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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.
**Corporation Income Tax & Incentives**

**SOUTH CAROLINA’S TAX ADVANTAGE**

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

**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:

\[
\text{Net income subject to apportionment} = \frac{\text{Sales sourced to SC}}{\text{Total Sales}} = 7.5\%
\]

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.

\[
(\$500,000 \times 7.5\%) \times 5\% = \$1,875
\]

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

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**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 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.
- Corporate facility expansion facilities meeting the following criteria in order to qualify:
  - 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.
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 II and at a site designated as a multi-county industrial park.

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit</th>
<th>Number of Job Credits</th>
<th>Annual Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Establish Qualification for Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$1,750</td>
<td>100</td>
<td>$375,000</td>
</tr>
<tr>
<td>3</td>
<td>$1,750</td>
<td>100</td>
<td>$375,000</td>
</tr>
<tr>
<td>4</td>
<td>$1,750</td>
<td>100</td>
<td>$375,000</td>
</tr>
<tr>
<td>5</td>
<td>$1,750</td>
<td>100</td>
<td>$375,000</td>
</tr>
<tr>
<td>6</td>
<td>$1,750</td>
<td>100</td>
<td>$375,000</td>
</tr>
<tr>
<td>Total Value</td>
<td>$1,875,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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](http://www.SCcommerce.com)
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 Commerce. The moratorium period ends on the date that the required job target has been met. The credit may be used to offset up to 100% 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 up to 10 years from the date of the qualified expenditure.

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 or geothermal machinery and equipment 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, wood by-products of wood processing, demolition

### RECOVERY PERIOD CREDIT VALUE

<table>
<thead>
<tr>
<th>Recovery Period</th>
<th>Credit Value</th>
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<tbody>
<tr>
<td>3 years</td>
<td>0.5%</td>
</tr>
<tr>
<td>5 years</td>
<td>1%</td>
</tr>
<tr>
<td>7 years</td>
<td>1.5%</td>
</tr>
<tr>
<td>10 years</td>
<td>2%</td>
</tr>
<tr>
<td>15 years or more</td>
<td>2.5%</td>
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</tbody>
</table>

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.

### RECOVERY PERIOD CREDIT VALUE

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<tr>
<td>15 years or more</td>
<td>2.5%</td>
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</table>

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.

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 remaining tax liability, and unused credits may be carried forward for 15 years.

Recycling Facility Tax Credit
In order to reward qualified recycling facilities, South Carolina offers a credit equal to 30% of the costs incurred by the company in 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, 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.

The credit is claimed in the year the equipment is purchased, constructed and installed. 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.

Renewable Fuels Tax Credit

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

The amount of credit for constructing an ethanol or biodiesel production or distribution facility can be claimed in the year the property is placed in service. 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. The 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 qualifying expenditures. 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 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.

Expenses 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 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 once 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.
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 to it 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 state in which the property is used by the buyer are substantially similar. The use tax credit on tangible personal property purchased in another 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.
- 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.
- Recyclers. Credit for sales tax paid on the purchase of new recycling equipment used in the construction of a single manufacturing facility.
- Research and Development. Research and Development expenditures of at least $50 million will receive a sales tax exemption.
- Infrastructure Improvements. Infrastructure improvements or a rollback of property taxes.
- Manufacturing. On new or expanding manufacturing projects.
- Manufacturing or Distribution. On new or expanding manufacturing or distribution facility with a capital investment of at least $100 million.
- Technology Intensive. On new or expanding facility.
- Research and Development. On new or expanding facility.
- Recycling. On new or expanding recycling facility.
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,
- 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.
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.

**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 at a rate set in law according to the Department of Revenue based on the type of personal property.

The company will be allowed to depreciate its personal property at the common depreciation rate is 11% per year. For all other businesses, the personal property is allowed to depreciate annually at a rate set in law according to the Department of Revenue based on the type of personal property.

**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
- 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 five 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 for at least one year. 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 Department of Revenue before receiving building permits.

**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 credit against income taxes or license taxes is 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.

A company’s property tax liability is a function of:

\[
\text{Property Value (less depreciation)} \times \text{Assessment Ratio} \times \text{Millage.}
\]
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** 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.

Companies that rehabilitate abandoned facilities may be eligible for tax credits. These credits encourage businesses to renovate, improve and redevelop these abandoned areas.
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 benefits for a company: Savings, Replacement Property and Additional Savings for Substantial Capital Investments.

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%.
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, warehouse and distribution, research and development, agribusiness, tourism or qualified service-related facility.
- 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.
- 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).

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. A “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 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 of tax credits allowed to all qualifying companies is limited to $15 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.

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 or more 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 recalculated every year after the initial base year.

The total amount of tax credits allowed to all qualifying companies is limited to $15 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 as grown in South Carolina by the South Carolina Department of Agriculture and then must increase the number of agricultural units purchased in the following year by at least 15% over base-year unit totals. The base year unit 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.