BUSINESS INCENTIVES

JANUARY 2019

South Carolina
Department of Commerce
Just right for business.

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WHY INVEST IN SOUTH CAROLINA?

South Carolina continues to experience significant growth in economic development. Since 2011, the Palmetto State has outpaced bordering states in manufacturing job growth. Companies - large and small, new or existing - are finding the Palmetto State has unparalleled value, and it is just right for business.

Growth incentives are an investment in our economic future. As a result, they must make good sense for all parties involved and be designed to target the needs of companies and local development plans. Successful businesses require growth, and South Carolina offers an array of grants and incentives to help businesses make a smart investment.

EXECUTIVE SUMMARY

Aggressive Incentives Reward Industries for Growth

South Carolina has a reputation as a superior business location, largely due to an exceptional economic climate that helps companies hold down operating costs and increase their return on investment. In addition, South Carolina's performance-based tax incentives reward companies for job creation and investment. The state's pro-business policies are demonstrated by the following:

- Numerous ways to potentially eliminate your entire corporate income taxes;
- A wide range of sales tax exemptions that will reduce start-up costs and annual operating costs;
- Property tax incentives that can be tailored to meet your company's needs; and
- Special discretionary incentives at the local and state level that may be used to meet specific needs of individual companies on a case-by-case basis.

The following pages describe incentives available to qualified companies. Please note that state incentives are contingent upon submission of all required documentation, staff review, fulfillment of eligibility requirements and the conditions of each program. The relevant statutory provisions and agency guidelines must be reviewed for a full understanding of the terms and conditions of each incentive. The South Carolina Department of Commerce is not authorized to offer definitive commitments. Only the South Carolina Department of Revenue (Department of Revenue), local city and county councils and the South Carolina Coordinating Council for Economic Development (Coordinating Council) have the authority to offer definitive tax commitments under South Carolina law.

This document is provided to illustrate South Carolina's pro-business environment and to assist a company in its evaluation of South Carolina taxes and incentives.

SOUTH CAROLINA'S TAX ADVANTAGE

South Carolina's positive business environment starts with its corporate income tax structure.

Businesses locating in South Carolina will benefit from:

- One of the lowest corporate income tax rates in the Southeast.
- A business-friendly method to determine income, subject to the state's corporate income tax rate.
- Numerous credits and methods to reduce and eliminate corporate income tax liability.

CORPORATE INCOME TAX & INCENTIVES

Corporate Income Tax

In South Carolina, gross receipts apportionment is available for businesses that transact business partly within and partly outside of South Carolina so that such businesses are only taxed on the portion of income derived from their in-state operations. The process for determining the taxable income in South Carolina is described below.

Allocated Income: Certain corporate income not connected with the taxpayer's business is allocated for South Carolina tax purposes. This includes interest, dividends, royalties, rents, property sale gains and losses and personal services income associated with the South Carolina facility.

Apportioned Income: For companies engaged in manufacturing, selling or distributing tangible personal property, both within and partly outside of South Carolina, the state offers a single factor sales apportionment formula. A company's net income subject to apportionment will be apportioned to South Carolina by multiplying the net income by a fraction; the numerator of which is the value of sales made in South Carolina and the denominator is the total value of sales of the taxpayer.

A 5% corporate income tax rate is applied to the sum of the income allocated and apportioned to South Carolina.

The resulting figure is the company's state corporate income taxes.

The following shows the corporate income tax liability for a company based on the following assumptions.

1. Total Sales	$10,000,000
2. Sales sourced to SC	$750,000
3. Net income subject to apportionment	$500,000

Based on those assumptions, the apportionment formula is:

$750,000/$10,000,000 = 7.5%

7.5% = Amount of income apportioned to SC

If 7.5% of the company's income is derived from its South Carolina operations, then the total South Carolina net income subject to tax will be $37,500. Applying the 5% corporate tax rate results in $1,875 of South Carolina income tax liability before credits.

($500,000 x 7.5%) x 5% = $1,875

In addition, South Carolina allows businesses a 20-year carry forward for net operating losses.

Corporate License Fee (Franchise Tax)

All corporations must pay an annual fee to the Department of Revenue. The rate is one mill per dollar ($0.001) of a proportion of total paid-in-capital and paid-in-surplus, plus $15. Earned surplus (retained earnings) is not included in the base when calculating this tax. For corporations doing business outside the state, the license fee is determined by apportionment—the same way South Carolina corporate income tax is computed. The minimum corporate license fee is $25.

Corporate Income Tax Credits

In addition to a low corporate income tax rate and a favorable formula for determining the income subject to that rate, South Carolina provides credits that, in some cases, can completely eliminate a company's corporate income tax liability for up to 10, or in some cases 15 years.

Jobs Tax Credits

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. The following types of businesses qualify for the Jobs Tax Credit.

- Manufacturing, processing, agricultural packaging, warehousing and distribution, research and development, agribusiness operations and qualifying technology intensive facilities must create a monthly average of 10 net new jobs.
- Corporate office facilities housing a majority of the headquarters functions must create a monthly average of 10 net new jobs.
- Qualified service-related facilities must meet the following criteria in order to qualify:
  - If the facility is engaged in an activity listed under the North American Industry Classification System Manual Section 62, subsectors 621, 622 and 623 or Section 4881, subsector 488190, the facility must create a monthly average of 10 net new jobs.
  - In a Tier IV county, the facility must create a monthly average of 10 net new jobs.
  - In a Tier I, II or III county the facility must create in a single taxable year a monthly average of:
    - > 175 new jobs;
    - > 150 new jobs in a building that has been vacant for at least 12 months;
    - > 100 new jobs with an average salary 1.5 times the lower of the state or the county per capita income;

- 50 new jobs with an average salary 2 times the lower of the state or the county per capita income; or
- 25 new jobs with an average salary 2.5 times the lower of the state or the county per capita income. The value of the credit depends on the county's development tier as set forth below:

COUNTY'S DEVELOPMENT TIER	
Tier I	$1,500
Tier II	$2,750
Tier III	$4,250
Tier IV	$8,000

Counties are re-ranked every year based on unemployment rates and per capita income, and the ranking of a county may change from year to year.

