipality or special purpose district where a qualified project is located may issue special source revenue bonds. These special source revenue bonds allow the political subdivision to finance infrastructure projects usually at or surrounding the project that enhance its economic development, and then to pay back the bonds with money it receives from Fee-in-Lieu-of-Tax (Fee) payments from the project. The rules regarding special source revenue bonds are contained in South Carolina Code §4-29-68. Special source revenue bonds cannot be used with the Simplified Fee-in-Lieu-of-Taxes agreement.

To issue special source revenue bonds, the governing body of the issuer must:

- Adopt an ordinance calling for the issuance of the special source revenue bonds,
- Hold a public hearing, and
- Pass a resolution authorizing the issuance of the bonds

The bonds must be issued solely for the purpose of providing infrastructure that benefits the issuer's economic development. Bonds may be issued for improved and unimproved real property on which the project will be located.

The face of the bonds must provide that they are:

- Payable solely from the proceeds of the Fee,
- Are not secured by the full faith and credit of the issuer,
- Are not payable from any tax or license, and
- Are not a pecuniary liability of the issuer or a charge against the issuer's general credit or taxing power.

The bonds can be issued as a single issue or several issues. The bonds can be payable in installments. The bonds may be sold at public or private sale, and the expenses of the issuance of the bonds may be paid out of the bond proceeds.

If the special source revenue bonds are issued to a third party, and the project should fail to generate the necessary Fee payments to pay off the bonds, the company that is subject to the Fee must make up any shortfall.

A county, municipality or special purpose district that receives and retains revenues from a Fee can also use a portion of the revenue received from the Fee for the purposes of providing infrastructure or providing unimproved or improved real estate for the project without the requirement of issuing special source revenue bonds.

Industrial Revenue Bonds:

Low cost, tax-exempt financing provided for qualified manufacturing companies.

Value:

- Tax exemption results in a below prime interest rate on the bonds.
- Purchaser of the bonds may exclude the interest from gross income for federal and state tax purposes.

Requirements:

- Companies must be a manufacturer
- Used to finance the following activities:
 - ✓ Finance the acquisition of land
 - ✓ Construction of buildings
 - ✓ Improvements to real property
 - ✓ Machinery, apparatus, equipment, office facilities and furnishings
 - ✓ Interest during construction
 - ✓ Costs of issuance
- Federal law places certain restrictions on the use of IRBs to finance land, existing facilities and used equipment.
- Office facilities, warehouses and other assets not used directly in the manufacturing process may be financed only to the extent that they are located on the same premises as, and are functionally related to, a manufacturing plant.
- Special depreciation rules apply to IRB funded projects.

Dollar Limits & Terms:

- Bonds may be issued in an amount up to \$1 million for a company & its affiliates without any restrictions on the amount of the total investment by the affiliated group within the county or city. The \$1 million may be split over two or more projects.
- Cannot exceed \$10 million of IRBs for affiliated group of companies in a county or city over a 3 year time period.
- Companies can lease machinery & equipment or certain tooling in order to avoid the \$10 million limit on capital expenditures.
- Term of bonds usually ranges from 10 to 25 years.

**Textiles Community
Revitalization Act
(Negotiated):**

A real property tax credit *or* state income tax credit incentive available for the renovation, improvement, and redevelopment of abandoned textile mill sites in South Carolina.

Value:

Real Property Tax Credit

- Tax credit against real property taxes levied by the local taxing entities equal to 25% of the rehabilitation expenses of the real property improvements in the eligible site as so improved, renovated, or redeveloped.

Personal or Corporate Income Tax Credit

- Tax credit against personal or corporation income tax as imposed by the SC Department of Revenue equal to 25% of the rehabilitation expenses of the real property improvements in eligible site as so improved, renovated, or redeveloped.

Requirements:

“Eligible site” means a site that is designed for use, or has in fact been used, as a textile manufacturing facility or uses ancillary thereto. “Abandoned” means that at least eighty percent (80%) of the facilities of the eligible site has been continuously closed to business or otherwise non-operational for a period of at least two consecutive years immediately preceding the time at which such determination is to be made.

Real Property Tax Credit

- Approval by ordinance and public hearing by incorporated municipality or county required.
- All local taxing entities have opt out provisions of participation in the tax credit.

Personal or Corporate Income Tax Credit

- Approval by the SC Department of Commerce required.

Mechanics:

Real Property Tax Credit

- 8 year tax credit carry forward.
- May receive up to 75% credit per year.

