

SC TEMPORARY REVENUE RULING #07-2

- SUBJECT:** Job Tax Credit – New Small Business Provisions
(Income Tax)
- EFFECTIVE DATE:** Tax Years Beginning On or After January 1, 2006
- SUPERSEDES:** SC Revenue Ruling #05-17 and any oral directives in conflict herewith.
- REFERENCES:** S. C. Code Ann. Section 12-6-3360 (Supp. 2006)
S. C. Code Ann. Section 12-6-3362 (Supp. 2006)
- AUTHORITY:** S. C. Code Ann. Section 12-4-320 (Supp. 2000)
S. C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #05-2
- SCOPE:** The purpose of a Temporary Revenue Ruling is to provide immediate guidance to the public and to Department personnel. It is an advisory opinion issued to apply principles of tax law to a set of facts or general category of taxpayers. It is temporary, and is the Department’s position until superseded or modified by a change in statute, regulation, court decision, or another Departmental advisory opinion.

INTRODUCTION:

South Carolina Code Title 12, Chapter 6 contains three job tax credit provisions. The provisions are contained in Code Section 12-6-3360(C)(1), the “traditional” annual job tax credit, Code Section 12-6-3360(C)(2), the “annual” small business job tax credit, and Code Section 12-6-3362, the “monthly” alternative small business job tax credit.

In general, the job tax credit is available to qualifying types of new or expanding businesses creating a minimum monthly average number of new, full time jobs in South Carolina. Sole proprietorships, partnerships, corporations, S corporations, and limited liability companies that are a qualifying business type (*e.g.*, manufacturing facility, processing facility, etc.) are eligible. The credit taken in one tax year may not exceed 50% of the taxpayer’s South Carolina income tax, insurance premium tax, or bank tax liability. Any unused credit may be carried forward for 15 years.

An overview of the three job tax credit provisions is provided below. Also, a general comparison of the three job tax credits is provided in the Appendix for use as a quick reference tool; it is a simplification and may be misleading if not used in conjunction with this advisory opinion and in researching the law. Since the qualifying requirements, the credit amount and computation, and the time in which the credit may be first claimed may differ depending on the specific credit provision, the applicable South Carolina job tax credit statute should be carefully reviewed. Careful consideration should be given to which specific credit the taxpayer will claim since that provision is applicable for the entire credit period. (See Questions 27 and 32).

Code Section 12-6-3360(C)(1) - “Traditional” annual job tax credit for any size business.

Code Section 12-6-3360(C)(1) provides a job tax credit for a qualifying taxpayer, regardless of size, creating and maintaining a minimum monthly average increase of new, full time jobs in South Carolina. For most taxpayers, the minimum monthly average increase for the tax year is 10; see Question 1 for exceptions to the minimum, and Question 8A for an explanation of monthly average. The credit amount depends, in part, on the county where the taxpayer’s facility is located. The credit is claimed on the taxpayer’s tax return for 5 years (Years 2 through 6) beginning in the year following the year of the creation of the new jobs (Year 1), provided the jobs are maintained. The credit is claimed on Form TC-4.

Code Section 12-6-3360(C)(2) - “Annual” small business job tax credit.

For tax years beginning on or after January 1, 2006, the “traditional” job tax credit was expanded to make it available to certain types of small businesses (*i.e.*, a business with 99 or fewer total employees worldwide) by lowering the monthly average number of jobs required to be created. Code Section 12-6-3360(C)(2) provides a job tax credit for a qualifying small business taxpayer creating and maintaining a minimum monthly average new, full time jobs in South Carolina. For most taxpayers, the minimum monthly average increase for the tax year is 2; see Question 1 for exceptions to the minimum, and Questions 8A and 8B for an explanation of monthly average. The credit amount depends, in part, on the county in which the taxpayer is located and the amount of gross wages paid to each employee. New jobs paid gross wages at or above 120% of the county or State average per capita income, whichever is less, are eligible for 100% of the “traditional” credit amount. New jobs paid gross wages below 120% of the county or State average per capita income, whichever is less, are eligible for 50% of the “traditional” credit amount. See Question 16 and Examples D and E. (**Note:** A minimum monthly average of 2 new, full time jobs must be created paying gross wages in the “at or above” 120% wage threshold for the tax year to receive the 100% credit amount.) The credit is claimed on the taxpayer’s tax return for 5 years (Years 2 through 6) beginning in the year following the year of the creation of the new jobs (Year 1), provided the jobs are maintained. The credit is claimed on Form TC-4SB. (**Note:** The earliest this credit may be claimed is on the 2007 tax return for jobs created in tax years beginning on January 1, 2006.)

Code Section 12-6-3362 - “Monthly” small business job tax credit (Alternative Method).

For tax years beginning on or after January 1, 2006, Code Section 12-6-3362 allows a small business qualifying for the “annual” small business job tax credit in Code Section 12-6-3360(C)(2), an “election” to accelerate the use of the credit by computing it on a “monthly” basis and claiming the credit in the year the jobs are created. The credit amount depends, in part, on the county in which the taxpayer is located and the amount of

gross wages paid for a full month to each employee. New jobs for which gross wages are paid for the full month at or above 120% of the county or State average per capita income, whichever is less, are eligible for 100% of the “traditional” credit amount (pro-rated) for each qualifying month. New jobs for which gross wages are paid for a full month below 120% of the county or State average per capita income, whichever is less, are eligible for 50% of the “traditional” credit amount (pro-rated) for each qualifying month. See Question 16 and Examples F and G. (**Note:** A minimum monthly average of 2 new, full time jobs must be created for the tax year paying gross wages for the full month in the “at or above” 120% wage threshold and there must be an increase of 2 or more jobs in the month in the “at or above” 120% wage threshold for the new jobs to qualify for the pro-rated 100% credit amount for that month.) The total credit for the year is limited to the maximum applicable annual credit. (See Question 16.) The credit is allowed for the monthly average of new, full time jobs for which wages are paid for the full month. The credit is claimed on the taxpayer’s tax return for not more than 60 consecutive months and is claimed beginning with the first full month wages are paid for the new, full time jobs created. The credit is claimed on Form TC-4SM.

