GADC

Greenville Area Development Corporation

BUSINESS INCENTIVES

Greenville, South Carolina

Business Incentives

Greenville County works diligently with companies in an effort to provide meaningful incentives for capital investment and new job creation for both existing industries who are expanding and new companies to the area. We welcome the opportunity to talk further about how GADC can partner with your company.

I. Tax & Incentive Structure

With regards to business taxation in South Carolina, the State administers corporate income and sales and use taxes while each county levies real and personal property tax. As a result, each entity's incentives are tied directly to their mode of taxation.

South Carolina's incentive legislation provides the ability to incent both new and existing business and industry when new jobs are created and/or new investment occurs. Incentives from both levels of government take one of two forms. Either they are statutory, meaning if requirements are met, a company would usually automatically qualify; or negotiated, meaning they are offered at the discretion of the appropriate governing body. In general, statutory incentives are fiscal, year-end oriented. Negotiated incentives are often time-sensitive and in some cases have an established period to capture eligible funds and expenditures.

II. County Incentives

The Greenville Area Development Corporation (GADC) was created by Greenville County to act as the County's agent for economic development and has the sole ability to negotiate property tax-based incentives.

a. Manufacturing Property Tax Exemption/Assessment Ratio Reduction - Statutory

Pursuant to new legislation passed in June 2022, a new manufacturing property tax exemption of 42.8571% is in effect that reduces the net effective assessment ratio to from 10.5% to 6%. The exemption is a reduction in a manufacturer's property tax liability for all property (real and personal) that is not subject to a negotiated fee-in-lieu of tax (a FILOT). The manufacturer's filing of the PT-300A is the application for this exemption. NOTE: There is an annual statewide cap of $170 Million for this exemption; if this amount exceeded, the percentage reduction could go down (the assessment ratio increase) in any given year.

Considering this new program, a qualifying company may take advantage of one of two potential County incentive programs. Depending on total investment, a company may qualify for either a five-year statutory abatement of a portion of property tax or, by agreement with the County, a negotiated fee-in-lieu-of-tax (FILOT) arrangement. (See Table 1 on Page 7 for a Comparison.) Other unique options can be considered as a method to further reduce liability and are dependent on new capital investment and new job creation.

b. Property Tax Abatement - Statutory

South Carolina provides a property tax abatement to new or existing companies making new capital investments in the state.

Purpose:

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

Value:

- Approximately 20% - 25% tax reduction annually for 5 years on new capital investment

Requirements:

- Invest greater than $50,000 in new capital expenditures in one year
- Company must be involved in manufacturing, research and development, corporate headquarters, or distribution/warehouse facilities
- If other than manufacturer or R&D, must also create at least 75 new jobs

- File tax return/PT-300 to SC Dept. of Revenue; deduction is automatic. See the SC Department of Revenue website – www.sctax.org – for more information.

Mechanics:

- The abatement is given for 5 years – years 2 through 6 and is a waiver of the County's operating portion (presently 70.3 mills) of property tax.

Property Tax:

- Property Tax = Value x Assessment Ratio x Millage

Tax Example: (assumes manufacturer & non-depreciable asset)
$10 Million investment x 6.0% assessment ratio x .3232 (average) millage rate = $193,920 annual tax (before abatement)

Abatement Savings Example:
$10 Million investment x 6.0% assessment ratio x .0703 millage abatement = $42,180 annual abatement savings or $210,900 over 5 years

Estimated taxes after the abatement in Year 1 would be $151,740.

This example does not take into account the new manufacturing property assessment ratio reduction – II. a. above.

Note: Besides the abatement, SC provides the following **property tax exemptions** - All inventories (raw materials, work-in-progress and finished goods), all intangible property, and all pollution control equipment.

Greenville County also has the option to extend this 5-year property tax abatement to an unrelated purchaser of real property that has formerly received the benefit of the abatement. Certain conditions for new employment and investment may apply.

c. Fee-in-Lieu of Property Tax - Negotiated

A company may also negotiate with the Greenville Area Development Corporation for a Fee-in-Lieu of Property Taxes (FILOT) agreement with final review and consent determined by the Greenville County Council.

Purpose:

- Reward substantial investment by reducing tax burden over the long-term while simultaneously insulating the qualified company from any annual property tax increases for either 5-year increments or the full length of the agreement.

Value:

- While exact savings must be calculated on a case by case basis, the tax savings accrue annually over either 20 or 30 years (county discretion) on new capital investment occurring in a 5-year investment window. For this investment, the FILOT protects the company from future tax increases over the life of agreement.