A county may also join with another county to form a "multi-county industrial park." Under this arrangement, a county agrees to share the property taxes with a "partner" county. This partnership raises the value of the credits by $1,000 per job, meaning credits from $2,500 to $9,000 per job may be available for qualifying companies.

If the company is a manufacturing, processing, agricultural packaging, warehousing and distribution, research and development, agribusiness or qualified technology intensive facility or a corporate office that has fewer than 99 employees worldwide, the company could qualify for the Small Business Jobs Tax Credit by creating a monthly average of two net new jobs, instead of 10. Under the Small Business Jobs Tax Credit, the company may only get the full credit amount for net new jobs that pay 120% of the county's average hourly rate. For jobs that pay less than 120% of the county's average hourly wage rate, credits from $750 to $4,000 per job (or $1,750 to $5,000 in a multi-county industrial park) may be available for qualifying companies.

For both the Jobs Tax Credit and the Small Business Jobs Tax Credit, the credit is available for a five-year period beginning with Year 2 (Year 1 is used to establish the created job levels.) The credit can be applied against corporate income tax or premium tax, but cannot exceed 50% of the year's tax liability. Unused credits may be carried forward for 15 years from the year earned.

The following table illustrates the value of Jobs Tax Credits for a qualified company assuming the creation of 100 net new jobs in a county designated as Tier III and at a site designated as a multi-county industrial park.

ILLUSTRATION OF ESTIMATED JOB TAX CREDITS TIER III COUNTY

Year	Credit	Number of Job Credits	Annual Total
1	Establish Qualification for Credit		
2	$5,250	100	$525,000
3	$5,250	100	$525,000
4	$5,250	100	$525,000
5	$5,250	100	$525,000
6	$5,250	100	$525,000
Total Value			$2,625,000

Please note, the number of new jobs is calculated as the increase in average monthly employment from one year to the next. Should the number of jobs created also increase or decrease, the total credit will likewise vary. We have calculated these amounts assuming that the county in which the project located remains a Tier III County.

Corporate Headquarters Tax Credit

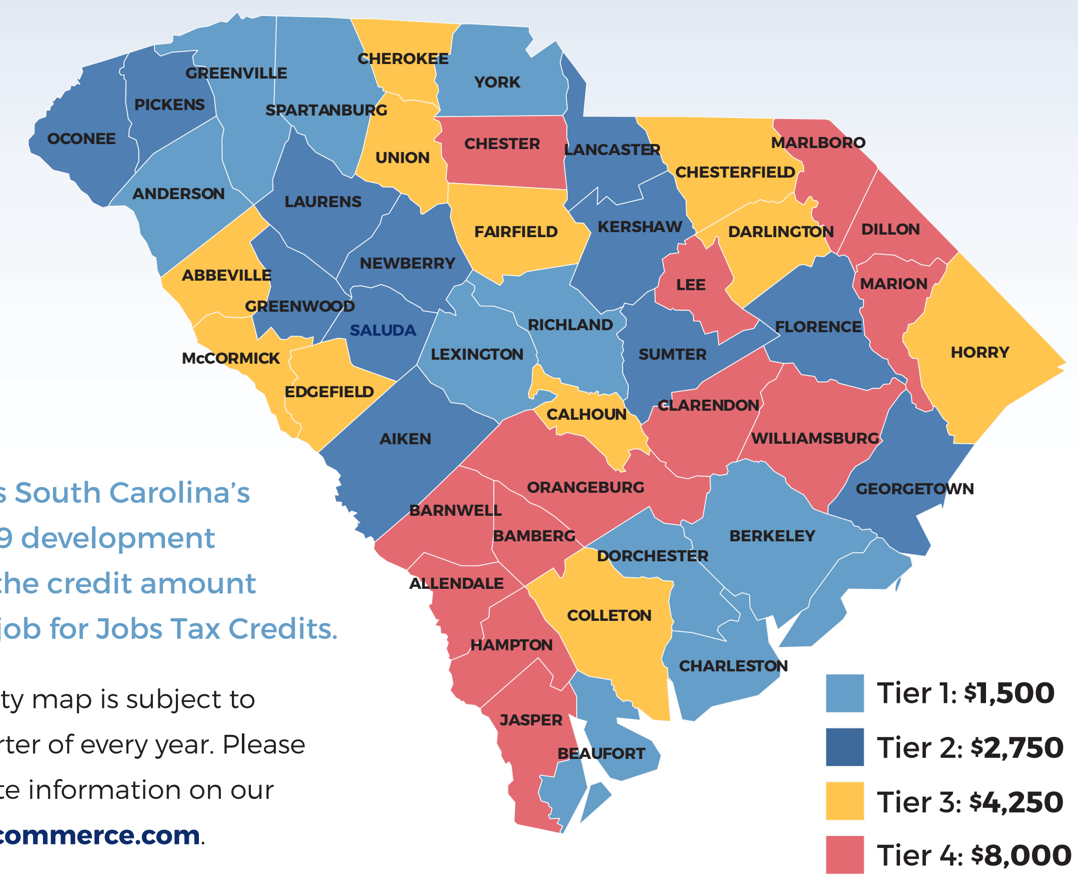
In an effort to offset the costs associated with relocating or expanding a corporate headquarters facility, South Carolina provides a generous 20% tax credit based on the value of the actual portion of the facility dedicated to the headquarters operation or direct lease costs for the first five years of operation. The credit can be applied against either corporate income tax or the license fee. These credits are not limited in their ability to eliminate corporate income taxes and can potentially eliminate corporate income taxes for as long as 10 years from the year earned. Eligibility for this credit is determined by meeting each of the following criteria:

- The company must create a minimum of 40 new full-time jobs that are engaged in corporate headquarters or research and development. At least 20 of these jobs must be classified as staff employees. (Headquarters staff employees are executive, administrative or professional workers performing headquarters related functions and services. An executive is an employee who spends 80% of his or her time on corporate-wide duties.)
- The facility must be the location where the majority of the company's financial, legal, personnel, planning and/or other staff functions are handled on a regional or national basis.
- The facility must be the sole corporate headquarters within the region or nation with other facilities that report to it. A region is defined as a geographical area comprised of either five states (including South Carolina) or two or more states (including South Carolina) if the entire business operations of the company are performed in fewer than five states.