Personal or Corporate Income Tax Credit

- Entire credit may not be taken for the taxable year in which the eligible site is placed in service but must be taken in equal installments over a 5 year period beginning with the year in which the property is placed in service.
- Any unused portion of a credit installment may be carried forward for the succeeding 5 years.
- Credit is in addition to the SC Historic Tax Credit.

**Retail Facilities
Revitalization Act
(Negotiated):**

A real property tax credit *or* state income tax credit incentive available for the renovation, improvement, and redevelopment of abandoned retail facility sites in South Carolina.

Value:

Real Property Tax Credit

- Tax credit against real property taxes levied by the local taxing entities equal to 25% of the rehabilitation expenses of the real property improvements in the eligible site as so improved, renovated, or redeveloped.

Personal or Corporate Income Tax Credit

- Tax credit against personal or corporation income tax as imposed by the SC Department of Revenue equal to 10% of the rehabilitation expenses of the real property improvements in eligible site as so improved, renovated, or redeveloped.

Requirements:

'Eligible site' means a shopping center, mall, or free standing site whose primary use was as a retail sales facility with at least one tenant or occupant located in a ***forty thousand square foot or larger building or structure***. To qualify as an eligible site, the shopping center, mall, or freestanding site must be abandoned. During the abandonment, the eligible site may serve as a wholesale facility, provided the site serves as a wholesale facility for no more than one year. 'Abandoned' means that at least eighty percent of the eligible site's facilities have been continuously closed to business or have been otherwise nonoperational for a period of at least one year immediately preceding the time at which the determination is to be made. The eligible site's facilities only include the site's building or structure.

Real Property Tax Credit

- Approval by ordinance and public hearing by incorporated municipality or county required.
- All local taxing entities have opt out provisions of participation in the tax credit.

Personal or Corporate Income Tax Credit

- Approval by the SC Department of Revenue required.

Mechanics:

Real Property Tax Credit

- 8 year tax credit carry forward.
- May receive up to 75% credit per year.

Personal or Corporate Income Tax Credit

- Entire credit may not be taken for the taxable year in which the eligible site is placed in service but must be taken in equal installments over a 8 year period beginning with the year in which the property is placed in service.
- Any unused portion of a credit installment may be carried forward for the succeeding 5 years.
- Credit is in addition to the SC Historic Tax Credit.

Recruiting & Training Support

Center for Accelerated Technology Training (Negotiated):

Formerly known as The South Carolina Special Schools Program, the Center for Accelerated Technology Training (CATT) is one of the most comprehensive and successful programs in the US. Its structure and content serves as a model for other state programs throughout the country.

The primary incentive is for the investor to obtain free technical training of persons whom it may employ as supervisors or workers. CATT will work with the company to prepare manuals, interview and screen workers, and teach classes according to the technical requirements established by the company. Training is usually short-term and is provided prior to opening day of expansion. This assures a trained workforce ready to go when the facility opens.

Enterprise Zone Retraining Credits (Negotiated):

Eligible businesses may negotiate with the SC Coordinating Council for a refund of up to \$500 per production employee per year for retraining. The retraining must be necessary for the business to remain competitive or to introduce new technologies. "Production employee" includes employees who are engaged in the actual making of tangible personal property or who are directly involved in the manufacturing, processing, operation, or distribution process.

The retraining must be approved and coordinated by the technical college(s). Refunds per eligible employee may not exceed \$500 in a year, nor \$2,000 over five years. The company **must** match (on a dollar-for-dollar basis) the employee's withholding share used for the training. The total amount is paid to the technical college providing the training. In order to collect funds for retraining, a company must submit an application (with a \$500 application fee) to the SC Coordinating Council.

Tax Exemptions & Caps

Property Tax Exemptions:

Available on:

- All inventories (raw materials, work-in-progress, and finished goods)
- All intangible property
- All pollution control equipment.

Sales Tax Exemptions:

Available on:

Manufacturers:

- Machinery & equipment
- Research & development machinery & equipment
- Repair parts
- Materials, which will become an integral part of the finished product
- Manufacturing electricity
- Pollution control equipment

All Industries:

- Packaging materials
- Long distance telecommunications, including 800 services

Note: Material handling equipment is exempt from sales taxes for manufacturing or distribution project investing \$35 million or more.

Sales Tax Caps:

South Carolina provides a \$300 maximum sales tax cap on the sale or lease of aircraft, motor vehicles, motorcycles, boats, recreational vehicles, and other items.