Requirements:

- Company must be manufacturer, warehouse/distributor or an office/headquarters
- Commit to more than $2.5 Million in new investment over a 5-year investment period

Mechanics:

- Locks the valuation of the property as well as the assessment ratio at 6% on real and personal property for manufacturers
- For distribution, headquarters and corporate offices, the assessment ratio can be reduced from 10.5% to as low as 6% on personal property since non-manufacturing real property is already assessed at 6%. The valuation of the property is also locked.
- May lock millage rate from 20 years to 30 years or adjust it every 5 years. Historical millage increase has been about 1.5% annually and is dedicated largely to Greenville County School System operations.
- A Bond/Incentive attorney must prepare legal documents for GADC submission to Greenville County for review and final approval. Please allow 8-weeks for the process with County Council once negotiated arrangements have been reached with GADC.
- Greenville County may also further reduce annual real and personal property tax liability for qualifying companies.

d. Industrial Revenue Bond – Negotiated

For small manufacturers, the IRB is the lowest cost means to finance a new operation or an expansion due to tax-exempt status of the bond (loan). It can be used for the acquisition of land, the construction of buildings, improvements to real property and the acquisition of new machinery. The maximum bond issuance is $10 Million; Investment cannot exceed $20 million in expenditures 3+/- years.

III. State Incentives

a. Jobs Tax Credit - Statutory

The Jobs Tax Credit is a valuable financial incentive that rewards new and expanding companies for creating jobs in South Carolina. In order to qualify, companies must create and maintain a certain number of net new jobs in a taxable year. The number of new jobs is calculated as the increase in the average monthly employment from one year to the next.

Purpose:

- South Carolina rewards companies for job creation by reducing corporate income tax liability

Requirements and Corresponding Values:

- File form TC-4 (100 employees) or TC-4SB (99 or fewer employees) with corporate tax return to SC Dept. of Revenue. See the SC Department of Revenue website – www.sctax.org – for more information.

1) For companies involved in manufacturing, processing, warehousing, distribution, tourism, or considered a corporate office facility (HQs), bank or qualified technology intensive facility--increase annual average monthly employment by 10 or more new full-time jobs.
    - Credit of $1500 annually for 5 years for each new job; $2500 when located in a Multi-County Business Park

    Note: Technology Intensive Facilities are defined by NAICS codes:
    5114 – database and directory publishers
    5112 – software publishers
    54151 – computer systems design and related services
    541511 – custom systems programming services
    541512 – computer systems design services
    541711 – research and development in biotechnology
    541712 – research and development in physical, engineering and life sciences
    518210 – data processing, hosting and related services
    9271 – space research and technology
    51811 – internet service providers and web search portals

2) "Small Business" - For companies involved in manufacturing, processing, warehousing, distribution, tourism, or considered a corporate office facility (HQs), bank or qualified technology facility and employing corporation-wide 99 or less employees--create 10 net new jobs as noted III.a.1) above or increase annual average monthly employment by 2 or more new full-time jobs.

- Credit of $1500 annually for 5 years for each new job with gross wages that equal or exceed $33.67 per hour (120% of the state's per capita of $28.06/hr or $56,123/yr); $2500 when located in a Multi-County Business Park
- or $750 annually for 5 years for each new job that pays less than $33.67; $1750 when located in a Multi-County Business Park

3) Service-related facilities – must be either (a) operations defined by NAICS Manual Section 62, subsectors 621, 622 or 623 (healthcare); (b) operations defined by NAICS Sector 4881, subsector 488190 (air transportation); or (c) accomplish one of the following during a given year:

- Create 175 jobs at a single location (JDC125); or
- Create 150 jobs at a single location comprised of a building or portion of a building that has been vacant for at least 12 consecutive months prior to the taxpayer's investment (JDC100); or
- Create 100 jobs with an average salary 1.5 times the State of South Carolina's per capita income ($84,185) (JDC75); or
- Create 50 jobs, with an average salary 2 times the State of South Carolina's per capita income ($112,246); or
- Create 25 jobs, with an average salary 2.5 times the State of South Carolina's per capita income ($140,308).

Note: A qualified service-related facility may not be engaged in legal, accounting, banking, investment services or retail services.

If meeting one of the above requirements, service-related companies are also eligible for a credit of $1500 annually for 5 years for each new job or $2500 per job when located in a Multi-County Business Park.