Enhanced Corporate Headquarters Tax Credit

In addition to the standard Corporate Headquarters Tax Credit discussed above, South Carolina offers an additional credit equal to 20% of the tangible personal property costs of establishing the headquarters. Eligibility for this credit requires that:

- The tangible personal property must be purchased for the headquarters facility or research and development facility, which is a part of the same project;



This map identifies South Carolina's counties, their 2019 development designations and the credit amount available per new job for Jobs Tax Credits.

January 2019 | County map is subject to change the first quarter of every year. Please see the most accurate information on our website at **www.SCcommerce.com**.

- The tangible personal property must be used to create a minimum of 75 permanent new full-time jobs performing headquarters or research and development-related functions and services, 20 of which are staff level; and
- The 75 new headquarters-related jobs must have an average cash compensation level of more than two times the state per capita income.

This credit may be used to eliminate both a company's franchise tax and the corporate income tax. Unused credits may be carried forward for 15 years.

Investment Tax Credit

South Carolina allows manufacturers locating or expanding in South Carolina a one-time credit against a company's corporate income tax of up to 2.5% of a company's investment in new production equipment. The actual value of the credit depends on the applicable recovery period for property under the Internal Revenue Code. The following table illustrates the credit value for the various years outlined in the code.

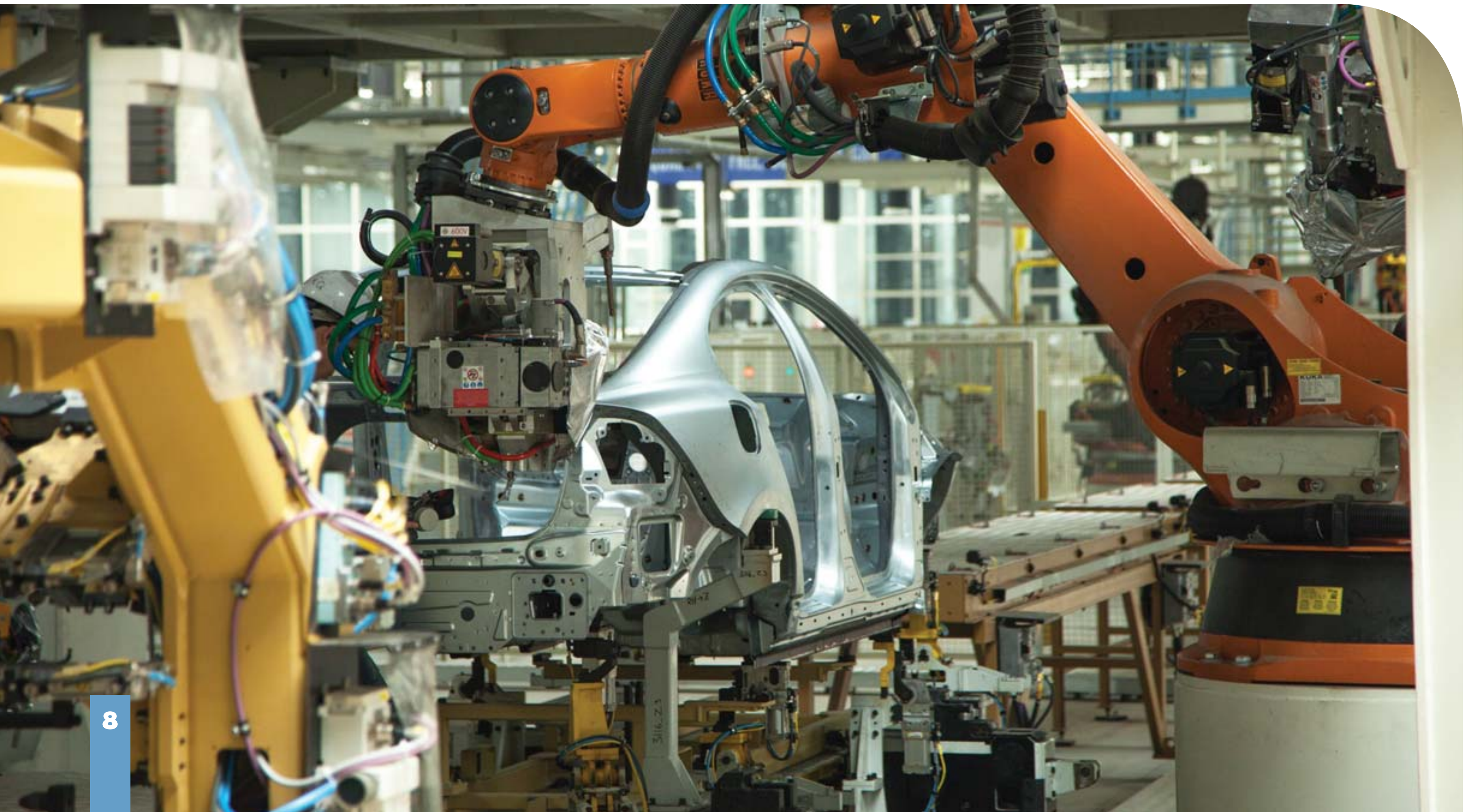
RECOVERY PERIOD	CREDIT VALUE
3 years	0.5%
5 years	1%
7 years	1.5%
10 years	2%
15 years or more	2.5%

The credit may be used to offset up to 100% of corporate income tax liability, and unused credits may be carried forward for up to 10 years.

Research & Development Tax Credit

In order to reward companies for increasing research and development in a taxable year, South Carolina offers a credit equal to 5% of the taxpayer's qualified research expenses as defined in Section 41 of the Internal Revenue Code.

