

Atlanta Incentives Overview

Source: Atlanta Development Authority www.atlantada.com

Renewal Community Wage Credit

Credit against Federal taxes up to \$1,500 for each year of RC designation for every employee (existing and new hire) who lives and works in the RC area. Tax credit for 15% of first \$10,000 in wages per employee may be taken annually through 2009. Unused credits can be carried back one year or forward for up to 20 years.

Commercial Revitalization Deduction

An accelerated depreciation deduction period for commercial real estate property, either new construction or substantial (more than adjusted basis) rehabilitation. The taxpayer/property owner can choose one of two methods to use this incentive: depreciate 50% of qualified capital expenditures in the year the building is placed in service then depreciate the remaining balance over 39 years or depreciate 100% of the qualified capital expenditures over a 120-month period. This incentive is limited to \$10 million per project.

Capital Gains Exclusion

Allows a 0% capital gains rate for RC assets held for a minimum of 5 years. An asset could include tangible property in the RC, stock, capital interests or profit interests in a RC Business acquired for cash. The rate applies to gains after December 31, 2001 and before January, 1 2015. The taxpayer is not required to sell the asset in 2015, but must determine and substantiate the gain for that period.

Increased Section 179 Deduction

Up to an additional \$35,000 immediate depreciation expense for machinery or equipment, including computers, placed in service in that year. For example, the incentive allows an "RC Business" to take up to a total of \$285,000 "write-off" in 2008 on Form 4562.

Atlanta Urban Enterprise Zones (UEZ)

The purpose of the UEZ program is to encourage private development and redevelopment in areas of the City or on sites which otherwise would unlikely be developed due to the existence of certain characteristics of the area or site. The economic advantages may include the abatement of a substantial portion of the ad valorem property taxes by the City of Atlanta and Fulton County during the first ten years of the life of the development project, as well as the waiver of the payment of development impact fees by the City.

Work Opportunity Tax Credit (WOTC)

The WOTC is one tool in a diverse toolbox of flexible strategies designed to help people move from welfare to work and gain on-the-job experience.

Section 108-CDBG Loan Guarantee Program

The CDBG Loan Guarantee Program (Section 108) is a flexible economic and community development financing tool that can be utilized for certain large scale economic development projects that cannot proceed without loan guarantee assistance. The City of Atlanta may re-loan the proceeds to for-profit businesses and local development authorities that may serve as eligible sub-recipient borrowers.

Financing options will vary, but generally loan terms that are less than 10 years are most competitive. Local government with sound finances that provide certain “credit enhancements” may be able to arrange loan terms up to 20 years. In order to be approved by DCA, all projects will be subject to rigorous underwriting that documents a project’s “economic viability”. Local governments will generally be required to obligate themselves and document to DCA’s satisfaction that all debt will be repaid.

Quick Start

Quick Start is the State of Georgia’s internationally recognized training program for new, expanding and existing industry. Administered by the Georgia Department of Technical and Adult Education, it is among the state’s primary incentives for recruitment of new jobs to Georgia and retention of existing jobs. Unlike many states, which only provide training grants, Quick Start develops and delivers a full range of high quality customized training services at no cost to client companies.

Intellectual Capital Partnership Program© (ICAPP©)

Georgia’s Intellectual Capital Partnership Program© is the economic development program of the University System of Georgia. Georgia businesses can contact ICAPP© to tap into the resources of Georgia’s 34 public colleges and universities for college-educated employees, access to the latest research and access to business and technical advice

Regional Economic Assistance Projects (REAP)

The purpose of Regional Economic Assistance Projects (REAP) is to provide a mechanism for local and state governments and the private sector to cooperate on large-scale tourism-related projects with multiple uses that will create jobs and enhance the local tax base. Regional Economic Assistance Projects will assist in producing growth and development, particularly in rural areas, resulting in additional local tax revenue and providing high-caliber employment opportunities in the tourism and hospitality industries. Additional benefits include sound project development, consistent governmental review and approval, responsible project implementation, and project monitoring and reporting. Upon meeting the requirements of the statute and the REAP Rules, including local government endorsement and certification by the Georgia Department of Community Affairs, a developer of a certified REAP project may apply to the Georgia Department of Revenue for a state license for the sale of malt beverages, wine or distilled spirits by the drink for consumption on the premises only.

Georgia Business Expansion and Support Act (BEST)

Provides for a statewide job tax credit for any business or headquarters of any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries, but does not include retail businesses. If other requirements are met, job tax credits are available to businesses of any nature, including retail businesses, in counties recognized and designated as the 40 least developed counties. Counties and certain census tracts in the state are ranked and placed in economic tiers using the following factors: highest unemployment rate, lowest per capita income and highest percentage of residents whose incomes are below the poverty level.

Retraining Tax Credit

The retraining tax credit allows some employers to claim certain costs of retraining employees to use new equipment, new technology, or new operating systems. The credit can be worth 50% of the direct costs of retraining full-time employees up to \$500 per employee per approved retraining program per year. The credit cannot be more than 50% of the taxpayer’s total state

income tax liability for a tax year. Credits claimed but not used may be carried forward for 10 years.