The purpose of this advisory opinion is to provide small businesses that may now be eligible for the credit for the first time a general overview of the credit requirements, an explanation of the “annual” and the “monthly” small business job tax credits, and examples of their computation.

Caveat: This advisory opinion is limited to the basic credit principles contained in Code Sections 12-6-3360(C)(2) and 12-6-3362. A small business taxpayer may qualify for the “traditional” annual job tax credit; guidance on this credit method is contained in Code Section 12-6-3360(C)(1) and SC Revenue Ruling #99-5. Note: Although the taxpayer may meet the requirements of all three of the credit provisions, only one credit provision may be used for each credit period. (See Questions 27 and 32.) The job tax credit statute rules and requirements can be complex. For additional guidance on more complex principles and exceptions to the general rules discussed in this advisory opinion, see Code Sections 12-6-3360 and 12-6-3362, the job tax credit statutes, SC Revenue Ruling #99-5, a comprehensive question and answer advisory opinion regarding the credit as the statute existed after a substantial amendment in 1996, and consult your tax advisor.

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- **Additional Examples – CAVEAT: These examples are intended to illustrate concepts explained throughout this advisory opinion. The examples use shorthand terminology and are based on certain assumptions (e.g., number of jobs in each month of base year, the 100% or 50% credit amount for monthly credit purposes is pro-rated, etc.). Accordingly, all examples should be used in conjunction with the entire advisory opinion.**

Example D – “Annual” Job Tax Credit – Calculation for Year 1 and Year 2. A simplified example showing the use of the 120% wage threshold to calculate the credit amount for full time and half time jobs and the average increase in employees eligible for the 100% credit amount and the 50% credit amount.

Example E – “Annual” Job Tax Credit – Calculation of Credit for 5 Year Credit Period. This example illustrates the credit for new jobs created in 2006 and paying all gross wages \geq 120% wage threshold.

Example F – “Monthly” Credit Calculation for Qualifying Months in Year 1. This example uses the same number of jobs as shown in Example D for the annual credit to illustrate the computational differences between the annual and monthly credits.

Example G – “Monthly” Credit Calculation for Qualifying Months in Year 1. This example illustrates the monthly computation for a taxpayer having a base year > 0 and a job decrease in a wage category for the year.

- **Appendix**

Comparison of the “Traditional,” “Annual,” and “Monthly” Job Tax Credit Statutes

A. QUALIFYING TAXPAYERS

Question 1 – Examples of Qualifying Taxpayers

Q. What types of small businesses with 99 or fewer total employees at all locations may be eligible to qualify for the credit?

A. The following chart summarizes the types of small businesses that may be eligible to qualify for the credit and the number of new, full time jobs that must be created by the business in a particular South Carolina county.

Qualifying Facility	County Ranking			Monthly Average Job Requirement**
	Distressed	Least Developed	Under Developed, Moderately Developed, & Developed	
Retail Facility (e.g., a convenience store, restaurant)	Yes	Yes	No	2
Service Related Industry (e.g., a seamstress, barber, lawn care service, daycare)	Yes	Yes	No	2
Manufacturing*	Yes	Yes	Yes	2
Processing*	Yes	Yes	Yes	2
Warehousing*	Yes	Yes	Yes	2
Distribution*	Yes	Yes	Yes	2
Research & Development*	Yes	Yes	Yes	2
Corporate Office*	Yes	Yes	Yes	2
Technology Intensive*	Yes	Yes	Yes	2
Banking (effective 6/6/06)	Yes	Yes	Yes	2
Tourism*	Yes	Yes	Yes	2, except 20 for a new hotel or motel
Qualifying Service Related Facility* Note: Legal, accounting, banking, investment services, and retail sales are <u>not</u> a qualifying service related facility.	Yes	Yes	(see below)	2
Qualifying Service Related Facility* Note: Legal, accounting, banking, investment services, and retail sales are <u>not</u> a qualifying service related facility.	(see above)	(see above)	Yes	30 – 250 at a single location based on certain average cash compensation amounts listed in the statute
Qualifying health care related facilities in NAICS Manual Section 62, subsectors 621 (ambulatory health care), 622 (hospitals), and 623 (residential care facilities.)*	Yes	Yes	Yes	2

*See Question 2 for definitions of certain types of “facilities.”

****CAVEAT:** For illustrative purposes only, the number of new, full time jobs required to be created is referred to as “2” for the new small business job tax credits (or “10” for the “traditional” job tax credit) throughout this advisory opinion. Exceptions to this general rule are noted for certain “tourism” and “qualifying service related facilities.”

Question 2 – Definitions of Types of Taxpayers

Q. Are the qualifying small business facilities listed in Question 1 defined?

A. Yes. The facilities marked with an asterisk in Question 1 are defined in Code Section 12-6-3360(M). Code Section 12-6-3360 and Regulation 117-750.1 defining the term “facility” can be found on the Department’s website at www.sctax.org.

