



# **State of Georgia Jobs Tax Credit**

House Rural Development Council

August 14 – 15, 2018

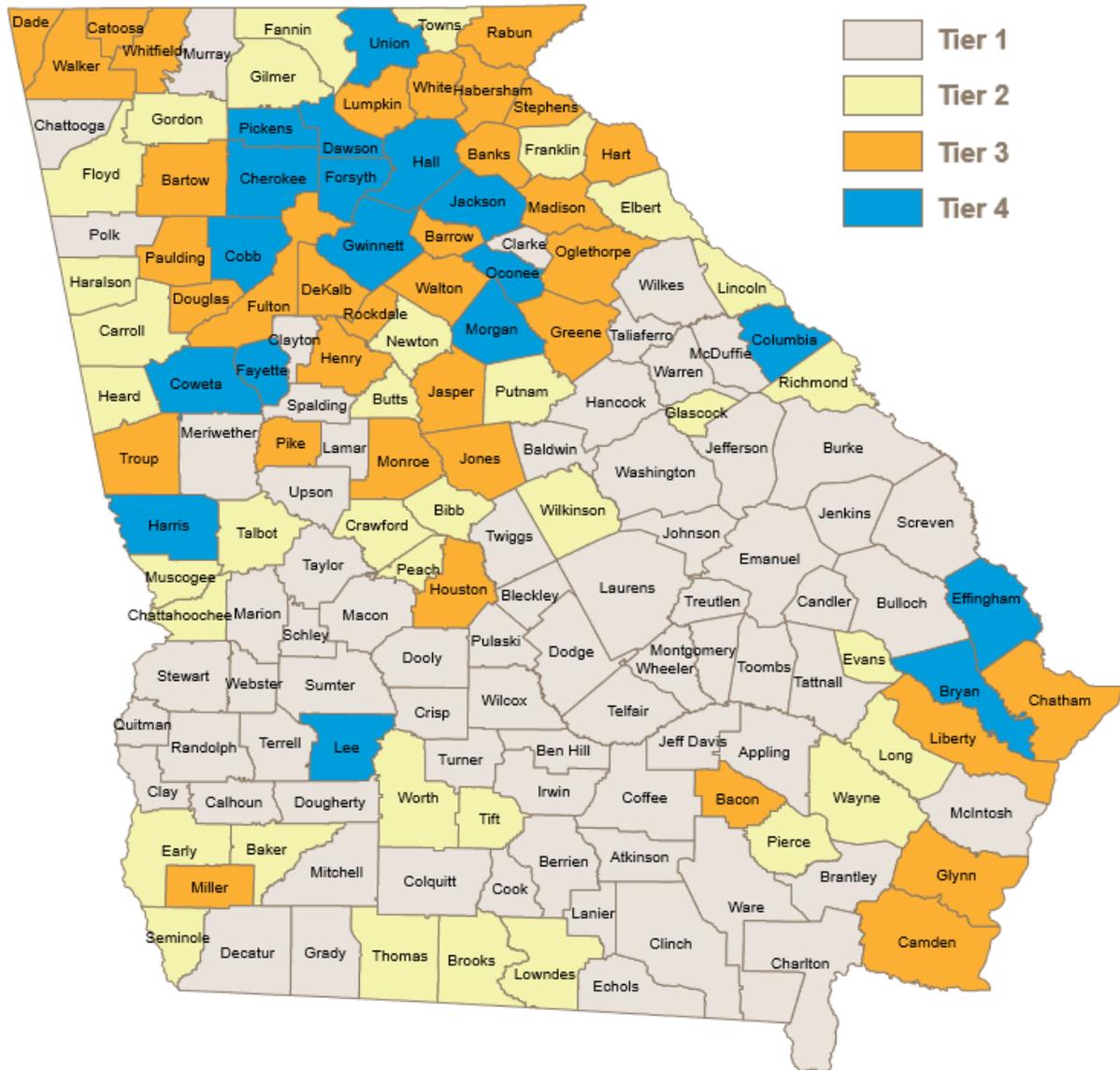
# Site Selection Survey



<b>2018 Survey Results</b>	<b>Consultant Response (% Very Important)</b>	<b>Corporate Response (% Very Important)</b>
1. Availability of Skilled Workforce	<b>95.0</b>	<b>88.8</b>
2. Highway Accessibility	<b>70.0</b>	<b>91.3</b>
<b>3. State and Local Incentives</b>	<b>63.3</b>	<b>81.3 (9th)</b>
4. Labor Costs	<b>60.0</b>	<b>91.1</b>
5. Availability of Land	<b>60.0</b>	<b>76.9</b>
6. Proximity to Major Markets	<b>53.3</b>	<b>84.6</b>
<b>7. Tax Exemptions</b>	<b>45.0</b>	<b>85.9 (5th)</b>
8. Corporate Tax Rate	<b>33.3</b>	<b>83.2</b>
9. Occupancy and Construction Costs	<b>26.7</b>	<b>85.9</b>
10. Quality of Life	<b>10.2</b>	<b>87.2</b>

*Source: Area Development magazine, 32<sup>nd</sup> annual Corporate Survey and 14<sup>th</sup> annual Consultants Survey, 2018.*

# Jobs Tax Credit



Tier	Tax Credit \$ (per job / 5 yrs)	New Jobs (Min)	Use of Credits**	Carry Forward
1	\$4,000*	2	100% of tax liability Excess to withholding up to \$3,500	10 yrs
2	\$3,000*	10	100% of tax liability	10 yrs
3	\$1,750*	15	50% of tax liability	10 yrs
4	\$1,250*	25	50% of tax liability	10 yrs
Bottom 40	\$4,000*	2	100% of tax liability Excess to withholding	10 yrs
MZ / OZ	\$3,500	2	100% of tax liability Excess to withholding	10 yrs
LDCT	\$3,500	5	100% of tax liability Excess to withholding	10 yrs