The credit taken in any one taxable year may not exceed 50% of the company's remaining tax liability after all other credits have been applied. Any unused portion of the credit can be carried forward for 10 years from the date of the qualified expenditure.



Corporate Income Tax Moratorium

Companies creating net new jobs in some economically distressed counties in South Carolina will benefit from a corporate income tax moratorium. Companies that qualify for the moratorium will be able to entirely eliminate their state corporate income tax liability for a period of either 10 or 15 years. In order to qualify, at least 90% of the company's total investment in South Carolina must be in a county where the unemployment rate is twice the state average. The length of the moratorium depends on the number of net new full-time jobs created. Companies creating at least 100 net new full-time jobs in a five-year period qualify for a 10-year moratorium, and companies creating at least 200 net new full-time jobs in a five-year period qualify for a 15-year moratorium. The moratorium period begins once a company meets the required job target.

In order to qualify for the moratorium, a company must also obtain certification through an application process from the Coordinating Council that the project will have a significant beneficial effect on the region for which it is planned and that the benefits of the project to the public exceed its costs. If a company is approved for the moratorium, it must enter into a contract with the Department of Revenue.

For 2019, only Dillon, Marlboro and Jasper Counties have been designated as moratorium counties.

Recycling Facility Tax Credit

In order to reward qualified recycling facilities, South Carolina offers a credit equal to 30% of the cost of recycling property placed into service each year. A qualified recycling facility is one that has a $300 million dollar investment within five years and that manufactures products for sale composed of 50% or more postconsumer waste material by weight or volume. There is no limit to the amount of tax that can be offset with the credit, and the credit can be carried forward indefinitely.

Solar Energy Tax Credit

South Carolina allows a company a credit against income taxes equal to 25% of the costs incurred by the company in the purchase and installation of a solar energy system, a small hydropower system for heating water, space heating, air cooling, energy-efficient daylighting, heat reclamation, energy-efficient demand response or the generation of electricity in or on a facility in South Carolina owned by the company. The credit cannot be claimed before installation of the system is completed. The amount of the credit in any year may not exceed $3,500 for each facility or 50% of the income tax liability for the taxable year, whichever is less. Unused credit can be carried forward for 10 years.

A "system" includes all controls, tanks, pumps, heat exchangers and other equipment used directly and exclusively for the solar energy system. It does not include any land or structural elements of the building such as walls, roofs or other equipment ordinarily contained in the structure. To qualify for the credit, the system must be certified for performance by the nonprofit Solar Rating & Certification Corporation or a comparable entity endorsed by the State Energy Office.

Biomass Resources Tax Credit

South Carolina allows a company a credit against income taxes or corporate license fees, or both, for 25% of the costs incurred for the purchase and installation of equipment used to create power, heat, steam, electricity or another form of energy for commercial use from a fuel consisting of 90% or more biomass resource.

The statute defines the following terms:

1. "Biomass resource" – non-commercial wood, by-products of wood processing, demolition

debris containing wood, agricultural or animal waste, sewage, landfill gas and other organic materials, not including fossil fuels.

2. "Commercial use" – a use intended for the purposes of generating a profit.

The credit is claimed in the year the equipment is placed in service for all expenses incurred for the purchase and installation of the equipment. All costs must be certified by the State Energy Office. The taxpayer may use up to $650,000 of credit in a tax year. Any unused credit may be carried forward 15 years.

The company must submit a request for credit to the the State Energy Office by January 31st for qualifying expenses. The State Energy Office will notify the taxpayer of the amount of credit it may claim by March 1st.

If the equipment ceases using biomass resources as its primary fuel source before the entire credit is used, any unused credit cannot be used until it resumes using biomass resources as at least 90% of its fuel source. The carryforward period is not extended if the credit is suspended.

Renewable Fuels Tax Credit

Credits may also be available to a company constructing a facility in South Carolina that produces and/or distributes renewable fuels.

The amount of credit for constructing an ethanol or biodiesel production facility is equal to 25% of the cost of constructing or renovating a building and equipping the facility for the purpose of producing renewable fuel and must be taken in seven equal annual installments beginning with the taxable year the facility is placed in service.

The amount of credit for constructing an ethanol or biodiesel distribution facility is equal to 25% of the cost of purchasing, constructing and installing the property. Eligible property includes pumps, storage tanks and related equipment that are directly and exclusively used for distribution, dispensing or storing renewable fuel. The equipment used to store, distribute or dispense renewable fuel must be labeled for this purpose and clearly identified as associated with renewable fuel. The credit must be taken in three equal annual installments beginning with the taxable year in which the property is placed in service.

The credits for the construction of ethanol or biodiesel production or distribution facilities can completely eliminate state income tax, and unused credits may be carried forward for up to 10 years. To obtain the amount of credit available, the company must submit a request for credit to the State Energy Office by January 31st for all qualifying property or a qualifying facility, as applicable, placed in service in the previous calendar year.

Renewable Energy Systems and Components Tax Credit

South Carolina provides a nonrefundable income tax credit equal to 10% of qualifying expenditures to qualifying companies in the renewable energy field that are expanding or locating in South Carolina. To qualify, the company must:

1. Manufacture renewable energy systems and components in this state for solar, wind, geothermal or other renewable energy uses;

2. Invest at least $50 million in a Tier IV county, $100 million in a Tier III, $150 million in a Tier II county or $200 million in a Tier I county, in new qualifying plant and equipment in the year the tax credit is claimed; and

3. Meet certain job and wage requirements.

Expenditures qualifying for the credit must be certified by the Department of Revenue.

A qualifying company must submit a request for the credit to the Department of Revenue by January 31st for expenditures incurred in the previous calendar year. By March 1st, the taxpayer will be notified of qualifying expenditures and the allocated credit amount. A taxpayer's total credit for all expenditures cannot exceed $500,000 for any taxable year and $5 million total for all taxable years. Unused credits can be carried forward for 15 years. The credit is in lieu of all other credits or abatements allowed by state law, but the taxpayer may select the credit or abatement desired in the manner prescribed by the Department of Revenue.