Question 3 – A “Small Business” With 99 or Fewer Total Employees Worldwide

Q. When does the taxpayer determine if it has 99 or fewer employees?

A. To qualify for the new provisions available for a small business, the taxpayer has the option to determine whether it has 99 or fewer total employees at all locations worldwide at either the beginning or the end of its tax year in which the new, full time jobs are created in Year 1. The determination is made each time a credit period begins; it is not made for subsequent years of the same credit period (*e.g.*, Year 2, 3, 4, or 5), even if the number of employees may exceed 99 worldwide during the credit period.

A taxpayer with 99 or fewer total employees worldwide must create a monthly average of at least 2 new, full time jobs to qualify for the credit allowed under Code Sections 12-6-3360(C)(2) or 12-6-3362. **Note:** A taxpayer, regardless of size, creating at least a monthly average of 10 new, full time jobs may qualify for the “traditional” annual credit allowed under Code Section 12-6-3360(C)(1).

B. TYPES OF QUALIFYING NEW JOBS

Question 4 – Definitions of “Full Time” and “New Job”

Q. What is a qualifying new, full time job?

A. A “full time” job is one requiring a minimum of 35 hours of an employee’s time each week for the entire normal year of company operations. A “new job” is a job created in the State at the time a new facility or an expansion is initially staffed. See SC Revenue Ruling #05-5 for more information on the meaning of the term “expansion.”

Question 5 – Half Time Jobs (Determining Full Time Equivalents)

Q. Is a half time job a qualifying new job?

A. Two half time jobs requiring a minimum of 20 hours of each employee’s time a week qualify as one “full time” job. To determine the qualifying number of jobs, half time jobs must be converted into “full time equivalents” of half time jobs. For example, 1 half time job qualifies as 0.5 “full time equivalent,” 3 half time jobs qualify as 1.5 “full time equivalents,” and 4 half time jobs qualify as 2 “full time equivalents” of half time jobs. See SC Revenue Ruling #99-5 - Question 10, and the “Additional Examples” section at the end of this advisory opinion for additional information on

computing the number of “full time equivalents” of half time jobs and the monthly average.

Question 6 - Transferred Jobs

- Q. Do jobs transferred from another facility or related party qualify as new jobs?
- A. A new job does not include a job created when an employee is shifted from an existing location in South Carolina to a new or expanded facility whether the job is transferred to or from another facility of the taxpayer or to or from a related party’s facility. See SC Revenue Ruling #99-5 - Question 8 for limited exceptions to this general rule.

Question 7 - Leased Employees

- Q. Do leased employees qualify as new jobs?
- A. Leased employees or other employees of another company, such as a temporary employment agency or professional employer organization, who are working for a qualifying taxpayer, such as a trucking company, do not qualify for the job tax credit. Only employees of the taxpayer qualify for the credit (*i.e.*, employees subject to withholding by the qualifying taxpayer.) If, however, the trucking company in this example subsequently hires full time employees who were previously leased or temporary employees at the business, then they are considered new employees eligible for the job tax credit, if all other statutory requirements are met.

C. DETERMINING THE MONTHLY AVERAGE

Question 8A – Monthly Average Number of New Jobs Required for the Tax Year – General Rule

- Q. How is the “monthly average” number of new jobs for the tax year determined?
- A. **Annual Small Business Job Tax Credit – General Rule.** Code Section 12-6-3360(C)(2) requires that a monthly average increase of 2 jobs or more for the tax year be created and maintained in the applicable county for the small business to qualify for the credit. The credit is not earned when a total of 2 jobs are created by the end of a tax year or when a total of 2 jobs are created over several years. (**Note:** A minimum monthly average of 2 new, full time jobs for the tax year must be created paying gross wages in the “at or above” category for a taxpayer to be eligible for the 100% credit amount; see Question 20.) Example A1 below provides basic illustrations of the monthly average computation for a taxpayer who pays wages in only one wage threshold category.

The periods to compute the monthly average are the months that correspond to the tax year of the taxpayer; a taxpayer may not choose any other 12 month period. The total number of employees in each month of the tax year is the cumulative total of full time employees in each county for each month; it is not the number of new jobs created in

each month. The monthly average calculated is reduced by the previous years' monthly average to determine the average increase (decrease) for the current tax year. **Note:** When computing the increase in full time employees each year, the taxpayer must round down to the nearest whole number of jobs.

Monthly Small Business Job Tax Credit – General Rule. Code Section 12-6-3362 requires that a monthly average increase of 2 jobs or more for the tax year be created in the applicable county for the small business to qualify for the credit. The credit is not earned when a total of 2 jobs are created by the end of a tax year or when a total of 2 jobs are created over several years. (**Note:** In order to qualify for the 100% credit amount (pro-rated), a minimum monthly average of 2 new, full time jobs for the tax year must be created paying gross wages for the full month in the “at or above” 120% wage threshold, and there must be 2 or more new, full time jobs for each month the pro-rated 100% credit is claimed; see Question 20.) Example A1 below provides basic illustrations of the monthly average computation for a taxpayer who pays wages in only one wage threshold category.

The periods to compute the monthly average are the months that correspond to the tax year of the taxpayer; a taxpayer may not choose any other 12 month period. The total number of employees in each month of the tax year is the cumulative total of full time employees in each county paid for a full month for each month; it is not the number of new jobs created in each month. This amount is reduced by the base year monthly average to determine the monthly average increase (or decrease) for the current tax year. **Note:** When computing the increase in full time employees each year, the taxpayer must round down to the nearest whole number of jobs.

EXAMPLE A1 – Calculation of Monthly Average of Full Time Employees – Basic Concept

This example illustrates the basic concept of “monthly average.” It assumes that each taxpayer is a calendar year manufacturing facility with one location in South Carolina who pays all employees over 120% of the county or State average per capita income, maintains all jobs in Year 2 (for annual small business job tax credit purposes), and pays all employees wages for the full month (for monthly small business job tax credit purposes.)

