

# Marlboro County Financial Incentives

**A wide range of attractive incentives, together with competitive tax rates, provide an exceptional economic climate for business in South Carolina.**

The Palmetto State is proud to offer the following statutory incentives:



- No state property tax
- No local income tax
- No inventory tax
- No sales tax on manufacturing machinery, industrial power
- No sales tax on materials for finished products
- No wholesale tax
- No unitary tax on worldwide profits
- Favorable corporate income tax structure

## **CORPORATE INCOME TAX INCENTIVES (STATUTORY)**

**Job Tax Credit:** The Job Tax Credit (JTC) is a statutory incentive offered to companies, both existing and new, that create new jobs in the state. The credit is available to companies that establish or expand corporate headquarters, manufacturing, distribution, processing, qualified service-related, research and development facilities. This credit is extremely beneficial for companies, because it is a credit against corporate income taxes, which can eliminate 50% of a company's liability.

**Economic Impact Zone Investment Credit:** South Carolina allows manufacturers locating in Economic Impact Zone (EIZ) counties a one-time credit against a company's corporate income tax of up to 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.

**Corporate Headquarters Credit:** In an effort to offset the cost associated with relocating or expanding a corporate headquarters facility, South Carolina provides a generous 20% credit based on the cost 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 a number of specific criteria.

**Research and 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 research expenses in the state. The term "qualified research expenses" is 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.

## **SOUTH CAROLINA DISCRETIONARY INCENTIVES**

**Job Development Credit:** The Job Development Credit is a discretionary, performance-based incentive that rebates a portion of new employees' withholding taxes that can be used to address the specific needs of individual companies, approved on a case-by-case basis.

**Enterprise Zone Retraining Credit Program:** This program allows existing industries to claim a Retraining Credit for existing production employees. The credit allows up to 50% of approved training costs for eligible production workers (not to exceed \$500 per person per year).

**Port Volume Increase Credit:** This income tax credit is offered to qualified entities that use state port facilities and increase base port cargo volume by 5% over base-year totals. (The base year qualifications are 75 net tons of non-containerized cargo or 10 loaded TEU's transported through a South Carolina port).

**Tourism Infrastructure Development Grants:** These grants support new or expanding tourism, recreation facilities or designated development areas primarily through infrastructure projects.

**Grants for Infrastructure:** For projects that meet certain investment thresholds, the State may consider offering grants for infrastructure improvements.

**Other Incentives:** readySC™, Apprenticeship Carolina™, Foreign Trade Zone and BuySC. Note: These programs are administered by the SC Coordinating Council for Economic Development. [CCED].

## **BUSINESS TAX INFORMATION**

**Corporate Income Tax:** At 5%, South Carolina's Corporate Income Tax Rate is among the lowest in the Southeast. The state uses a single factor sales formula for apportioning income. Many companies qualify for a Job Tax Credit, which eliminates up to 50% of a company's corporate income tax liability for a specified number of years. The Corporate License Tax Rate is \$1 for each \$1,000 of capital stock and paid-in or capital surplus, plus a \$15 annual fee.

In Marlboro County, an employment-based incentive is offered that places a moratorium on paying corporate income tax to the state for a period of ten years if 100 or more jobs are created within a period of five (5) years. This incentive is increased to a 15-year moratorium if 200 or more permanent jobs are created.

**Sales & Use Tax:** South Carolina's sales and use tax rate is 6%.

Exemptions include:

- Electricity and fuels used in the manufacturing process
- Machinery, equipment and replacement parts used for manufacturing
- Equipment used in research and development
- Raw materials to become part of the finished product
- Air, water and noise pollution control equipment

- \$300 maximum sales tax applies to sale or lease of motor vehicles, trucks, aircraft, boats and other related items
- Parts and supplies used to repair or condition aircraft owned or leased by the federal government or commercial air carriers
- Material handling equipment for manufacturing projects investing \$35 million or more in the state
- Construction materials used in the construction of a single manufacturing and distribution facility with a capital investment of at least \$100 million will be entirely exempt from sales tax.

**Property Tax:** In South Carolina, only local governments may levy property taxes. A company's property tax liability is a function of: Property Value x Assessment Ratio x Millage.

To determine Fair Market Value, real property is appraised by the State DOR, while tangible personal property is recorded at cost and then depreciated based on a statutory depreciation rate (for manufacturers) and income tax depreciation (for other businesses). The Fair Market Value is then assessed at rates established in the South Carolina Constitution. The local millage rate is applied to the assessed value to determine the property 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 may include inventories (raw materials, work-in-progress, finished goods), intangibles (stocks, dividends, interest) and pollution control equipment.

## LOCAL INCENTIVES

**5 Year Property Tax Abatement:** Companies may apply for a five-year exemption from county property taxes (does not apply to school taxes) for the following: a \$50,000 investment in manufacturing facilities, a \$50,000 investment in research and development facilities or a \$50,000 investment (and 75 new jobs) in corporate headquarters or distribution facilities.

**Fee-In-Lieu of Property Tax (Filot):** Allows qualifying companies to negotiate a fee instead of paying property taxes. Advantages include: Significantly lowering property tax payments and negotiating the applicable millage rate to a 20 year locked rate or a five-year adjustable rate and stabilizing payments to local government for the term of the agreement (up to 20 years).

Companies investing as little as \$2.5 million dollars may negotiate this exemption with the county in which they are locate. This 20-year incentive creates significant savings for companies by lowering the State's established assessment ratio from 10.5% for manufacturers to as low as 6%. Furthermore, the millage may be held lower than if the property were not under a FILOT.

**Special Source Revenue Credit:** This county exemption can be used to further reduce the company's property tax liability.