Credit & Incentives for Tennessee and Georgia

Chattanooga Tax Practitioners Meeting

Chattanooga, Tennessee Wednesday, December 17, 2014 Lary R. Hyatt, CPA, CFE Principal/Director SALT Telephone: (615) 690-430 Celtular: (615) 694-4347 laryhyatt@decosino.com Email: laryhyatt@decosino.com

Tennessee Jobs Tax Credits • Credit Amount ✓ Business Plans filed after July 1, 2009 ✓ Taxpayer must create at least 25 new full time jobs ✓ Eligible for Franchise & Excise Tax Credit of \$4,500 per net new job • For Business Plans filed prior to July 1, 2009 ✓\$2,000 per net new job

Qualifications-Required Capital Investment

- At least \$5,000 in value of real tangible personal property or computer software owned or leased in Tennessee
- Required capital investment is \$10 million for convention or trade show facilities

Businesses Eligible for Jobs Credit

- Manufacturing
- Warehousing and Distribution
- Processing
- Research and Development
- Computer Services
- Call Centers
- Headquarter Facilities
- Convention or Trade Show Facilities

Added Qualified Businesses

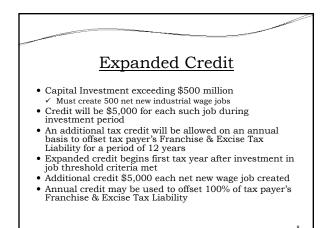
- Effective May 3, 2004, qualified businesses include required capital to create or expand repair service facility primarily engaged in providing repairs for aircraft owned by unrelated entities
- Enterprise that promotes high skill, high wage jobs, and high technology areas
- Emerging occupations
- Skilled manufacturing jobs by making required capital investment in an economically distressed county

Workers Adversely Affected by Foreign Trade

- New high skilled, high wage employee jobs ✓ High technology areas
 - ✓ Emerging occupations
 - ✓ Skilled manufacturing regardless of net employment increase

Lower Number of Jobs Created May Qualify

- Commissioner of Revenue and ECD approve if in the best interest of Tennessee
- Lower number of jobs that must be created to qualify
- Amount of credit will be reduced in direct proportion to job creation
- Effective July 1, 2011

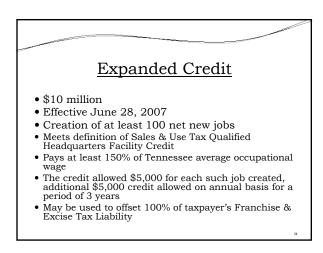


Expanded Credit

- Capital Investment exceeding \$250,000
- Creation of at least 250 new jobs
- \$5,000 for each such job created
- Addition allowed to taxpayer during investment period
- An additional credit will be allowed on annual basis to offset taxpayer's Franchise & Excise Tax Liability for 6 years
- Begins first tax year after investment and job threshold criteria met

Expanded Credit

- Capital Investment exceeding \$100 million
- Creation of 100 new jobs
- Credit will be \$5,000 for each such job created
- Additional credit is allowed on annual basis for 3 years equal to \$5,000
- Offsets 100% of taxpayer's Franchise and Excise Tax Liability for that year



Economically Distressed Counties/Enhanced Counties

- Effective June 28, 2007
- Expanded credit provided for qualifying businesses located in certain distressed counties
- Additional credit allowed on annual basis for a period of 3 years if located in Tier 2 Enhanced County ٠
- Allowed for 5 years if business is located in Tier 3 Enhanced County
- Additional credit equals \$4,500 for each net new full time job
- May be used to offset 100% of Franchise & Excise Tax Liability for that year
- Unused annual credits may not be carried forward beyond the year in which it originated

Expansion of Enhanced County Credit

- Effective June 5, 2008
- Business located in Tier 2 or 3 county
- Taxpayer has 3 years of 5 years, respectively, to create minimum number of qualifying job necessary to receive credit

Adventure Tourism Zone

- Effective May 14, 2013
- Expanded credit of \$4,500 per job
- Qualifying business
 - ✓ Create 19 jobs
 - ✓ Be located in Tier 2 Enhanced County
- 13 jobs located in Tier 3 Enhanced County
- Businesses in Adventure Tourism District in Tier 1 County must create 25 jobs

Integrated Supplier

- Effective July 1, 2008
- Supplier located within footprint of project site and providing goods and services on project site primarily for manufacturer that is qualified for Expanded Jobs Credit relating to \$1 billion investment

Carry Forward Provisions

• Carry over allowed for 15 years after tax year in which credit originated

Business Plan Requirement

• Required to file Business Plan with Commissioner of Revenue in order to qualify