	Taxpayer 1 – New Business Started 1/1/06	Taxpayer 2 – New Business Started 5/1/06	Taxpayer 3 – Existing Business Started 7/1/05
MONTHS IN YEAR 1 (e.g., 2006)	CUMULATIVE TOTAL OF EMPLOYEES*	CUMULATIVE TOTAL OF EMPLOYEES*	CUMULATIVE TOTAL OF EMPLOYEES*
January	1 (hired 1)	0	5
February	2 (hired1)	0	5
March	2	0	5
April	2	0	6 (hired 1)
May	2	2 (hired 2)	7 (hired 1)
June	2	3 (hired 1)	7
July	2	3	7
August	2	3	7
September	2	3	8 (hired 1)
October	2	5 (hired 2)	8
November	2	5	9 (hired 1)
December	2	5	9
*TOTAL EMPLOYEES (i.e., For annual purposes, it is the cumulative total of full time employees in each county for each month (number of employees in January plus number in February, etc.) (For monthly purposes, it is the cumulative total of full time employees in each county for each month <u>paid wages for the full month</u> .) It is <u>not</u> the number of new jobs created in each month.	23	29	83
Divided by Months in Operation	12	8	12
Monthly Average of Full Time Employees	1.92	3.625	6.92
Less: Base Year Monthly Average (e.g., 2005)	0	0	5
AVERAGE INCREASE IN FULL TIME EMPLOYEES	1** (1.92 rounded down)	3** (3.625 rounded down)	1 ** (1.92 rounded down)
QUALIFY FOR CREDIT	No	Yes	No

**Note: The increase in new, full time jobs is determined based on the Department’s longstanding policy of rounding down to the nearest whole number.

Question 8B – Monthly Average Number of New Jobs Required for the Tax Year – Additional Rule

- Q. What additional computation must be made to determine the monthly average number of jobs for the tax year if a taxpayer pays wages in both the “at or above” and the “below” 120% wage threshold categories?
- A. Question 8A provides the general rule for determining the monthly average number of new jobs for the tax year. Since the small business job tax credit amount depends on wages paid in the “at or above” 120% wage threshold (*i.e.*, the 100% credit) or the “below” 120% wage threshold (*i.e.*, the 50% credit), the monthly average is determined separately for each wage threshold and then an additional computation is required to determine the “combined” increase or decrease for the two wage threshold categories. The combined total amount determines whether the required 2 job minimum increase for the tax year is met for the taxpayer to qualify for the small business job tax credit. The additional computation is described and illustrated below.

Annual Small Business Job Tax Credit – Additional Monthly Average Calculation for Taxpayer Paying Wages in Both Wage Categories. Unlike the traditional job tax credit, the annual and monthly small business job tax credit amount depends upon the monthly average number of new, full time jobs in the “at or above” 120% wage threshold and in the “below” 120% wage threshold. As a result, the monthly average increase (or decrease) for the tax year computation for the “annual” and “monthly” small business job tax credit is computed separately for each pay threshold and then combined to determine the total monthly average increase for the tax year. This computation is a 3 step process and is briefly described below.

1. Monthly Average Calculation for Employees Paid in the “At or Above” 120% Wage Threshold for the Full Month, if applicable. Determine the monthly average increase (or decrease) for the tax year for employees paid gross wages in the “at or above” 120% wage threshold, using the rounding methods and applicable job adjustments discussed in this advisory opinion (*e.g.*, a fractional job resulting in the computation of the monthly average of new jobs in the “at or above” 120% wage threshold due to rounding down the average to the whole number may be added to the monthly average of new jobs in the “below” 120% wage threshold.) See also Question 20.
2. Monthly Average Calculation for Employees Paid in the “Below” 120% Wage Threshold for the Full Month, if applicable. Determine the monthly average increase (or decrease) for the tax year for employees paid gross wages in the “below” 120% wage threshold, using the rounding methods and applicable job adjustments discussed in this advisory opinion (*e.g.*, a fractional job moved from the computation of the monthly average of new jobs in the “at or above” 120% wage threshold due to rounding down to the whole number may be added to the monthly average of new jobs in the “below” 120% wage threshold prior to it being rounded to the whole number.) See also Question 20. **Note:** An adjustment for rounding a fractional job is not allowed from the “below” 120% wage threshold up to the “at or above” 120% wage threshold.

3. **Combined Monthly Average Increase (Decrease) in New Jobs.** The separate monthly average increases and/or decreases of full time new jobs in the “at or above” and the “below” 120% wage thresholds are added or subtracted, as applicable, to determine the “combined” monthly average increase for the tax year. A combined increase of 2 or more new, full time jobs for the tax year is required for the taxpayer to be eligible for the small business job tax credit. Example A2 below provides simple illustrations of this computation.

Monthly Small Business Job Tax Credit – Additional Monthly Average Calculation for Taxpayer Paying Wages in Both Wage Categories. The monthly average increase for the tax year computation discussed above for the “annual” small business job tax credit also applies to the “monthly” small business job tax credit, except that the total number of employees for each month of the tax year is the cumulative total of full time employees in each county paid for the full month; it is not the number of new jobs created in each month.