NOTE: This income tax program is available for the period from January 1, 2010 to December 31, 2019.

Energy Conservation and Renewable Energy Tax Credit

South Carolina allows a taxpayer a credit equal to 25% of all expenditures incurred during the taxable year for the purchase and installation of the following energy conservation and renewable energy production measures:

- Conservation tillage equipment
- Drip/trickle irrigation systems, including all necessary measures and equipment
- Dual purpose combination truck and crane equipment.

A company may claim the credit only one time for each of the three measures in a lifetime. The maximum credit that may be claimed for each measure is $2,500. In the case of pass through entities, the credit is determined at the entity level and is limited to $2,500. Any unused credit can be carried forward for five years.

DID YOU KNOW?

South Carolina supports new and expanding industry with a wide range of valuable exemptions to the state and local sales tax.

One of these exemptions includes machinery and equipment, and applicable repair parts, used in the production of tangible goods.

SALES AND USE TAX & INCENTIVES

Sales and Use Tax

The sales and use tax rate in South Carolina is 6%. Some counties assess a local option sales tax and/or a capital project sales tax, which currently range from 1 to 3%. Proceeds of such local taxes go toward infrastructure improvements or a rollback of property taxes.

The sales tax applies to all retail sales, leases and rentals of tangible personal property, including the value of property purchased at wholesale and then used or consumed by the purchaser. The use tax is based on the sales price of such property.

Out-of-State Sales

South Carolina exempts sales tax on the gross proceeds of the sales of tangible personal property where the seller, by contract of sale, is obligated to deliver to the buyer, an agent of the buyer, or a donee of the buyer, at a point outside of South Carolina or to deliver it to a carrier or to the mail for transportation to a point outside of South Carolina.

Out-of-State Purchases

South Carolina provides a use tax credit for purchases of tangible personal property paid in another state, if the state in which the property is purchased and the sales and use taxes are paid allows substantially similar tax credits on tangible personal property purchased in this state. If the amount of the sales or use tax paid in the other state is less than the amount of use tax imposed in South Carolina, the user is required to pay the difference to this state.

Sales Tax Incentives

Sales Tax Exemptions

South Carolina supports new and expanding industry with a wide range of valuable exemptions to the sales tax (state and local). These exemptions include the following:

- Machinery and equipment, and applicable repair parts, used in the manufacturing, processing, agricultural packaging, recycling, compounding, mining or quarrying of tangible personal property for sale;
- Materials that will become an integral part of the finished product;
- Coal, coke or other fuel for manufacturers, transportation companies, electric power companies and processors;
- Industrial electricity and other fuels used in manufacturing tangible personal property;
- Research and development machinery and equipment;
- Air, water and noise pollution control equipment;
- Material handling equipment for manufacturing or distribution projects investing $35 million or more in the state;
- Packaging materials; and
- Long distance telephone calls and access charges, including 800 services.

In addition, South Carolina offers the following exemptions:

Construction Materials. Construction materials used in the construction of a single manufacturing or distribution facility with a capital investment of at least $100 million in an 18-month period will be exempt from sales tax.

Technology Intensive Materials. "Technology intensive" companies locating or expanding in South Carolina may be exempt from some sales and use taxes when the new or expanding facility meets certain investment and job creation requirements. For a company to qualify for these exemptions, the expanding and/or new facility must:

- Qualify as a "technology intensive facility" which is defined as a facility at which a firm engages in the design, development and introduction of new products or innovative manufacturing processes, or both, through the systematic application of scientific and technical knowledge. It includes North American Industrial classification Systems ("NAICS") Manual codes 5114 (database and directory publishers), 5112 (software publishers), 54151 (computer systems design and related services), 541511 (custom computer programming services), 541512 (computer 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) or a facility primarily used for one or more activities listed under the 2002 version of the NAICS codes 51811 (Internet Service Providers and Web Search Portals.);
- Invest at least $300 million in real or personal property at the facility over a five year period, 60% of which must be spent on computer equipment; and
- Create at least 100 new jobs within a five year period with an average wage that is at least 150% of the state per capita wage.

The items that may be exempt from sales and use tax are: computer equipment, electricity used by the facility and equipment and raw materials. Once qualified for this exemption, all future computer equipment purchases are exempt.

Recycling Equipment. For a new or expanding recycling facility that invests at least $300 million by the end of the fifth calendar year after the year in which the company begins construction or operation of the facility, South Carolina provides certain exemptions from sales and use tax. The facility must manufacture products for sale composed of at least 50% post-consumer waste material by weight or volume. The items that will be exempt from sales and use tax are as follows:

- Recycling property used at the facility; Electricity, natural gas, propane or fuels of any type, oxygen, hydrogen, nitrogen or gases of any type and fluids and lubricants used by the facility;
- Tangible personal property that becomes, or will become, an ingredient or component part of products manufactured for sale by the facility;
- Tangible personal property of, or for, the facility which is, or will be used: (1) for the handling or transfer of post-consumer waste material, (2) in, or for, the manufacturing process, or (3) in, or for, the handling or transfer of manufactured products; and
- Machinery and equipment foundations used, or to be used, by the facility.