Headquarters Tax Credits

Companies establishing their headquarters or relocating their headquarters to Georgia may be entitled to a tax credit if the following criteria are met

Investment Tax Credits

A taxpayer must choose either the regular or optional investment tax credit. Once this election is made, it is irrevocable. A taxpayer that has operated an existing manufacturing or telecommunications facility or manufacturing or telecommunications support facility for the previous three years (36 months) may obtain a credit against income tax liability.

The credit may be claimed for 10 years, provided the qualifying property remains in service throughout that period.

The optional investment tax credit is calculated based upon a three-year tax liability average. The annual credits are then determined using this base year average.

Generally, a taxpayer may not take both the job tax credits and the investment tax credit for the same project.

Child Care Credits

Employers who provide or sponsor child care for employees are eligible for a tax credit of up to 75% of the employers' direct costs. The credit cannot be more than 50% of the taxpayer's total state income tax liability for that taxable year. Any credit claimed but not used in any taxable year may be carried forward for five years from the close of the taxable year in which the cost of the operation was incurred. In addition, employers who purchase qualified child care property will receive a credit totaling 100% of the cost of such property. The credit is claimed at the rate of 10% a year for 10 years. The qualified property credit may be carried forward for three years from the close of the taxable year in which the qualified property is placed in service, and the limitation on the use of the credit in any one year is 50%. Recapture provisions apply if the property is transferred or committed to a use other than child care within 14 years after the property is placed in service. These two child care credits can be combined.

Research & Development Tax Credits

A tax credit is allowed for research expenses for research conducted within Georgia for any business or headquarters of any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries. The credit shall be 10% of the additional research expense over the "base amount," provided that the business enterprise for the same taxable year claims and is allowed a research credit under Section 41 of the Internal Revenue Code of 1986. The credit may be carried forward 10 years but may not exceed 50% of the business's remaining Georgia net income tax liability after all other credits have been applied for the current year. (Note that the base amount must contain positive Georgia taxable net income for all years.)

Small Business Growth Companies Tax Credits

A tax credit is granted for any business or the headquarters of any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries having a Georgia net taxable income in the current year which is 20% or more above that of the preceding year if its net taxable income in each of the two preceding years was also 20% or more. The credit shall be the excess over 20% of the percentage

growth and shall not exceed 50% of the business's remaining Georgia net income tax liability after all other credits have been applied for the current year. The credit is available to companies whose total tax liability does not exceed \$1.5 million.

Ports Activity Job Tax & Investment Tax Credits

Businesses or the headquarters of any such businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development that have increased their port traffic tonnage through Georgia ports during the previous 12-month period by more than 10% over their 1997 base year port traffic, or by more than 10% over 75 net tons, five containers or 10 20-foot equivalent units (TEU's) during the previous 12-month period are qualified for increased job tax credits or investment tax credits.

The additional job tax credits are limited to 50 percent of the taxpayer's Georgia net income tax liability in the current year regardless of the tier in which the jobs are located. The investment tax credit taken under the port traffic provision is limited to 50 percent of the taxpayer's net income tax liability. Any unused job or investment tax credit may be carried forward for ten years from the close of the taxable year in which the qualified jobs were established or the qualified property was placed in service. The optional investment tax credit taken under the port traffic provision shall be claimed for up to ten taxable years, provided the qualifying property remains in service throughout that period.

Companies that create 400 or more new jobs, invest \$20 million or more in new and expanded facilities, and increase their port traffic by more than 20% above their base year port traffic may take both job tax credits and investment tax credits.

Sales and Use Tax Exemption

Provides for an exemption from the sales and use tax

Brownfields Redevelopment

EPD assists interested parties in the redevelopment of abandoned, or underutilized contaminated commercial and industrial sites throughout Georgia. With the passing of the Hazardous Site Reuse and Redevelopment Act, buyers of these types of properties are offered a limitation of liability for certain preexisting environmental conditions during redevelopment. Additional incentives and assistance are also available for brownfield redevelopment projects.

State Historic Preservation Tax Incentives

This incentive program is designed to encourage rehabilitation of both residential and commercial historic buildings that might otherwise be neglected. These rehabilitated buildings not only increase property values for owners, but eventually increase tax revenues for local governments.

Rehabilitated Historic Property Tax Assessment Freeze:

The law provides an owner of historic property which has undergone substantial rehabilitation on an eight-year freeze on property tax assessments. For the ninth year, the assessment increases by 50% of the difference between the recorded first year value and the current fair market value. In the tenth and following years the tax assessment will then be based on the current market value.

The preferential assessment and classification of rehabilitated historic property include the rehabilitated building, and not more than two acres of real property surrounding the building.

Revolving Loan Fund Program

Loan amounts will not exceed \$250,000 per projects

Interest Rate: Below Market Rate

Repayment Period: Generally not to exceed 15 years.

Security: Project collateral.

Funds may be used for such activities as real estate acquisition, building rehab, construction, green space, parks and historic downtown city halls and courthouses.