EXAMPLE A2 – Calculation of “Combined” Monthly Average Increase for the Tax Year for Taxpayer Paying Wages in Both Categories – Annual or Monthly Credit

	Taxpayer 1	Taxpayer 2	Taxpayer 3	Taxpayer 4	Taxpayer 5
Monthly Average Increase (Decrease) for Tax Year in \geq 120% Wage Threshold	2	(5)	7.375 Round down to 7	7	1
Monthly Average Increase (Decrease) for Tax Year in $<$ 120% Wage Threshold	(3)	10	2.83 + .375 from above = 3.208 Rounded down to 3	2.83 Rounded down to 2	1
Combined Monthly Average Increase (Decrease) for Tax Year	(1)	5	10 (7 + 3)	9 (7 + 2)	2
Meet Monthly Average Requirement for Tax Year?	No	Yes, only for 5 jobs in $<$ 120% wage threshold (50% credit)*	Yes 7 \geq 120% wage threshold (100% credit) 3 $<$ 120% wage threshold (50% credit)*	Yes 7 \geq 120% wage threshold (100% credit) 2 $<$ 120% wage threshold (50% credit)*	Yes, for 2 jobs in $<$ 120% wage threshold or 50% credit; to qualify for the 100% credit, a monthly average of 2 or more jobs must be created in the \geq 120% wage threshold

*Reminder: For monthly small business job tax credit purposes, the 100% or 50% credit amount referred to in this example must be pro-rated on a monthly basis. See Question 16.

Question 9 – Computing Monthly Average if Year 1 in Operation is Less Than 12 Months

- Q. How is the monthly average number of new jobs computed if a taxpayer's first year in operation is not a full 12 months?
- A. The taxpayer has the option of computing the monthly average in the first year of operation by either dividing the appropriate total number of employees for Year 1 on the job tax credit form by (a) 12 months or (b) the actual number of months in operation. See SC Revenue Ruling #99-5 - Question 5 for more information.

Question 10 – Definition of “Base Year”

- Q. What is the base year used to compute the average increase in full time employees?
- A. **Annual Small Business Tax Credit.** The base year is the year preceding the first year a taxpayer creates the number of new jobs necessary to qualify for the job tax credit, regardless of whether that year was the first year of operation of the facility. In order to properly determine the monthly average increase in a wage category, a taxpayer who has jobs in the “base” year (*i.e.*, the base year is not 0) must categorize each base year job in the “at or above” 120% wage threshold or in the “below” 120% wage threshold. Reminder: The base year is used to compute the Year 1 increase only.

Monthly Small Business Tax Credit. Same as the “annual” small business job tax credit, except that each month of the base year includes only the cumulative number of employees that are paid wages for the full month. Reminder: This same base year amount is used each year during the original credit period in calculating the monthly average increase in new, full time jobs for the tax year.

D. JOBS QUALIFYING FOR CREDIT EACH MONTH IN TAX YEAR

Question 11 – Computing the Number of Qualifying Jobs Eligible for the Monthly Credit

- Q. How is the number of jobs that qualify for the credit each month determined?
- A. To determine the number of jobs that are eligible each month for the credit, a taxpayer must first determine if the “combined” monthly average increase in jobs for the tax year of at least 2 is met (see Question 8). If so, then the number of jobs that qualify for the credit each month must be determined. If applicable, “job adjustments” are made to determine the adjusted number of jobs qualifying for the 100% credit and the 50% credit (pro-rated). This process is described below.

Annual Small Business Job Tax Credit. This computation is not applicable.

Monthly Small Business Job Tax Credit. Code Section 12-6-3362 provides that a credit is not allowed for any month in which the new employment increase falls below the minimum level of 2. Since the credit is based on the wages paid, the process can be a 1 or 2 step process for each month and may require an adjustment for certain jobs (see explanation below.)

The monthly 2 step process is:

Step 1 - Applies to small businesses with jobs with gross wages paid in the “at or above” 120% wage threshold for the full month.

Step 2 - Applies to small businesses with jobs with gross wages paid in the “below” 120% wage threshold for the full month.

The examples below illustrate the computation of the number of jobs that qualify for the credit each month. Example B1 illustrates the computation for two taxpayers paying wages for the full month in only one wage threshold category. Example B2 illustrates the computation for a taxpayer paying wages for the full month in both wage threshold categories, along with some necessary adjustments. Example B3 illustrates the computation and some necessary job adjustments when the monthly average increase is less than 2 for the tax year in the “at or above” 120% wage category. Example B4 illustrates the computation and some necessary job adjustments when there are job decreases in some months in both wage categories.

Job Adjustments. General rules to remember concerning “adjustments” of jobs for purposes of determining the “adjusted” number of qualifying jobs eligible for the monthly credit are:

1. **Fractions of Jobs.** A fractional job [0.5] resulting from a “full time equivalent” of half time jobs is adjusted from the “at or above” 120% wage threshold and added to the “below” 120% wage threshold for each applicable month to determine the “adjusted” total increase in jobs. Fractions of jobs remaining in the “below” 120% threshold are rounded down to the nearest whole number.

2. Monthly Average Increase for the Tax Year in the “At or Above” 120% Threshold < 2 or Negative. When the monthly average increase for the tax year in the “at or above” threshold is less than 2 or is negative, all jobs, regardless of the actual number of full time jobs paid for the full month, for all months in the “at or above” 120% wage threshold are adjusted by moving them down to the “below” 120% wage threshold. If the amount is an increase, the adjustment of jobs “ineligible” for the 100% credit amount allows the taxpayer the possible eligibility of these jobs for the 50% credit amount (pro-rated) by adding them to the “below” 120% jobs.
3. Monthly Average Increase for the Tax Year in the “At or Above” 120% Threshold \geq 2, but the Increase in Jobs in this Category for the Month < 2. This adjustment applies to a taxpayer who meets the monthly average increase of 2 jobs for the tax year requirement in the “at or above” wage category, but does not meet the monthly requirement (*i.e.*, there are some months that do not have an increase of 2 jobs). In such instances, the amount less than 2 for a month [1.5, 1.0, 0.5] must be adjusted by moving them down to the “below” 120% wage category (*e.g.*, March moves to March, June to June, etc.).
4. Monthly Average Increase or Decrease for the Tax Year in the “Below” 120% Wage Threshold. An adjustment is made when there is a monthly average decrease for the tax year in the “below” 120% wage category. This decrease for the tax year offsets any job increase in the “at or above” 120% wage category monthly average tax year amount. An increase in the “below” 120% threshold is not moved up to the “at or above” threshold.
5. Job Decrease in a Month in Either Wage Category. Any month that has a decrease in jobs is adjusted. If the decrease is in the “at or above” 120% wage category, the adjustment moves the job decrease down to offset the job increase in the “below” 120% wage category. Likewise, if the decrease is in the “below” 120% wage category, the adjustment moves the job decrease up to offset the job increase in the “at or above” 120% wage category.