\* Includes \$500 bonus for Joint Development Authority (JDA). There are currently 6 counties that are not members of a JDA and do not qualify for the \$500 JDA bonus.  
 \*\* Tax credits are applied to Georgia corporate income taxes.

# Jobs Tax Credit – Objective(s)

- **Original policy objective**

- To incentivize job creation in Georgia's most economically distressed counties
- *To provide a competitive framework for economic development*

- **Examples of enhancements since 1991**

- 1994 – Less developed census tracts
- 1995 – Joint development authority bonus
- 19xx – Retail jobs in Bottom 40 counties
- 1997 – Telecom industry
- 2000 – Wage requirement (% of county average, later changed to lowest wage county)
- 2001 – Tiers 1 & 2 enabled to apply credits to 100% of tax liability (previously 50%)
- 2006 – Existing firms eligible for one-time \$500 credit enhancement
- 2012 – Biomedical and alternative energy manufacturing

# Jobs Tax Credit – Methodology

- **Based on 3 criteria outlined in statute, equally weighted:**
  - Unemployment rate (GA Dept. of Labor, 36 mo. avg.)
  - Per capita income (U.S. Census, 36 mo. avg.)
  - Poverty rate (U.S. Census)
- **Ranking determined by *relative* comparison to all 159 counties**
  - Tier 1 = 71 most disadvantaged counties, including Bottom 40 designation
  - Tier 2 = 35 counties
  - Tier 3 = 35 counties
  - Tier 4 = 18 counties
- **Wage requirement designed to incentivize jobs that address core criteria**
  - Lowest average weekly county wage = \$484/week or \$12.10/hour (GA Dept. of Labor)

