

Credit & Incentives for Tennessee and Georgia

Chattanooga Tax Practitioners Meeting

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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

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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

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Businesses Eligible for Jobs Credit

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

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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

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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

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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

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Expanded Credit

- Capital Investment exceeding \$500 million
 - ✓ Must create 500 net new industrial wage jobs
- Credit will be \$5,000 for each such job during investment period
- An additional tax credit will be allowed on an annual basis to offset tax payer's Franchise & Excise Tax Liability for a period of 12 years
- Expanded credit begins first tax year after investment in job threshold criteria met
- Additional credit \$5,000 each net new wage job created
- Annual credit may be used to offset 100% of tax payer's Franchise & Excise Tax Liability

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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

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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

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Expanded Credit

- \$10 million
- Effective June 28, 2007
- Creation of at least 100 net new jobs
- Meets definition of Sales & Use Tax Qualified Headquarters Facility Credit
- Pays at least 150% of Tennessee average occupational wage
- The credit allowed \$5,000 for each such job created, additional \$5,000 credit allowed on annual basis for a period of 3 years
- May be used to offset 100% of taxpayer's Franchise & Excise Tax Liability

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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
- 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

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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

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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

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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

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Carry Forward Provisions

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

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Business Plan Requirement

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

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Partnerships

- Operation of call center established after June 30, 2013
- 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

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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

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Tennessee Economic Community Development Fast Track Training Grants

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

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Limitation of Infrastructure and Training Grant

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

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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

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TVA Assistance

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

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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

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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

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Value of Job Credits Depends on Two Factors

- How many jobs are created?
- Where?

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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

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

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Investment Tax Credit, Continued

- Credit for jobs that pay higher than average wages
- Rewards companies that create at least 50 jobs in a 12 month period with higher wages, at least 10% higher than county average for wages

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Value of Quality Job Tax Credit

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

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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 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 Form IT-WH 30 days prior to filing the income tax return

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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

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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 training

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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
 - ✓ Costs of instructors and teaching materials
 - ✓ Employee wages during training
 - ✓ Reasonable travel expenses

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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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