Example B1 – Calculation of Eligible Jobs Paid Gross Wages for the Full Month for Taxpayers Having Only <u>One</u> Wage Threshold (Although not illustrated, the taxpayers meet the monthly average tax year requirement.)				
	TAXPAYER 1		TAXPAYER 2	
Months in Tax Year	Total Increase in Jobs in Tax Year Paid for Full Month in \geq 120% wage category) (<i>e.g.</i> , Total jobs in tax year less base year of 0 in this example)	Do Jobs Qualify for Monthly Credit?	Total Increase in Jobs in Tax Year Paid for Full Month in \geq 120% wage category) (<i>e.g.</i> , Total jobs in tax year less base year of 0 in this example)	Do Jobs Qualify for Monthly Credit?
January	2	Yes (month increase \geq 2)	1	No (month increase < 2)
February	2	Yes	1	No
March	3	Yes	1	No
April	1.5 (round to 1)	No (month increase < 2)	1	No
May	1.5 (round to 1)	No	1	No
June	1.5 (round to 1)	No	1	No
July	1.5 (round to 1)	No	2	Yes (month increase \geq 2)
August	1.5 (round to 1)	No	3	Yes
September	1.5 (round to 1)	No	4	Yes
October	1.5 (round to 1)	No	3.5 (round to 3)	Yes
November	2.5 (round to 2)	Yes	4	Yes
December	4	Yes	5	Yes

Taxpayer 1. This example illustrates that the required increase of 2 for each month in the tax year is met only in the months of January, February, March, November, and December. Any fractional job is rounded down to the nearest whole number each applicable month (see April – November.) The taxpayer is eligible for the monthly small business job tax credit for the 5 months indicated with a “Yes.”

Taxpayer 2. This example illustrates that the required increase of 2 for each month in the tax year is met only in the months of July - December. Any fractional job is rounded down to the nearest whole number each applicable month (see October.) The taxpayer is eligible for the monthly small business job tax credit for the 6 months indicated with a “Yes.”

This example illustrates certain job adjustments (*i.e.*, fractional jobs and increases in jobs in “at or above” category for the month less than 2) for a taxpayer paying wages for a full month in both wage categories.

Example B2 - Step 1: Calculation of Eligible Jobs Paid Gross Wages ≥ 120% Threshold for the Full Month						
Months in Tax Year	A. Full Time Jobs in Tax Year Paid for Full Month	B. Full Time Equivalent of Half Time Jobs in Tax Year Paid for Full Month	C. Total Increase in Jobs in Tax Year Paid for Full Month in ≥ 120% wage category) (<i>e.g.</i> , <u>Total jobs in tax year less base year of 0 in this example</u>) (Column A + Column B)	D. Job Adjustment, as applicable (Move down to the “below” 120% wage threshold)	E. Adjusted Total Increase in Jobs Column C – Column D	Number of Qualifying Jobs Eligible for the 100% Credit Amount (pro-rated)
January	2	0	2	-	2	2
February	2	0	2	-	2	2
March	3	0	3	-	3	3*
April	0	0.5	0.5**	0.5 (move below)	0	0**
May	1	0.5	1.5	1.5 (move below)***	0	0
June	1	0.5	1.5	1.5 (move below)	0	0
July	1	0.5	1.5	1.5 (move below)	0	0
August	1	0.5	1.5	1.5 (move below)	0	0
September	1	0.5	1.5	1.5 (move below)	0	0
October	1	0.5	1.5	1.5 (move below)	0	0
November	2	0.5	2.5****	0.5 (move below)	2	2
December	4	1	5	-	5	5
Monthly Average for Tax Year is Met			2 = 24÷12			

Example B2 - Step 2: Calculation of Eligible Jobs Paid Gross Wages < 120% Threshold for the Full Month						
Months in Tax Year	A. Full Time Jobs in Tax Year Paid for Full Month	B. Full Time Equivalent of Half Time Jobs in Tax Year Paid for Full Month	C. Total Increase in Jobs in Tax Year Paid for Full Month in < 120% wage category) (<i>e.g.</i> , <u>Total jobs in tax year less base year of 0 in this example</u>) (Column A + Column B)	D. Job Adjustment, as applicable (Moved from the “at or above” 120% wage threshold)	E. Adjusted Total Increase in Jobs Column C + Column D	Number of Qualifying Jobs Eligible for the 50% Credit Amount (pro-rated) (Rounded Down to Whole Number)
January	0	0.5	0.5	-	0.5	0
February	0	0.5	0.5	-	0.5	0
March	0	1	1	-	1	1 *
April	0	1	1	0.5 from above**	1.5	0 **
May	0	1.5	1.5	1.5 from above***	3	3
June	1	1.5	2.5	1.5 from above	4	4
July	1	1	2	1.5 from above	3.5	3
August	1	2	3	1.5 from above	4.5	4
September	1	2.5	3.5	1.5 from above	5	5
October	1	2.5	3.5	1.5 from above	5	5
November	1	1.5	2.5	0.5 from above	3	3 ****
December	3	1	4	-	4	4
Monthly Average for Tax Year is Met			2 = 25.5 ÷ 12 = 2.125 rounded			

*March. Since the required monthly average job increase of 2 is met in the “at or above” 120% wage threshold for March, the 1 job increase in the “below” 120% wage category for March is considered separately and qualifies for the 50% credit amount.