Datacenter Materials. Datacenters locating or expanding in South Carolina may be exempt from some sales and use taxes when the new or expanding facility meets certain investment and job creation requirements. For a company to qualify for these exemptions, the expanding and/or new facility must:

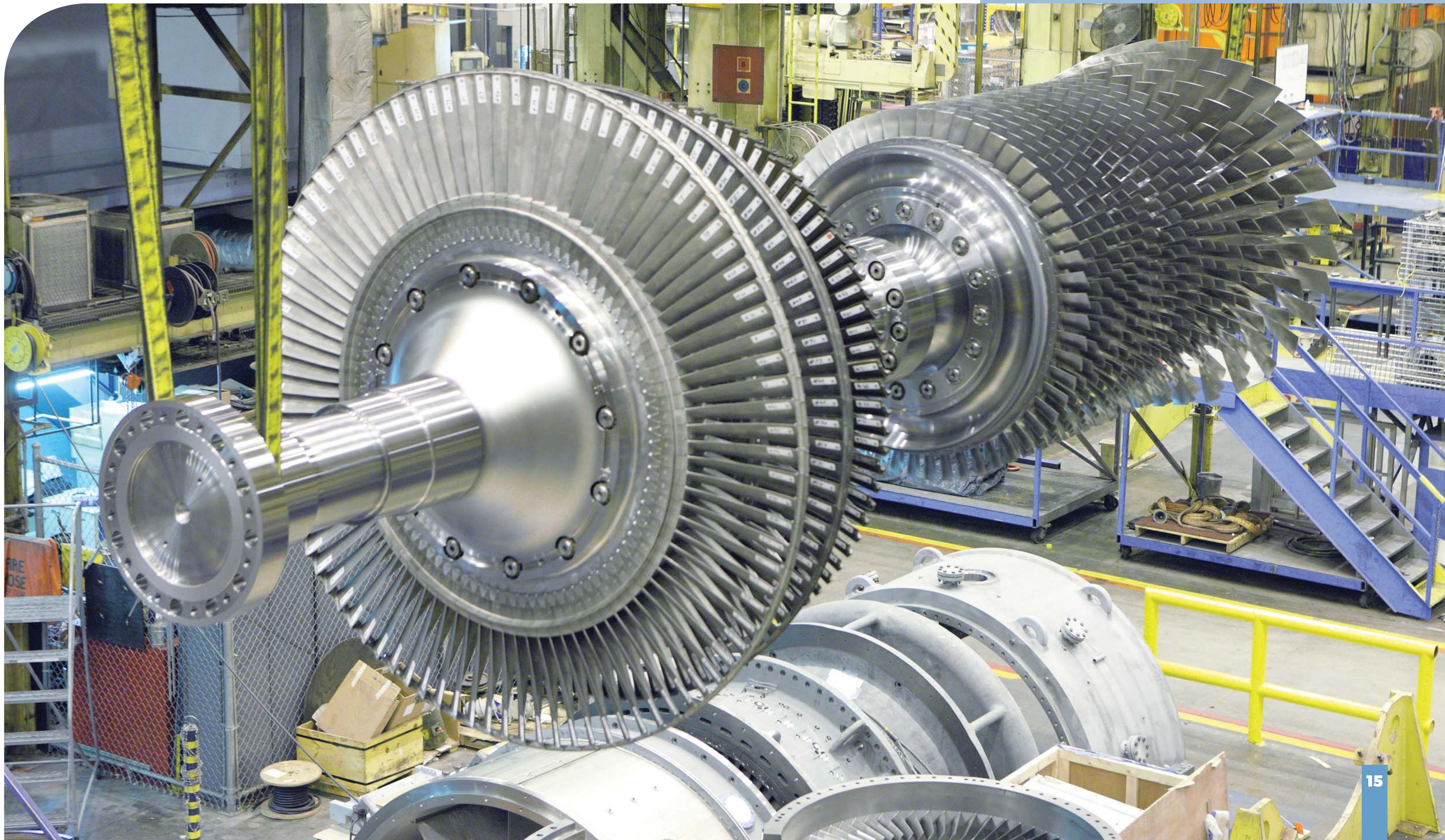
- Be certified by the South Carolina Department of Commerce as a qualifying datacenter;
- Invest at least $50 million (or a combined $75 million with one or more other companies) in real or personal property at a single facility over a five year period;
- Create at least 25 new jobs within a five year period with an average wage that is at least 150% of the state or county per capita wage, whichever is lower; and
- Maintain the 25 jobs for at least three years.

The items that may be exempt from sales and use tax are: computer equipment, software and electricity directly used in datacenter operations. Once qualified for this exemption, all future computer equipment purchases are exempt. If the company does not meet the investment or job creation requirements, the company must pay back the entire amount of sales tax exempted.

If the company meets the investment and job creation requirements within the five year period but fails to maintain the 25 jobs for three years, the company may obtain a pro-rata exemption on sales taxes paid for electricity but not for computer hardware or software.

SALES TAX CAPS

South Carolina provides a max cap of $500 for sales tax or infrastructure maintenance fee, as applicable, on the sale or lease of aircraft, motor vehicles, motorcycles, boats, recreational vehicles and other items.



PROPERTY TAXES IN SOUTH CAROLINA

In South Carolina, only local governments levy property taxes. There is no state tax on real or personal property. In addition, there is no tax, state or local, on inventories or intangibles in South Carolina.

A company's property tax liability is a function of:
Property Value (less depreciation) x Assessment Ratio x Millage.

LOCAL PROPERTY TAXES & INCENTIVES

Property Tax

Valuation and Assessment

The Department of Revenue determines the fair market value of a business' real property (land and building) and personal property (machinery and equipment) to assure equitable local treatment. The fair market value is then assessed at rates established in the state constitution. For manufacturers, real and personal property are both assessed at 10.5%. The assessment ratio for all other businesses is 6% for real property and 10.5% for personal property. (For homeowners, primary residences are assessed at 4%.)

Depreciation

Depreciation rates are determined by the Department of Revenue based on the type of personal property. For manufacturers, personal property is allowed to depreciate annually at a rate set in law according to the company's primary function (the most common depreciation rate is 11% per year). For all other businesses, the personal property is allowed to depreciate annually (once it is placed in service) at the rate claimed by the company for income-tax purposes. The company will be allowed to depreciate its personal property to a level of 10% of the original property value. Please note that the Department of Revenue makes the final determination of the allowable depreciation.

Millage

The local millage rate is applied to the assessed depreciated value to determine taxes. Millage rates in South Carolina are site specific and set annually by local government. A mill is equal to $0.001.

Property Tax Exemptions

In support of business, South Carolina exempts three classes of property from local property taxation:

- All inventories (raw materials, work-in-progress and finished goods);
- All intangible property; and
- All pollution control equipment.

