



Augusta-Richmond County offers competitive incentives to relocating and expanding companies. These pages detail the variety of incentives and tax benefits available to prospects. These incentives are designed to provide companies locating in Augusta-Richmond County a competitive edge by reducing both startup and long term operating costs.

GEORGIA INCENTIVES

JOB TAX CREDITS

Job tax credits are **available** to a business or to its *headquarters* engaged in **manufacturing, telecommunications, warehouse/distribution, research & development, processing or tourism**. Taxpayers may choose between investment or job tax credits.

In the State of Georgia, all counties are listed as Tier 1, 2, 3 or 4 counties, with Tier 1 counties receiving the most job tax credits. **Augusta-Richmond County is a Tier 1 county**. Job tax credits for Augusta-Richmond County amounts to \$4,000 per job each year for 5 years.

Example: Taxpayer creates 50 jobs in Augusta-Richmond County, offering a \$4,000 credit; receives \$1 million in tax credits over 5 years to reduce or eliminate Georgia income tax [50 jobs x \$4,000 x 5 years = \$1 million].

Job tax credits in Augusta-Richmond County (Tier 1) can be used against 100% of income tax liability. The excess over 100% is credited to Georgia withholding tax (with a limitation of \$3,500 per job) in Tier 1 counties only. Unused job tax credits may be carried forward ten years.

INVESTMENT TAX CREDITS

Investment tax credits **range** from 8% to 5% of qualified capital investment in Augusta-Richmond County. Investment tax credits are **available** to an existing manufacturing or telecommunications business that has operated a facility in Augusta-Richmond County for three years prior to the investment and invests \$50,000 or more. **Higher level credits of 8%** are available for investment in recycled equipment, pollution control equipment, and for the conversion of a defense plant to manufacturing of a new product. The recycle, pollution control, and defense conversion options are available

only for manufacturing plants. Taxpayers **must** choose either the investment tax credit or the job tax credit.

***Example:** Taxpayer in Augusta-Richmond County (Tier 1) invests \$100 million in a manufacturing plant plus \$25 million in recycling equipment. Taxpayer is eligible for a \$7 million tax credit to reduce or eliminate Georgia income tax. $[\$100 \text{ million} \times 5\%] + [\$25 \text{ million} \times 8\%] = \7 million .*

Investment tax credits can be **used** against 50% of income tax liability in a given year. Unused credits may be carried forward 10 years.

RETRAINING TAX CREDITS

The retraining tax credit is one-half the employer's approved direct retraining cost up to \$500 per employee. The credit is **available** to **all** business categories. Before a taxpayer applies for the credits, its retraining program must be approved by the Georgia Department of Technical & Adult Education. The retraining program must be for new equipment, a new technology, or a new operating system.

The retraining tax credit can be **used** against 50% of taxpayer's income tax liability in a given year to reduce or eliminate Georgia income tax liability. Unused credits can be carried forward 10 years. These credits can be combined with other tax credits.

CORPORATE HEADQUARTERS TAX CREDIT

Companies establishing or relocating their North American or International corporate headquarters [principal central administrative offices] in Augusta-Richmond County are eligible to receive an income tax credit of \$5,000 per job per year for five years if the new jobs pay twice the county average wage rate. A \$2,500 tax credit is available if the wages are greater than the county average.

The tax credit is **available** to taxpayers that (1) establish or relocate their headquarters and the headquarters of a subsidiary in Augusta-Richmond County, (2) create 50 or more jobs, (3) invest \$1 million, and (4) pay wages that exceed the county average wage rate. Headquarters taxpayer cannot take the job or investment tax credit.

The headquarters tax credit can be **used** against 100% of tax liability regardless of where the taxpayer locates the headquarters. Credits not applied to income tax liability may be used to reduce withholding tax. Companies establishing or relocating their headquarters to Augusta-Richmond County may be eligible for a tax credit if the headquarters is defined as the principal central administrative offices of a company. New jobs created at the new headquarters must be full-time and must pay above the average wage.