April. A minimum monthly average of 2 new, full time jobs must be created for the tax year paying gross wages “at or above” the 120% wage threshold and there must be an increase of 2 or more jobs in the month in the “at or above” wage category to qualify for the 100% credit amount (pro-rated). This requirement is met for the tax year, but **not met for the month. Accordingly, the 0.5 job is adjusted from the “at or above” wage category by moving it down to the “below” 120% wage threshold. The taxpayer is not allowed credit for this job, since a job increase of 2 is not met in April in the “below” 120% wage threshold.

***May – October. A minimum monthly average of 2 new, full time jobs must be created for the tax year paying gross wages “at or above” the 120% wage threshold and there must be an increase of 2 or more jobs in the month in the “at or above” wage category to qualify for the 100% credit amount (pro-rated). This requirement is met for the tax year, but **not** met for the months of May – October (since these months only have an increase of 1.5 new, full time jobs, the jobs do not qualify for the 100% credit.) These jobs not qualifying for the 100% credit are adjusted by moving them down to the “below” 120% wage threshold for possible qualification for the 50% credit amount. As a result of the adjusted total of jobs meeting the 2 job requirement for each applicable month in the “below” 120% wage threshold, the taxpayer gets a 50% credit amount for the jobs moved down to the “below” 120% wage threshold (after rounding.)

****November. A 0.5 fractional job resulting from a “full time equivalent” of a half time job must be rounded down to the nearest whole number. It is adjusted from the “at or above” wage category only by moving it down to the “below” 120% wage threshold. The taxpayer is allowed a 50% credit amount (pro-rated) for this job, since the increase of at least 2 jobs in the month is met for November.

This example illustrates the job adjustments necessary when the monthly average increase is less than 2 for the tax year in the “at or above” 120% wage category.

Example B3 - Step 1: Calculation of Eligible Jobs Paid Gross Wages ≥ 120% Threshold for the Full Month						
Months in Tax Year	A. Full Time Jobs in Tax Year Paid for Full Month	B. Full Time Equivalent of Half Time Jobs in Tax Year Paid for Full Month	C. Total Increase in Jobs in Tax Year Paid for Full Month in ≥ 120% wage category) (e.g., <u>Total jobs in tax year less base year of 0 in this example</u>) (Column A + Column B)	D. Job Adjustment, as applicable (Move down to the “below” 120% wage threshold if monthly average for tax year < 2 jobs)	E. Adjusted Total Increase in Jobs Column C – Column D	Number of Qualifying Jobs Eligible for the 100% Credit Amount (pro-rated)
January	1	0	1	1 (move below)	0	0
February	2	0	2	2 (move below)	0	0
March	2	0	2	2 (move below)	0	0
April	2	0	2	2 (move below)	0	0
May	2	0	2	2 (move below)	0	0
June	2	0	2	2 (move below)	0	0
July	2	0	2	2 (move below)	0	0
August	2	0	2	2 (move below)	0	0
September	2	0	2	2 (move below)	0	0
October	2	0	2	2 (move below)	0	0
November	2	0	2	2 (move below)	0	0
December	2	0	2	2 (move below)	0	0
Monthly Average for Tax Year			1 = 23 ÷ 12 = 1.92 rounded; 1.92 moves below			

Example B3 - Step 2: Calculation of Eligible Jobs Paid Gross Wages < 120% Threshold for the Full Month						
Months in Tax Year	A. Full Time Jobs in Tax Year Paid for the Full Month	B. Full Time Equivalent of Half Time Jobs in Tax Year Paid for Full Month	C. Total Increase in Jobs in Tax Year Paid for Full Month in < 120% wage category) (e.g., <u>Total jobs in tax year less base year of 0 in this example</u>) (Column A + Column B)	D. Job Adjustment, as applicable (Moved from the “at or above” 120% wage threshold)	E. Adjusted Total Increase in Jobs Column C + Column D	Number of Qualifying Jobs Eligible for the 50% Credit (pro-rated) Amount (Rounded Down to Whole Number)
January	0	0	0	1 (from above)	1	0
February	0	0	0	2 (from above)	2	2
March	0	0	0	2 (from above)	2	2
April	0	0	0	2 (from above)	2	2
May	0	2	2	2 (from above)	4	4
June	0	3	3	2 (from above)	5	5
July	0	3	3	2 (from above)	5	5
August	0	3	3	2 (from above)	5	5
September	0	3	3	2 (from above)	5	5
October	0	5	5	2 (from above)	7	7
November	0	5	5	2 (from above)	7	7
December	0	5	5	2 (from above)	7	7
Monthly Average for Tax Year			4 = 29 ÷ 12 = 2.41 + 1.92 (from above) = 4.33 rounded			

Since the monthly average increase for the tax year in the ≥ 120% wage category is not 2 or more for the tax year (in this example the monthly average for the tax year in the ≥ 120% wage category is 1.92 or 1 rounded to the nearest whole number), the taxpayer does not qualify for the 100% credit amount for any month. Accordingly, all jobs for every month in the tax year created in the ≥ 120% wage category must be moved down to the < 120% wage category.