# Jobs Tax Credit – Frequently asked questions

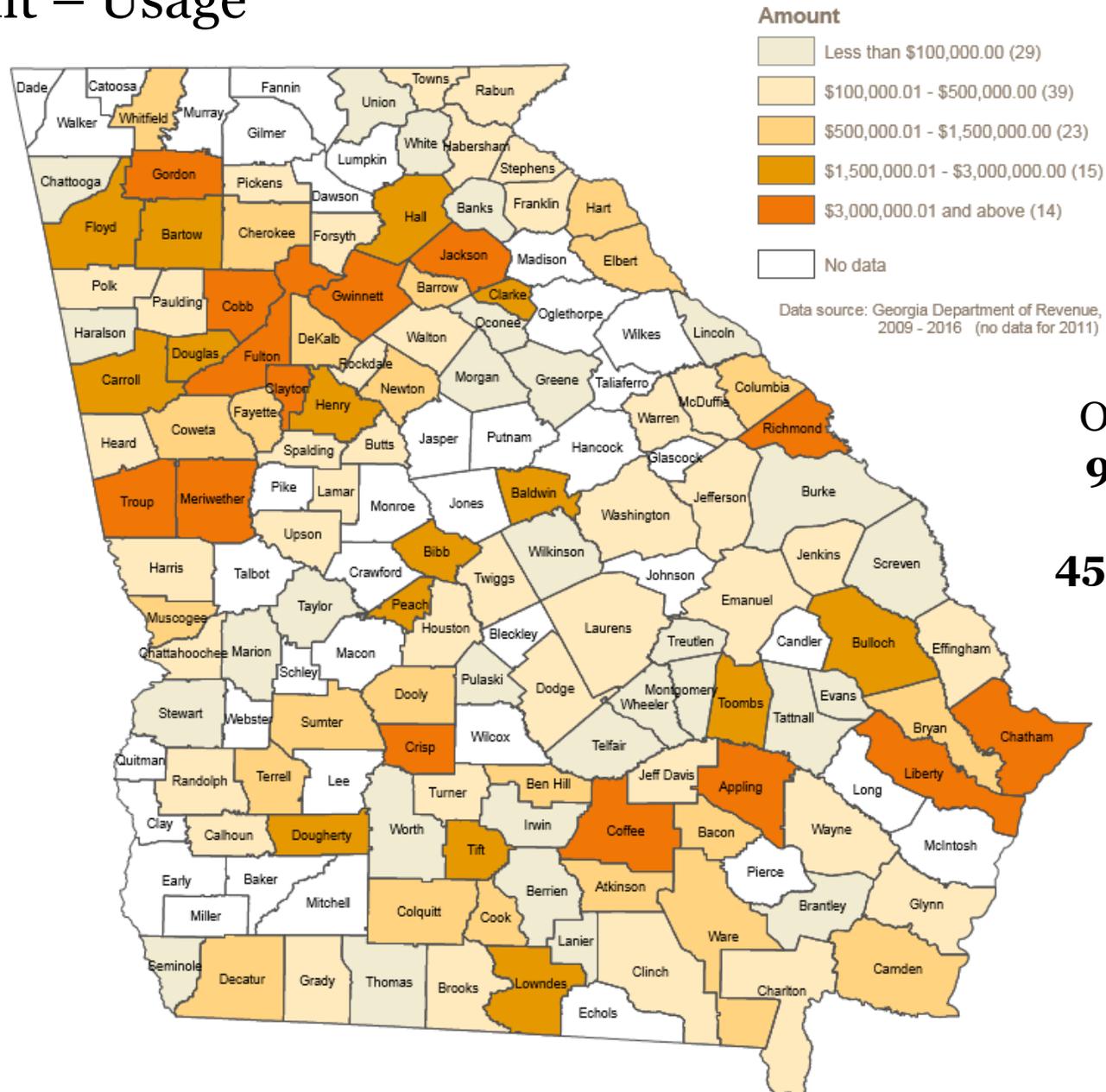
- **Why does my county tier change?**
  - *Real* change in underlying economic conditions
  - *Relative* change when compared to other counties ... occurs often near tier breakpoints
- **My county is Tier 1; why have we not experienced job growth?**
  - Tax credits do not *create* jobs
  - Alone, tax credits do not attract employers ... *demographics, leadership, and community investment* are key

# Jobs Tax Credit – National landscape

More than 30 states offer some form of jobs tax credit, all of which differ in structure and benefits.