Pursuant to new legislation, 14.2857% of the property tax value of manufacturing property assessed for property tax purposes will be exempt from property taxation; provided, however, that the total amount of the exemption for all entities in the state for that fiscal year will not exceed $85 million. For any year in which the amount is projected to exceed $85 million, the exemption amount shall be proportionally reduced. This new exemption is being phased in equal installments over six years which began in 2018. Please note that this exemption does not apply to property under a Fee-in-Lieu agreement as discussed below.

Property Tax Incentives

Five-Year Property Tax Abatement

By law, manufacturers (investing $50,000 or more) and distribution or corporate headquarters facilities (investing $50,000 or more and creating 75 new jobs in Year 1) are entitled to a five-year property tax abatement from county operating taxes. This abatement usually represents an offset of up to 20% to 50% of the total millage, depending on the county. The abatement does not include the school portion of the local millage.

Please note that the tax abatement on investment is in effect for five years only. In year six, the abatement terminates, and the property is taxed at the millage rate in effect at that time.

The five-year property tax abatement is not available for property placed under a Fee-in-Lieu agreement.

Textile Revitalization Credit

There are credits for rehabilitating abandoned textile mill sites that encourage businesses to renovate, improve and redevelop abandoned textile mill sites.

Sites that are eligible are abandoned sites initially used for, or designed for use by, textile manufacturing. "Abandoned" means that at least 80% of the site has been closed for a period of at least one year. A company that improves, renovates or redevelops an eligible site may be eligible for **one of two tax credits:**

- ***A credit against income taxes or license taxes*** equal to 25% of the rehabilitation expenses. This credit is to be taken in equal installments over five years beginning with the tax year in which the site is placed in service. The credit can offset up to 100% of income or license tax liability. Unused credits can be carried forward up to five years. In this case, the taxpayer must file a Notice of Intent to Rehabilitate with the Department of Revenue before receiving building permits.

- ***A credit against real property taxes*** equal to 25% of the rehabilitation expenses of an eligible site multiplied by the local taxing ratio of each local taxing entity that has consented to the tax credit. This credit can offset up to 75% of property taxes for a period of up to eight years. To receive this credit, the county or municipality in which the site is located must determine the eligibility of the site and the proposed project. ***A majority vote of the local governing body must approve the project***, and the determinations and approval must be made by public hearing and ordinance. In this case, the taxpayer must file a Notice of Intent to Rehabilitate with the local government before incurring rehabilitation expenses.

Revitalization of Abandoned Building Credit

In order to qualify for this credit, the taxpayer must improve, renovate or redevelop an eligible site for income producing purposes and incur rehabilitation expenses in an amount

- Greater than $250,000 for building in unincorporated area of a county or in a municipality of a county with a population of more than 25,000 persons;
- Greater than $150,000 for building in unincorporated area of a county or in a municipality of a county with a population of at least 1,000 persons but less than 25,000 persons; or
- Greater than $75,000 for building in unincorporated area of a county or in a municipality of a county with a population of less than 1,000 persons.

Sites that are eligible are buildings or structures, at least 66% of which has been closed continuously or otherwise non-operational for at least five years (excluding a building used immediately preceding as a single-family residence) from the date that the taxpayer files a Notice of Intent to Rehabilitate.

A qualifying taxpayer may be eligible for **one of two tax credits:**

- ***A credit against income taxes*** or license taxes equal to 25% of the rehabilitation expenses. This credit is to be taken in equal installments over three years beginning with the tax year in which the site is placed in service. The credit can offset up to 100% of the income or license tax liability, and the credit may not exceed $500,000 in any one tax year. Unused credits can be carried forward up to five years. In this case, the taxpayer must file the Notice of Intent to Rehabilitate with the Department of Revenue before receiving building permits.
- ***A credit against real property taxes*** equal to 25% of the rehabilitation expenses of an eligible site multiplied by the local taxing ratio of each local taxing entity that has consented to the tax credit. This credit can offset up to 75% of property taxes for a period of up to eight years. To receive this credit, the county or municipality in which the site is located must determine the eligibility of the site and the proposed project. ***A majority vote of the local governing body must approve the project***, and the determinations and approval must be made by public hearing and ordinance. In this case, the taxpayer must file the Notice of Intent to Rehabilitate with the local government before incurring rehabilitation expenses.

DID YOU KNOW?

Companies that rehabilitate abandoned facilities may be eligible for tax credits. These credits encourage businesses to renovate, improve and redevelop these abandoned areas.

SOUTH CAROLINA'S DISCRETIONARY INCENTIVES

South Carolina law allows a county to negotiate with a company for a FILOT agreement if total capital investment is $2.5 million or greater.

The FILOT may result in benefits for a company: Savings, Replacement Property and Additional Savings for Substantial Capital Investments.

DISCRETIONARY INCENTIVES

Fee-in-lieu of Property Taxes (FILOT)

Under this program, companies making substantial capital investments may negotiate a lower assessment ratio and stabilize millage rates for up to 30 years. The long-term savings of the FILOT is based on the actual investment and is dependent on both the assessment and millage rates negotiated with the county.

South Carolina law allows a county to negotiate with a company for a FILOT agreement if total capital investment is $2.5 million or greater. By law, the company has five years to meet the minimum investment threshold, and the county can offer an additional five-year extension to complete the project. The company may include both real and personal property under the FILOT agreement. However, property that has been on the tax rolls in the state previously, including existing buildings, is not eligible for the FILOT. (This restriction is waived for companies investing an additional $45 million or more in new investment.)