Partnerships

- Operation of call center established after June 30, 2013
- \bullet Would otherwise qualify, if not a partnership
- Credit first applicable tax year in which qualified business enterprises increase net full time employment by at least 400 jobs
- Credit applicable in subsequent years in which further net increases occur above level of employment established when credit first taken

Limitations-Partnerships

- Credit or carryover may not be taken unless business was in general partnership subject to corporate Income & Franchise taxes at time of credit earned
- Jobs Tax Credit limitations is percent of partners total tax liability allowed to be offset by partners share of Jobs Tax Credits

<u>Tennessee Economic Community</u> <u>Development Fast Track Training</u> <u>Grants</u>

- 25 or more jobs in a given year
- \$500,000 investment
- Instructor training
- On-the-job training

Limitation of Infrastructure and <u>Training Grant</u>

• Combined infrastructure and training grants per grant limited to \$750,000

Encumbered Workers Program (Labor & Workforce Department)

- Training of current employees for new positions
- Vacated position available for individuals coming into workforce
- All new hires must go through regional career center

TVA Assistance

- Low interest monetary grants
- Use of energy studies
- Credits against energy bills

Pilot Program

- State Constitution prohibits abatement of property taxes
- Non-profit organizations not subject to property tax
- Property transferred to non-profit with lease back
- Minimum educational piece of property paid for specific periods of time

Georgia Job Tax Credit

- As much as \$4,000 in annual tax savings per job for up to five years
- Seven Strategic sectors
- ✓ Manufacturing
- ✓ Telecommunications
- ✓ Broadcasting
- ✓ Warehousing & distribution
- ✓ Research & development✓ Processing
- ✓ Tourism

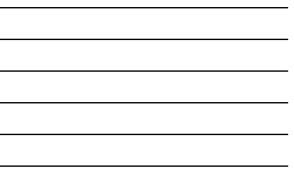
<u>Value of Job Credits Depends on</u> <u>Two Factors</u>

- How many jobs are created?
- Where?

Credit Computations

• Companies calculate credit by referring to tiers in the map attached and the following table

Tier	Jobs Tax Credits	Minimum Jobs	Carry Forward
1	\$4,000	2	10 years
2	\$3,000	10	10 years
3	\$1,750	15	10 years
4	\$1,250	25	10 years

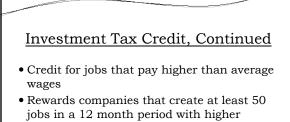


Investment Tax Credit

- Manufacturers or telecommunications support
- Credit earned amounts to 1% to 8% of qualified capital investment of \$50,000 or more
- Tier 3

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- ✓ Manufacturers or communications support
- ✓ Credit earned amounts to 1% to 5% of qualified capital investment of \$50,000 or more



jobs in a 12 month period with higher wages, at least 10% higher than county average for wages

Value of Quali	ty Job Tax Cre	edit
t ,	· · · ·	
Average Wage Requirement	Tax Credit Value per New Quality Job	
≥ 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	

Additional Data on Quality Jobs Tax Credits

- New jobs created within seven years of initial eligibility qualify for credit
- Credits may offset a company's payroll withholding once all other corporate income tax liability has been exhausted
 Credits carried forward for 10 years
- Jobs Tax Credit must be claimed within the earlier of the
- JODS TAX Credit must be claimed within the earlier of the following time periods: a) one year from the date the original return is filed; or, b) one year from the date the return is due
 Georgia Department of Revenue Form IT-QJ must be filed with the income tax return
 Companies that prefer to use the Quality Jobs Tax Credit to offset withholding taxes must file Georgia Department of Revenue For IT-WH 30 days prior to filing the income tax return

Research and Development Tax Credit

- Available to any company that increases its qualified research spending
- New companies, existing companies embarking on R&D expenses, and established companies expanding R&D budget are eligible for Tax Credit
- Tax credit earned is a portion of increase in R&D spending
- Credit can be used to offset up to 50% of net Georgia income tax liability
- · Any unused R&D tax credits can be carried forward for up to 10 years
- In addition, excess R&D tax credits can be used against state payroll withholding

Retraining Tax Credit

- Available to offset investment in employees
- Retraining workers to use new equipment or new technology or upgrading the company's competitiveness with ISO 9000 traning

Amount of Retraining Tax Credit

- 50% of direct training expenses with limit of \$500 per employee per training program
- Annual maximum of credit amounts to \$1,250 per employee
- Eligible expenses include
- \checkmark Costs of instructors and teaching materials
- \checkmark Employee wages during training
- \checkmark Reasonable travel expenses

Retraining Tax Credits Offset

• Retraining tax credits can be used to offset up to 50% of a company's Georgia corporate income tax liability

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