

## Pro-Business Tax Structure

- South Carolina's 5% corporate income tax is among the lowest in the nation
- Ability to reduce state corporate income tax by up to 50%
- Manufacturers can eliminate state corporate income taxes entirely for up to 10 years
- Corporate income taxes only on income derived from doing business in the state determined by the three-factor formula, in which sales are double weighted
- Ability to receive a rebate of a portion of employee tax withholding
- Sales tax exemptions on manufacturing equipment and electricity, machines used in research and development, and certain other equipment, materials and services
- Ability to reduce property taxes by up to 60% for 30 years for newly locating or expanding firms that meet capital investment requirements (a fee-in-lieu agreement)
- A five-year exemption from all county property taxes (except schools and special purpose taxes) for new and expanding manufacturers with a capital investment exceeding \$50,000
- A five-year exemption from all county property taxes (except school and special purpose taxes) for corporate headquarters and distribution facilities if the cost of new construction of additions is \$50,000 or more and 75 or more full-time jobs are created
- Customized employee training programs at little or no cost to qualifying companies
- No inventory tax for manufacturers or merchants
- No wholesale sales taxes

## Property Taxes and Exemptions

### State Property Tax

- South Carolina has no state property tax

### Local Property Tax

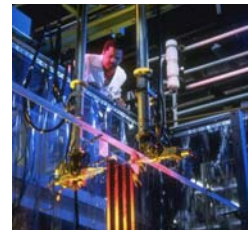
- Real and personal property taxes are levied by local taxing authorities
- The assessment ratio for manufacturers' real and personal property is 10.5%
- For all other businesses, the ratio is 6.0% for real property; 10.5% for personal property
- A local millage rate is applied to assessed value to determine total annual tax amount; millage rates are set annually by the local governments

### Property Tax Exemptions

- Water, air or noise pollution control equipment
- Intangibles (stocks, dividends, interest)
- Inventories (raw materials, work-in-process, finished goods) for manufacturers or merchants

### Corporate Income Tax Rates Southeastern States

South Carolina	5.0%
Georgia	6.0%
Virginia	6.0%
Tennessee	6.5%
North Carolina	6.9%



### [Related Websites](#)

For a full report on South Carolina business incentives, visit:

[www.sccommerce.com](http://www.sccommerce.com)

## Property Tax Incentives

Typically, qualifying companies can elect either of two incentives dealing with the payment of real and personal property taxes: 1) a tax abatement or 2) a fee in lieu of a tax.

### *Five-Year Property Tax Abatement*

Headquarters, manufacturing and distribution businesses may be eligible for exemption from the county portion of ordinary property taxes for a period of five years.

The abatement is not applied to the school portion of property taxes. Abatement represents from 20 to 50% of the total millage, depending on the county. If the business is located within a municipality, the business may also be exempt from the municipal portion of the annual property taxes for the same period.

### *Fee-In-Lieu of Property Tax (discretionary)*

With fee-in-lieu, qualifying companies negotiate to pay a fee instead of paying property taxes, likely resulting in a savings of about 40%. The usual 10.5% assessment ratio may be negotiated to 6% (4% for very large investments). In addition, the company and the county can agree to freeze the millage rate applicable to the property at the current millage rate, or adjust the millage every five years, for the period the fee is in effect. The fee is typically in effect for a maximum of 20 years for each item of property (30 years in certain cases).

## Property Tax Calculation Formula

1. Appraised Value X Assessment Rate = Total Assessment
2. Total Assessment X Combined Millage/1000 = Estimated Property Tax
3. Tax Credit Factor (if applicable) X Appraised Value = Credit
4. Estimated Property Tax - Credit = Total Estimated Tax

Tax credit factors and millage rates vary by location, but currently average about 274.8 mills.

## Property Tax Assessment Rates

- 10.5% Manufacturers real and personal property
- 10.5% All other personal property
- 4.0% Qualified, owner-occupied residential real property
- 6.0% Other real property

## Corporate Headquarters Tax Credit

The corporate headquarters tax credit is permitted for 20% of qualifying real property costs incurred in the design, preparation and development of the corporate headquarters, or the direct construction or lease costs during the first five years of operations. Unused portions of this credit have a 10-year carry forward period. This credit is not limited to 50% of a firm's tax liability.



