

North Eastern Strategic Alliance

South Carolina's Business Corner

2010 Incentives Overview



Disclaimer:

Incentives are offered through the counties and the South Carolina Department of Commerce. While NESA can work with the aforementioned entities to help develop an attractive incentives package for your company, it does not grant incentives nor can it make any promises that incentives will be granted by state or local governments. The information contained herein is current to the best of our knowledge; however, we are not responsible for any errors or omissions that may exist. For a list of incentives specific to your project, please make us aware of your project parameters and we will work with the counties and the South Carolina Department of Commerce to develop a comprehensive list of statutory and discretionary incentives that may be available to your company. Updated April 2009

Incentives Available in South Carolina

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 (CCED). To qualify, a company must meet certain business requirements and the amount a company receives depends on the company's pay structure and location.

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.

ENTERPRISE ZONE RETRAINING CREDIT PROGRAM

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.

RURAL INFRASTRUCTURE FUND

The Rural Infrastructure Fund (RIF) assists qualified counties in the state's rural areas by providing financial assistance for infrastructure and other activities that enhance economic growth and development. It can be used for job creation and/or product development. Qualified counties are designated as "Tier One" or "Tier Two" by the Department of Revenue and have received approval for an economic development strategic plan by the Coordinating Council for Economic Development.

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PORT VOLUME INCREASE CREDIT

South Carolina provides a possible income tax credit to entities that use state port facilities and increase base port cargo volume by five percent 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 Coordinating Council has the sole discretion in determining eligibility for the credit and the amount 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 of, any income tax credit it will receive.

TOURISM INFRASTRUCTURE DEVELOPMENT GRANTS

The Tourism Infrastructure Development Grant supports new or expanding tourism or recreation facilities or designated development areas primarily through infrastructure projects. This program is generated from a share of the state admissions tax on qualified tourism and recreation establishments and is overseen by the Coordinating Council for Economic Development.

THE COORDINATING COUNCIL FOR ECONOMIC DEVELOPMENT

The Coordinating Council for Economic Development, established in 1986 by the General Assembly, was formed in response to a general need for improved coordination of economic development efforts by those state agencies involved in the recruitment of new business and the expansion of current enterprises throughout the state. The Council consists of the heads or board chairs of 10 state agencies concerned with economic development: S.C. Department of Commerce, State Ports Authority, S.C. Department of Parks, Recreation & Tourism, S.C. Department of Agriculture, S.C. Technical College System, S.C. Research Authority, S.C. Employment Security Commission, S.C. Department of Revenue, Jobs for Economic Development Authority and Santee Cooper.

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I. Job Development Credit 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

JOB DEVELOPMENT CREDIT PROGRAM 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

JOB DEVELOPMENT CREDIT POTENTIAL VALUE

- Up to 2-5% rebate of employee's wages subject to SC withholding
- 55–100% of maximum, depending on county status
- 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

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II. Job Tax Credit

The Job Tax Credit is available to manufacturing, distribution, processing, warehousing, research and development, and tourism facilities.

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.

III. Property Tax Incentives

LOCAL PROPERTY TAX FORMULA

Value x Assessment Ratio x Millage = Property Tax

- Valued determined --
 - For personal property = Cost less Depreciation (as allowed by statute or regulation)
 - For real property = Appraised Value
- Depreciation -- (set by law) generally 11% annually to 10% of original value
- Assessment --
 - Manufacturers -10.5% for both real and tangible personal property
 - Other businesses 6% for real property and 10.5% for tangible personal property
- Millage Rate -- (\$.001) set by local government

PROPERTY TAX INCENTIVES

- Reduce property tax liability by either one of the following:
- Property tax abatement
- Fee-in-lieu of property taxes

Five-year Operating Property Tax Abatement:

- Low investment requirements
- \$50,000 if manufacturing or research and development
- \$50,000 (and 75 new jobs) if distribution or corporate headquarters
- Valuable savings
- Abates county's operating millage for first five years
- Generally saves 20% - 25%

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Fee-in-lieu of Property Tax:

- Offered at the discretion of local governments
- Valuable savings
 - Property tax reduction of 30% - 45%
 - Assessment rate to as low as 6%, for very large investments 4%
- Greater financial control
 - Negotiate locked-in millage rate for 20 years or
 - 5-year adjustable millage rate
 - Value for real property fixed at cost
 - Personal property depreciates in accordance with the law

PROPERTY TAX EXEMPTIONS

- Inventories (raw materials, work-in-progress, finished goods)
- Intangibles (stocks, dividends, interest)
- Pollution control equipment

IV. 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
- 4% sales tax on construction materials for projects with \$100 million investment in 18 months (effective July 1, 2007 - June 30, 2008)

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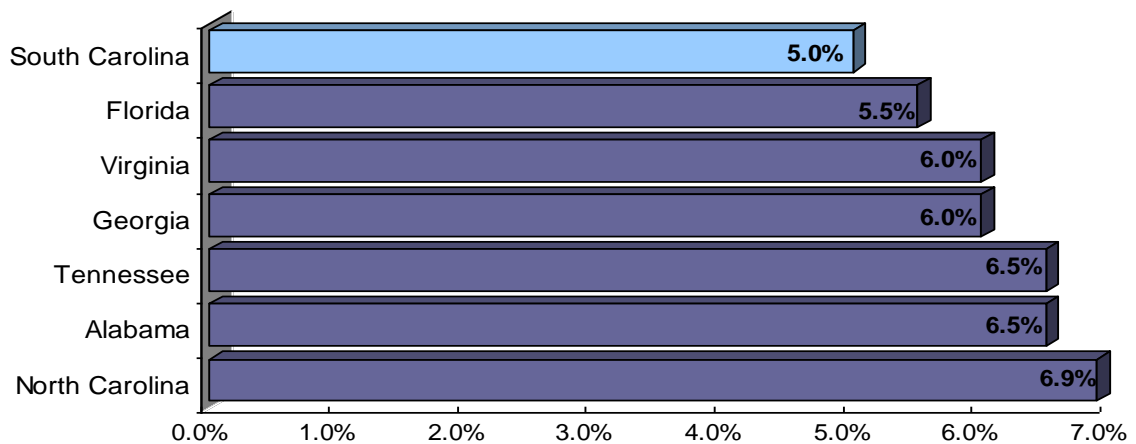
V. Corporate Income Taxes and Incentives

South Carolina’s corporate income tax rate is currently 5%, which is one of the lowest in the Southeast.

For a company whose principal business in South Carolina is manufacturing, buying or processing goods, selling, distributing or dealing in tangible personal property, South Carolina currently apportions taxable income using a formula that takes into account property, payroll and double-weighted sales factors. Beginning in 2007, South Carolina will begin phasing in a single factor formula and by 2011, that formula will be completely adopted.

For taxpayers whose principal business in South Carolina is something other than those listed above, South Carolina apportions taxable income that uses a formula that compares the company’s gross receipts in South Carolina to its gross receipts everywhere.

SOUTH CAROLINA'S CORPORATE INCOME TAX



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CORPORATE INCOME TAX MORATORIUM INCENTIVE

This is available to most corporations that qualify for the South Carolina Jobs Tax Credit.

The facility must be located in a moratorium county and 90% of the company's investment in South Carolina must be in the moratorium county as well.

It provides a complete elimination of South Carolina corporate income taxes for either

1. 10 years if the company creates 100 jobs at the facility over five years; or
2. 15 years if the company creates 200 jobs at the facility over five years.

MORATORIUM COUNTIES IN THE NESA REGION

- Marion County
- Marlboro County
- Williamsburg County

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