Mechanics:

- Offsets corporate income tax liability up to 50% in a given year
- Can carry forward unused credits for 15 years
- Credits are given each year for five years beginning with years 2 through 6

Example:
100 Employee Manufacturer to create 50 jobs
50 jobs x $1500 = $75,000 annual value
5-year value = $375,000

b. Corporate Headquarters Credits - Statutory

Income tax credits to partially reimburse for real and personal property expenditures associated with new corporate headquarters related jobs.

c. Job Development Credit - Negotiated

The Job Development Credit (JDC) is a discretionary, performance-based incentive that rebates a portion of new employees' withholding taxes and 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. To qualify, a company must meet certain business requirements and the amount a company receives depends on the company's pay structure and location. Qualified companies will receive a percentage of each eligible individual employee's personal income tax returned to them as a cash rebate in either quarterly or annual payments. Depending on salary values, this could be as much as 5% of annual payroll. Only new jobs paying at or above the current county per capita wage qualify.

d. Other - Negotiated

Qualified companies may also be eligible for discretionary incentives from the State of South Carolina to assist with infrastructure improvements including assistance with roads, water and sewer extensions, and other site development improvements.

IV. Recruitment and Training Support

a. ReadySC

No cost recruitment, screening, testing and pre-employment training for a company when it hires 15-20 new production workers; on-the-job training reimbursement is possible when hiring less than 15 new employees.

b. Apprenticeship Carolina

A registered apprenticeship is an employer-sponsored job-related education program that cultivates highly skilled workers. It consists of two complementary components: supervised on-the-job training that is provided by an employer at the workplace and is customized to meet job-specific needs; and related technical instruction (or "RTI"). This is often delivered by a technical college and serves to reinforce the theory underlying the skills being learned on-the-job. Employers with registered apprenticeship programs are eligible to receive a tax credit of $1,000 for each registered apprentice employed for at least 7 months during each year of his or her apprenticeship program, for up to four years.

c. Enterprise Zone Retraining Credits

Cash rebate of $1,000 per year per employee up to 5 years for retraining of existing production employees. Employer must match each $1 rebated with training expenses of $1.50.

d. Workforce Innovation and Opportunity Act (WIOA) & SC Works Business Solutions

Greenville County Workforce Development's business solutions are geared to assist employers with pre-screening of applicants, pre-employment skills assessments, and referrals of qualified job seekers accessing the local SC Works center. Potential grant funds are available for incumbent worker training programs, on-the-job training, customized training for new employees up to 50% of training costs for new employees, and reimbursements for training of WIOA referrals. WIOA assistance complements support provided by ReadySC.

Table 1 – Considerations for Manufacturers of a Fee-in-Lieu Incentive vs. Normal Taxes with an Abatement

Fee-in-Lieu Agreement	Normal Property Tax (Abatement)
<u>Assessed Value</u> Assessment ratio on real and personal property locked at 6% for the life of the agreement (either 20 or 30 years). A 4% Super Fee is available for projects investing more than $150 Million and creating more than 125 jobs.	<u>Assessed Value</u> With current legislative credit in effect, real and personal property assessment is effectively lowered to 6%; however, if a state-wide cap for local reimbursement is exceeded, the percentage could be adjusted upward.
<u>Millage</u> Millage locked from 20 up to 30 years.	<u>Millage</u> Millage changes annually. The historical increase (school district) has been 1-1.5%; however, millage can drop every 5 years after re-assessment.
<u>Depreciation/Appreciation</u> Real Property is assessed at 100% of taxpayer cost for the life of the agreement. Personal property is assessed in accordance with federal income tax guidelines, depreciated down to a 10% residual value. Replacement of personal property is allowed and will be placed in service under original millage rate from Year 1 of the agreement.	<u>Depreciation/Appreciation</u> Personal property is subject to allowable depreciation. Real Property can appreciate or depreciate during re-assessment which occurs every 5 years.
<u>Abatement</u> No abatement.	<u>Abatement</u> Statutory abatement allowed when capex exceeds $10K in a year. Savings of approximately 25% each year for 5 years due to county normal operating millage exemption.
<u>Legal Fees</u> Yes – for Incentive Agreements between the Company and the County.	<u>Legal Fees</u> None.

<u>Notes:</u>

1) Distribution and Office personal property is still assessed at 10.5%; real property is assessed at 6%.
2) Other tools at the GADC's disposal not included above are Special Source Revenue Credits and Multi-County Park Status.