### Qualifications

To qualify for South Carolina's corporate headquarters tax credit:

- A company must invest at least \$50,000 in new or additional construction and create a minimum of 40 new headquarters-type jobs, 20 of which must be classified as staff employees.
- The company must handle the majority of its financial, personnel, legal, planning or other headquarters-related business functions, on a regional or national basis, at the facility.
- The South Carolina facility must be the sole such corporate headquarters within the region or nation.

This credit may be further enhanced to include 20% of the tangible personal property costs of establishing the headquarters, if the property is:

- capitalized as personal property for income tax purposes under the Internal Revenue Code;
- purchased for the headquarters facility, or for a research and development facility which is part of the same project;
- used for headquarters or research and development related functions and services;
- used to create a minimum of 75 regular new full-time jobs performing headquarters or R&D-related functions and services, 20 of which are staff levels.

These new jobs must have an average cash compensation level of more than 1½ times the state's per-capita income at the time the newly created jobs are filled. In addition, the company's average employee compensation level for **all** of its S.C. employees must be more than twice the state's per-capita income at the time the newly created jobs are filled. Unused credits may be carried forward for 15 years if 75 jobs are created which meet the income criteria for personal property credit.

## Sales and Use Taxes

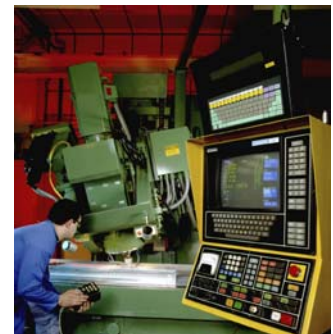
Sales tax is imposed on the sale of goods and certain services within the state of South Carolina. The use tax applies to goods purchased at retail for use in South Carolina, whether or not the retailer is located within the state.

### Sales and Use Tax Rate

Berkeley County	7%
Charleston County	7.5%
Dorchester County	7%

### Sales and Use Tax Exemptions

- Electricity and fuels used in the manufacturing process
- Machinery, equipment and replacement parts used in the manufacturing process
- Machines used in research & development (effective for tax years beginning after June 30, 2001)
- Raw materials to become part of the finished product
- Packaging materials
- Air, water, and noise pollution control equipment used by manufacturers
- Long distance telecommunications (interstate or intrastate), including 800 services
- Material handling systems and equipment used in manufacturing and distribution facilities investing a minimum of \$40 million in capital investment
- \$300 maximum sales tax applies to the sale or lease of motor vehicles, trucks, aircraft, boats and other related items
- Clean room uniforms



## Income Tax

Corporate: 5%

Personal: South Carolina imposes an income tax on individuals at graduated rates ranging from 2.5% to a maximum rate of 7% for income over \$12,650. There are six income tax brackets that are adjusted annually for inflation.

## Jobs Creation Tax Credit

This provides a tax incentive in the form of an income tax credit for job creation to qualifying new and expanding companies. 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 average monthly employment from one year to the next. Credits may be used against the tax imposed relating to corporate or individual income tax obligations.



- Businesses that qualify for the Jobs Tax Credit must create two net new jobs and include manufacturing and processing, warehousing and distribution, research and development, qualifying technology intensive facilities, and corporate office facilities (housing a majority of the headquarters functions).
- To obtain **Full Credit**, a company must create & maintain 100 or more jobs or create & maintain 99 or fewer jobs paying 120% of the county's average hourly wage. Those not meeting these requirements receive half the full credit.
- Full credit values are \$1,500 per job in Berkeley and Dorchester Counties and \$2,500 per job in Charleston County. With action by county councils declaring sites or buildings as multi-county industrial parks, credits can increase by \$1,000 per job for five years.
- Unused credits may be carried forward for up to 15 years from the year earned.
- Amount is per year for five years beginning in the taxable year following the creation of each new job.
- The credit can be applied against corporate income tax or premium tax for up to 50% of the year's tax liability.