***Example:** Taxpayer locates headquarters in Augusta-Richmond County (Tier 1), creates 160 corporate headquarter jobs paying a wage rate that is greater than the county average; and receives a tax credit of \$2 million to reduce or eliminate GA income tax and withholdings liability: $[160 \times \$2,500 \times 5 \text{ years}] = \2 million .*

Taxpayer locates headquarters in Augusta-Richmond County, creates 160 corporate headquarter jobs paying over twice the county average wage, and receives a tax credit of \$4 million to reduce or eliminate GA income tax and withholdings liability: $[160 \times \$5,000 \times 5 \text{ years}] = \4 million

PORT JOB TAX CREDIT BONUS

The port tax credit is a \$1,250 per job bonus for taxpayers with large increases in shipments into and out of a Georgia port. The \$1,250 is added to the job tax credit [above].

Example: *Taxpayer creates 50 jobs in Augusta-Richmond County (a tier 1 county). Taxpayer is eligible to receive the port bonus, adding \$1,250 to \$4,000 job tax credit for total credit of \$5,250 for each job. Taxpayer is eligible for \$1,312,500 in tax credits spread over 5 years to reduce or eliminate Georgia income tax: $[50 \text{ jobs} \times \$5,250 \times 5 \text{ years} = \$1,312,500]$.*

RESEARCH AND DEVELOPMENT TAX CREDIT

The R&D tax credit equals up to 10 percent of the additional R&D expense over a base amount. The base is computed from the previous three years' taxable income and research expenses.

Example: *Taxpayer has base of \$192,000. Current year's R&D expense is \$5,192,000. Taxpayer is eligible to receive an income tax credit of \$500,000 to reduce or eliminate Georgia income tax liability: $[\$5,192,000 - \$192,000] \times 10\% = \$500,000$.*

R&D tax credits are **available** to a business engaged in one of the categories to which the jobs tax credit is available (manufacturing, telecommunications, etc.). Taxpayer must have positive net income for the previous three years. Taxpayer must qualify for a research credit under Section 41 of the 1986 IRS code to be eligible for the Georgia credit.

R&D tax credits can be **used** against 50 percent of the remaining income tax liability after all other credits have been applied in a given year. Unused R&D tax credits may be carried forward 10 years. These credits can be added to other tax credits.

The R&D **base** is the taxpayer's Georgia taxable net income in the current year multiplied by either (a) the average of the ratios of its qualified research expense to taxable net income for the preceding three taxable years, or (b) 30 percent, whichever is less.

Example: *Taxpayer spends \$100,000 on R&D in a given year and has net taxable income of \$1 million. The ratio of R&D to taxable income is 10%. Taxpayer's expense to income ratios for the three preceding taxable years are: 10%, 9%, and 5% respectively. Average of the three ratios is 8%. If current year's income is \$2,400,000, the base is 8% $\$2,400,000 = \$192,000$.*

CHILD CARE TAX CREDIT

Child care credits **range** from 100 percent to 75 percent of costs. Employers who purchase or build qualified child care facilities are eligible to receive Georgia income tax credits equal to 100 percent of the cost of construction. Employers who provide or sponsor child care for employees are eligible for a credit against Georgia income tax equal to 75 percent of employers' direct costs. The credits are **available** to all businesses in the state. The child care program must be licensed by the state.

All child care credits can be **used** against 50 percent of taxpayer's income tax liability in a given year. Unused child care credits from the purchase or construction of a child care facility can be carried forward three years. The credit can be used for the cost of construction over 10 years [10 percent each year]. Credits that are related to the operating cost of the facility may be carried forward five years.

***Example:** Taxpayer has direct child care cost of \$400,000 in a given year; and is eligible to receive \$300,000 tax credit [75% x \$400,000]. Taxpayer invests \$1 million in a building for the childcare and is eligible for a credit in the first year of \$100,000 [10% x \$1 million]. Taxpayer can add the \$300,000 tax credit and the \$100,000 credit if the total credits do not exceed 50% of the tax liability in a given year*

SMALL BUSINESS FAST GROWTH TAX CREDIT

Georgia income tax credits are **available** to a small business in Augusta-Richmond County having Georgia net taxable income growth of 20 percent or more each year for three consecutive years. The credit in year 3 is the difference in the net taxable income of year 3 and year 2. Eligible companies include the same categories that can receive the job tax credit on page 1 except for retail businesses.