<p><b>South Carolina</b></p> <p>Tiers based on unemployment and per capita income; require 10 net new jobs; credit applied to total tax liability (50%) and carry forward 15 years</p> <p>Tier I (12) – \$8,000 per new job Tier II (12) – \$4,250 per new job Tier III (11) – \$2,750 per new job Tier IV (11) – \$1,500 per new job</p> <p>NOTE: Additional \$1,000 per new job created in a designated multi-county industrial park.</p>	<p><b>Mississippi</b></p> <p>Tiers based on unemployment and per capita income; require 10-20 net new jobs; credit calculated as a percentage of increase in payroll</p> <p>Tier 1 (27) – 2.5% credit of increased payroll; requires 20 new jobs Tier 2 (27) – 5% credit of increased payroll; requires 15 new jobs Tier 3 (28) – 10% credit of increased payroll; requires 10 new jobs</p>	<p><b>Alabama</b></p> <p>Annual cash rebate of 3-4% of prior year payroll of eligible employees for up to 10 years.</p>
<p><b>North Carolina</b></p> <p>Tiers based on unemployment, household income, population growth, and adjusted tax base per capita; tiers used for various state incentives.</p> <p>Tier 1 (40) – requires 5 net new jobs Tier 2 (40) – requires 10 net new jobs Tier 3 (20) – requires 15 net new jobs</p> <p>Applies to urban, rural, &amp; port enhancement credits</p>	<p><b>Florida</b></p> <p>Rural credit – \$1,000 to \$1,500 based on new vs. existing business, industry, and # of total employees</p> <p>Urban credit – \$500 to \$2,000 based on new vs. existing business, new employment tiers, and area crime data</p>	<p><b>Colorado</b></p> <p>Job Growth Incentive Tax Credit for firms meeting employment and wage criteria.</p> <p>JGITC – 20 net new jobs (FTE) with annual wage &gt;110% avg. county wage EREZ – 5 net new jobs with annual wage &gt;110% avg. county wage</p> <p>NOTE: Enhanced Rural Enterprise Zone defined as a) unemployment &gt;50% above state avg.; b) per capita income &lt;75% state avg.; c) pop. growth rate &lt;25% state avg.; d) non-residential assessed value in lower half of all counties; e) population &lt;5,000</p>

# Jobs Tax Credit – Usage



On average, approximately  
**9,500 new jobs** per year  
 claim Job Tax Credits;  
**45% are in Metro Atlanta.**



## Policy Opportunities – Guiding principles

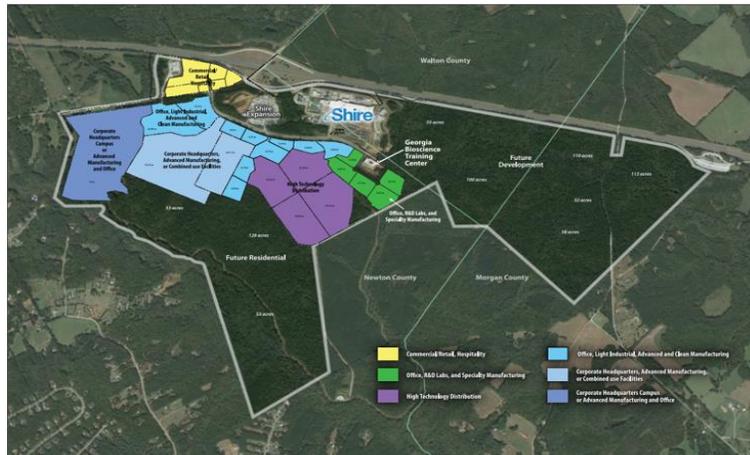
- Help Georgia's rural areas, which are underperforming metro areas
- Be careful of unintended, adverse consequences
- Encourage regional cooperation and local investment (“skin in the game”)
- Be responsible stewards of taxpayer funds ... there is no silver bullet
- Keep it simple

# Policy Opportunities

- **Promote regional cooperation**

- Create alternative \$1,000 Regional Economic Development Authority bonus for multi-county agreements that involve project-specific cost and revenue sharing
- Allow regional industrial parks to adopt most advantageous tier ranking of participating counties

## STANTON SPRINGS



1,600 acre mixed-use industrial park

JDA purchased initial 1,531 acres with \$9 million bond

Tax revenue is shared accordingly based on proportion of initial investment and land share:

Newton 37.5%

Walton 37.5%

Morgan 15.0%

Jasper 10.0%

Water/sewer – Newton Co. through intergovernmental agreement

Natural gas – Cities of Covington, Madison, and Social Circle

# Policy Opportunities

- **Rural wage base incentive**

- In Tiers 1 & 2, base qualifying wage on percentage of Georgia's minimum wage:

County Ranking/Tier	Proposed Wage Base* (hourly wage)
Bottom 40	<b>\$9.06*</b> (\$7.25 x 1.25)
Tier 1 (balance) & Tier 2	<b>\$10.88*</b> (\$7.25 x 1.5)
Tier 3 & Tier 4	<b>\$12.10</b> (based on lowest average weekly county wage)

\* Subject to time limitations designed to encourage wage growth

- **Rural manufacturing incentive**

- For Tiers 1 & 2, offer \$500 per job bonus for manufacturing prospects

- **Quality job tax credit**

- Change threshold for qualifying job creation to 5 jobs for Tier 1 and 10 jobs for Tier 2