The FILOT may result in substantial benefits for a company:

- ***Savings:*** Payments to local government are significantly reduced through the negotiation of a lower assessment rate (from 10.5% to as low as 6%).
  The company may also negotiate a locked-in millage rate for up to 30 years or a five-year adjustable rate for the property that is subject to the FILOT.
  With a FILOT, personal property depreciates, but real property is fixed at the original cost for the life of the fee. However, the county and the company may instead provide that any real property subject to the FILOT may be reported at its fair market value as determined by the appraisal of the Department of Revenue and may be re-appraised every five years.
- ***Replacement Property:*** Property that is replacing property previously under the FILOT is allowed to go under the agreement up to the original income tax basis of the original fee property it is replacing at any time during the agreement.
- ***Additional Savings for Substantial Capital Investments:*** If a company is investing more than $400 million or investing more than $150 million and creating at least 125 net new jobs, a "Super Fee" is negotiable. This fee can further lower the assessment rate to as low as 4%.

Job Development Credit

South Carolina's Enterprise Program is substantially different from the state's other tax incentives because it does not reduce a particular tax liability; instead, it provides companies with funds to offset the cost of locating or expanding a business facility in this state. Representing actual cash contributions to the project, this incentive allows South Carolina to lower the effective cost of investment and positively contribute to a company's bottom line and profitability.

The Job Development Credit effectively uses the personal withholding taxes of new employees to reimburse qualified, approved companies that add value to South Carolina and the community in which they locate. These reimbursements are for eligible capital expenditures (land, building, site development, pollution control equipment or infrastructure) associated with projects creating new full-time jobs that also provide health care benefits for South Carolina citizens.

The Coordinating Council administers the Enterprise Program. Funds for the Job Development Credits come from state personal income tax withholding that is paid by a company's employees. Employees receive a credit equal to the withholding used by the company; therefore, there is no financial impact on employees. No company will be allowed to claim a credit on any employee whose job was created in this state before the taxable year in which a company was approved for the program. In addition, the Coordinating Council generally caps annual collection at no more than $3,250 per employee per year.

To verify capital expenditures and qualifying jobs, a company is required to make its payroll books and records available for inspection by the Coordinating Council and the Department of Revenue. In addition, a company must furnish a report prepared by the company that itemizes the sources and uses of the funds, and such report must be filed by June 30 following the calendar year in which the refunds are received.

Eligibility Requirements. To be eligible to apply for the Job Development Credit, a company must:

- Meet the requirements of a manufacturing, agricultural packaging, processing, corporate office and processing, corporate office, warehouse and distribution, research and development, agribusiness, tourism or qualified service-related facility as required for the Jobs Tax Credit;
- Create at least 10 new, full-time jobs (or meet additional requirements if qualifying as a service facility);
- Provide full-time employees with a benefits package that includes a comprehensive health plan and pay at least 50% of an eligible employee's cost of health plan premiums; and
- Pay a non-refundable $4,000 application fee, receive a positive cost/benefit certification (the project is of greater benefit than cost to the state) from the Coordinating Council and pay a $500 annual renewal fee.

Please note that the Coordinating Council will generally only allow companies to collect credits for 10 years, and only on new full-time jobs with wages at or above the current county average wage for the county in which the project is located.

The Revitalization Agreement. Once a company's application for eligibility to receive Job Development Credits is approved by the Coordinating Council, the company will be required to enter into an agreement with the Coordinating Council called a Revitalization Agreement. The Revitalization Agreement is a contract with the state guaranteeing the company's participation in the program, assuming it stays current with state taxes and meets its commitments on job creation and investment. Under the terms of the Revitalization Agreement, the Coordinating Council and the company:

- Establish mutually agreeable investment and employment minimums that the company must meet and maintain in order to claim a Job Development Credit;
- Set a date by which the project's investment and employment will be completed (must be within five years of the date of the agreement); and
- Identify a maximum reimbursement amount.

Funds for Retraining Available for Existing Industry

Eligible businesses engaged in manufacturing, processing or technology intensive industry may be eligible for a refund of up to $1,000 per eligible full-time employee per year for retraining costs. The retraining must be necessary for the business to remain competitive or to introduce new technologies. An eligible employee is a production or technology first line employee or immediate supervisor who has been continuously employed by the company for at least two years. "Technology employee" includes an employee who is directly engaged in the design, development and introduction of new products or innovative manufacturing processes, or both, through the systematic application of scientific and technical knowledge at a technology intensive facility.

Please note that companies will not be allowed to claim Job Development Credits and Retraining Credits on the same employee.

The retraining must be approved and coordinated by the technical college(s) under the jurisdiction of the State Board for Technical and Comprehensive Education serving the designated region where the company is located. The technical college may provide the retraining program delivery directly or contract with other training entities to accomplish the required training outcomes.

Refunds per eligible employee for retraining may not exceed $1,000 in a year, or $5,000 over five years. The company must match $1.50 for each $1.00 of the employee's withholding share used for training. The total amount is paid to the technical college providing the training. In order to collect funds for retraining, a company must pay an annual $250 renewal fee.

Port Volume Increase Tax Credit

South Carolina provides a possible income tax credit or withholding tax credit to manufacturers or distributors or companies engaged in warehousing, freight forwarding, freight handling, goods processing, cross docking, transloading or wholesale of goods. To be eligible for this credit, a company must have 75 net tons of non-containerized cargo, 385 cubic meters or 10 loaded TEUs transported through a South Carolina port facility for their base year and then must increase their port cargo volume by 5% over base-year totals. The base-year port cargo volume will be re-calculated every year after the initial base year.

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 the amount of, and the type of any tax credit it will receive. Any unused credits may be carried forward for five years.

SC Agricultural Products Purchases Credit

South Carolina provides a possible income tax credit or withholding tax credit to agribusiness or agricultural packaging operations. To be eligible for this credit, a company must have a base year in which the company purchases more than $100,000 of agricultural products that have been certified by the South Carolina Department of Agriculture and then must increase such purchases by at least 15% over base-year totals. The base year purchase amount will be re-calculated every year after the initial base year. A company must submit an application to the Coordinating Council to determine its qualification for, the amount of, and the type of any tax credit it will receive. The credit may not exceed $100,000 per taxpayer in any one year. The total amount of tax credits allowed to all qualifying companies is limited to $1,000,000 in 2019, $1,500,000 in 2020 and $2,000,000 in years thereafter. Any unused credits may be carried forward for five years.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