***Example:** Taxpayer's net taxable income increases by 20 percent or more for three consecutive years. In year 3, the net taxable income is \$1 million. The net taxable income in year 2 was \$300,000. Taxpayer is eligible to receive a \$700,000 tax credit: [\$1,000,000 - \$300,000].*

The small business credit can be **used** against 50 percent of the remaining Georgia income tax liability after all other credits have been applied in a given year. There is no carry forward provision. This process can continue until the taxpayer's Georgia income tax liability exceeds \$1.5 million, at which time the taxpayer would no longer be considered a small business. This credit may be combined with other tax credits.

SALES TAX EXEMPTIONS

Manufacturing production machinery is exempt from state and local sales tax, as well as machinery or components bought to upgrade or replace existing machinery; additionally, the exemption covers the re-manufacturing of aircraft engines and components.

The concept of exempting production machinery has been extended to warehouses and distribution centers; their primary material handling equipment is exempt from sales tax if the company invests \$5 million or more in a new or expanded facility. Computer

equipment that is purchased or leased for use at the facilities of a high technology company is exempt when the total amount of the purchase (or lease) value exceeds \$15 million.

Machinery, equipment and materials purchased and used in a clean room of Class 100 or less are exempt. Electricity interacting directly with a manufactured product is exempt if the total cost of the electricity is more than half the cost of all materials used (including electricity) in making the product.

ONE GEORGIA AUTHORITY

The OneGeorgia Authority is a statewide financial tool to help bridge the economic divide in Georgia. The Authority channels one third of the state's tobacco settlement to economic development projects. Flexible assistance will be provided in the form of loans and grants to support local and regional economic development strategies. While the authority will support traditional economic development projects, it will also support innovative solutions to local and regional challenges. \$1.6 billion is anticipated to be available over the 25-year term of the tobacco settlement. Augusta-Richmond County is eligible for OneGeorgia Funds through the Development Authority of Richmond County.

EDGE FUND

The EDGE (Economic Development, Growth and Expansion) Fund will be utilized when Augusta-Richmond County competes for a business location and/or expansion with another community from outside the State of Georgia.

EQUITY FUND

The Equity Fund will provide financial assistance to communities to help build the necessary infrastructure for economic development. Equity funds are also available as loans for several different types of projects, such as constructing speculative buildings in order to attract additional industries to these regions.

HIGH QUALITY TRAINING AT NO COST

Georgia provides employers with free employee recruiting, screening, and training. Quick Start is an innovative on-site training program custom-designed to meet the needs of each company prior to plant start-up. Intellectual Capital Partnership Program (ICAPP). ICAPP is a program of four year and advanced degrees, as well as advanced education in specific courses.

Business prospects may be offered incentives to encourage investment and the creation of jobs. Actual incentives will be based on project scope and size, following detailed discussions of the project between the company and the Development Authority.

AUGUSTA INCENTIVES

TAX ABATEMENTS

Tax savings (abatements) may be provided through the Development Authority of Richmond County if a company chooses to finance its capital investment (land, building and equipment) using Industrial Revenue Bonds (IRBs). Pursuant to IRB financing, title to the assets is deeded to the Development Authority of Richmond County and the deeded properties are leased to the company. The company will either (1) lease the land, building and equipment from the Development Authority for a nominal fee (usually \$10 per year) with the company maintaining the annual amortization of the IRBs, or (2) the company will lease the land, building and equipment from the Development Authority with the rent being used to pay the bonds. The specific tax abatement is determined by the local board of assessors, but is usually about 50% of the normal ad valorem taxes. For example, a company may receive a 50% tax abatement for the entire life of the industrial revenue bonds but not to exceed 20 years.

SITE PREPARATION

Augusta-Richmond County may provide some improvements to a property site in preparation for construction of a facility by a prospect. At the Augusta Corporate Park, owned by the Development Authority of Richmond County, funds are available for infrastructure improvement to include on-site utilities, soil boring tests and grading.