## Jobs Development Credit (*discretionary*)

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 company realizes these benefits through the Job Development Credit, which it can collect for up to 10 or 15 years, depending on the development status of the county in which the company is located.



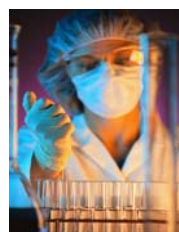
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The Job Development Credit effectively uses the personal withholding taxes of new employees to reimburse qualifying, approved companies that add value to South Carolina and the community in which they locate. These reimbursements are for eligible capital expenditures (land, building, site

development, pollution control equipment or infrastructure) associated with projects creating new full-time jobs that provide healthcare benefits for South Carolina citizens.

The SC Coordinating Council for Economic Development administers this program. Funds for the Job Development Credits come from state personal income tax withholding, which 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 credit on any employee whose job was created in SC before the taxable year in which a company was approved. Also, no company will be allowed to collect more than \$3,250 per employee per year.

## Research & Development Tax Credit



To reward companies for increasing research and development activities in a taxable year, South Carolina offers a credit equal to 5% of the taxpayer's qualified expenditures for research and development in the state 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.

## New Life Sciences and Venture Capital Acts

This unique legislation creates an unmatched opportunity for companies involved in the biosciences. While the state has long been considered pro-business and highly competitive, biosciences and other life sciences companies encouraged South Carolina to expand its incentives. For further details, request a copy of S.C. Senate Bill 560.

Below are highlights of the new legislation:

- Creates a new eligibility category for companies in South Carolina – life sciences facilities – which includes businesses engaged in manufacturing, processing, R&D, pharmaceuticals, and medical and laboratory instruments (NAICS codes 3254 and 334516).
- Enhances some of the state's current incentives, such as the Jobs Development Credit. This incentive is a cash rebate for approved eligible expenditures. Under the new legislation, approved life sciences facilities are able to capture more of this rebate than under previous legislation.
- Allows for negotiation of the apportionment formula, which is used to calculate corporate income tax liability. This incentive can greatly reduce the corporate income tax liability for a life sciences entity.
- Allows equipment to depreciate at an accelerated rate of 20%, instead of the previous 11%.
- Awards South Carolina's research universities up to \$220 million.
- Provides for the development of a fund that invests in private venture capital funds.

## Economic Impact Zone Investment Tax Credit

Due to the 1995 closing of the Charleston Navy Base and Shipyard, the Charleston region of South Carolina is considered an Economic Impact Zone. This allows manufacturers locating in Berkeley, Charleston and Dorchester counties to claim a one-time credit against the company's corporate income tax of up to 5% of the investment in new production equipment.

The actual value of the credit depends on the applicable recovery period for property under the Internal Revenue Code. Typically, most new production equipment is considered to have a recovery period of 7-9 years (11 percent depreciation annually) and is credited at 3 percent. This can be changed for certain types of equipment that depreciate far more rapidly.

## Foreign-Trade Zone

Companies involved in international trade can take advantage of nearly a dozen general-purpose sites within Foreign-Trade Zone 21, comprising almost 8,000 acres (3,238 hectares) of space. The South Carolina State Ports Authority serves as the grantee of FTZ 21.

FTZs are restricted-access sites that allow businesses to store and process goods or raw materials duty and quota free until they're transported into the Customs territory of the United States or into another NAFTA country (Canada and Mexico).

The region's FTZ sites are conveniently located near the Port of Charleston, the most productive port in North America. The sites also allow for easy access to the region's expedient rail system and highway network.



This table illustrates the credit value for the various years outlined in the code.

Recovery Period	Credit Value
3 years	1%
5 years	2%
7 years	3%
10 years	4%
15+ years	5%

FTZ No. 21 —  
Coastal South Carolina

Includes 12 FTZ sites in  
the Charleston region

Grantee — S.C. State  
Ports Authority