PERMITTING FEES

Augusta-Richmond County may arrange for a “fast track” accelerated timeline for obtaining necessary permits and/or provide a reduction in the required permit fees.

UTILITY RATES

A particular utility may negotiate a reduced rate with a prospective consumer. Any reduction would be based upon the consumer usage and other specifics to the project.

INFRASTRUCTURE IMPROVEMENTS

Depending on specific needs and scope of a project, Augusta-Richmond County may provide improvements to a site such as an access road. Specific improvements would be determined in discussions with a prospect.

FREEPOR T EXEMPTIONS

Augusta-Richmond County voters have elected to exempt the following types of commercial and industrial inventory:

- Class 1 - Raw materials and goods in process of manufacture, 100% exemption

- Class 2 - Finished goods produced in Georgia within the last 12 months, 100% exemption
- Class 3 - Finished goods stored in Georgia within the last 12 months and destined for shipment out-of-state, 100% exemption

Augusta-Richmond County exempts 100% of all qualified inventory from manufacturers eligible for freeport exemption. The deadline for filing an application for freeport exemption with the Board of Tax Assessors is April 1 to receive the full exemption. For more information on freeport exemptions click the link below:

<http://www.etax.dor.ga.gov/ptd/adm/taxguide/exempt.shtml>

FINANCE AND TAXES

Augusta-Richmond County has a host of finance-assisted programs, which can reduce the cost of new and expanding facilities. Such as:

Industrial Revenue Bond Financing (IRB) is available through the Development Authority of Richmond County.

The Central Savannah River Area (CSRA) Regional Development Center (RDC) can assist with Small Business Administration programs including SBA 504 and 7A. These programs provide capital for land, building, equipment, and working capital.

Savannah River Site Community Reuse Organization (CRO) provides grants and venture capital for advanced technology companies.

The Georgia Business Development Corporation provides loans for qualified companies unable to obtain conventional financing. Also, the U.S. Economic Development Administration loan guarantees are available in Augusta.

PROPERTY TAX

Taxes on real estate and tangible personal property are levied by the city, county, school district, and the state as of January 1 of each year. The taxes are collected by the county. All rates are set at the local level, except state tax, which is fixed by Georgia law at 10 cents for each \$1,000 of fair market value (or 25 mills).

The tax rates are set annually, but do not significantly change from year to year. **All properties are assessed at 40% of fair market value.** The effective tax rate represents total tax as a percentage of fair market value.

The Augusta-Richmond County countywide millage rate for 2008 is 30.147 mills, or an effective tax rate of 1.20%.

Example: Annual property taxes for \$1,000,000 of real or personal property at a millage rate of 30.147 mills (1.20% effective rate) in Augusta would be as follows: \$1,000,000 X 40% = \$400,000 – assessment, \$400,000 x .030147 = \$12,058 -- annual property taxes

AMENDMENT 74

Augusta allows new or existing manufacturers that invest \$1 million or more in capital improvements to exempt the county portion of property taxes for five years. This amounts to approximately one-quarter exemption of the millage rate.

INVENTORY TAX

Augusta-Richmond County exempts up to 100 percent of inventory of the qualified product of a company from property tax under Georgia's local-option "Freeport" law. Raw material, work-in-process and finished goods inventory are all exempted in Augusta.

Also, Augusta-Richmond County exempts property taxes for distribution centers and warehouse inventories if the inventory is destined to be shipped out of the state.

CORPORATE INCOME TAX

Georgia's 6 percent corporate income tax rate applies only to the portion of income that is earned in Georgia. Currently, Georgia is transitioning to a sales only corporate income tax rate. Georgia will be the first state in the Southeastern United States to make this change. There is no unitary tax, and Augusta-Richmond County does not have a local income tax or payroll tax.

SALES TAX

Georgia companies pay the state sales tax of 4% at the time of purchase. The tax applies to purchases (other than real estate) delivered or stored in Georgia to be used or consumed in the business (not for resale). This includes natural gas, oil, gasoline, telephone, artificial gas, steam, electricity and rentals. In addition to the State of Georgia sales tax of 4%, Augusta-Richmond County's sale tax is 3%.