NOTE: See Example F for an illustration of job adjustments necessary when there is a decrease in the monthly average for the tax year in one wage category.

This example illustrates the job adjustments necessary for job decreases in some months in both wage categories.

NOTE: The job adjustment column (Column D) is divided into 2 columns to show the adjustments from the “at or above” category to the “below” category in Column D.1 and the adjustments from the “below” category to the “at or above” category in Column D.2. Reminder – subtracting a negative number is the same as adding a positive number, e.g., (1) minus (1) = 0. A negative number is noted in this advisory opinion in parenthesis, e.g., (1) means negative 1.

Example B4 - Step 1: Calculation of Eligible Jobs Paid Gross Wages ≥ 120% Threshold for the Full Month							
Months in Tax Year	A. Full Time Jobs in Tax Year Paid for Full Month	B. Full Time Equivalent of Half Time Jobs in Tax Year Paid for Full Month	C. Total Increase (Decrease) in Jobs in Tax Year Paid for Full Month in ≥ 120% wage category) (i.e., Total jobs in tax year less base year) (Column A + Column B; not illustrated in this example)	D. Job Adjustment, as applicable		E. Adjusted Total Increase in Jobs (Column C – Column D.1 + Column D.2)	Number of Qualifying Jobs Eligible for the 100% Credit Amount (pro-rated)
				D.1. Move down to the < 120% wage threshold* (See Column C)	D.2 Enter the amounts moved up from the < 120% wage threshold)		
Jan.	Not	Illustrated	(1)	(1)*	-	0	0
Feb.	Not	Illustrated	(1)	(1)*	-	0	0
Mar.	Not	Illustrated	(2)	(2)*	-	0	0
Apr.	Not	Illustrated	2	-	(3) from below	(1)	0
May	Not	Illustrated	2	-	-	2	2
June	Not	Illustrated	4	-	(2) from below	2	2
July	Not	Illustrated	4	-	-	4	4
Aug.	Not	Illustrated	6	-	-	6	6
Sept.	Not	Illustrated	6	-	-	6	6
Oct.	Not	Illustrated	7	-	-	7	7
Nov.	Not	Illustrated	8	-	(6) from below	2	2
Dec.	Not	Illustrated	8	-	-	8	8
Monthly Average for Tax Year			3 = 43 ÷ 12 = 3.58 rounded (.58 moves below)				

Example B4 - Step 2: Calculation of Eligible Jobs Paid Gross Wages < 120% Threshold for the Full Month							
Months in Tax Year	A. Full Time Jobs in Tax Year Paid for the Full Month	B. Full Time Equivalent of Half Time Jobs in Tax Year Paid for Full Month	C. Total Increase (Decrease) in Jobs in Tax Year Paid for Full Month in < 120% wage category) (i.e., Total jobs in tax year less base year) (Column A + Column B; not illustrated in this example)	D. Job Adjustment, as applicable from Column C		E. Adjusted Total Increase in Jobs (Column C + Column D1 - Column D2)	Number of Qualifying Jobs Eligible for the 50% Credit Amount (pro-rated) (Rounded Down to Whole Number)
				D.1 Enter amount moved down from ≥ 120% wage threshold	D.2 Move up to the ≥ 120% wage threshold** (See Column C)		
Jan.	Not	Illustrated	2	(1) from above	-	1	0
Feb.	Not	Illustrated	2	(1) from above	-	1	0
Mar.	Not	Illustrated	2	(2) from above	-	0	0
Apr.	Not	Illustrated	(3)	-	(3)**	0	0
May	Not	Illustrated	2	-	-	2	2
June	Not	Illustrated	(2)	-	(2)**	0	0
July	Not	Illustrated	7	-	-	7	7
Aug.	Not	Illustrated	7	-	-	7	7
Sept.	Not	Illustrated	7	-	-	7	7
Oct.	Not	Illustrated	1	-	-	1	1
Nov.	Not	Illustrated	(6)	-	(6)**	0	0
Dec.	Not	Illustrated	5	-	-	5	5
Monthly Average for Tax Year			2 = 24 ÷ 12 = 2 + .58 (from above) = 2.58 rounded				

*January – March Job Decreases in ≥ 120% Wage Category. Job decreases for each month indicated are adjusted from the ≥ 120% wage category and moved down to the < 120% wage category. This adjustment reduces the number of jobs eligible for the 50% credit amount by the job decreases moved down.

** April, June, and November Decreases in < 120% Wage Category. Job decreases for each month indicated are adjusted from the < 120% wage category and moved up to the ≥ 120% wage category. This adjustment reduces the number of jobs eligible for the 100% credit amount by the job decreases moved up.

E. COUNTY RANKINGS

Question 12 – Annual County Designations

Q. How are the counties ranked?

A. Each of South Carolina's 46 counties are ranked annually based in part on per capita income and unemployment rate data received from the South Carolina Employment Security Commission and Budget and Control Board. The rankings published reflect the final county rankings for the year after making all adjustments to county designations required by statute. The rankings are done in late December for the next tax year.

Question 13 – Annual County Ranking List

Q. What ranking list should be used to calculate the credit?

A. Each January, the Department publishes a list of the ranking of each county as “distressed,” “least developed,” “under developed,” “moderately developed,” or “developed” to use for calculating the credit amount for jobs created during that tax year. For example, the list published in January 2006 contains the county rankings for new jobs created in tax years which begin in 2006. See the Department's website at www.sctax.org for the annual rankings.

Question 14 – County Ranking Changes in Years 2 through 6 (or during the 60 consecutive month period) and Credit Amount for New Jobs in the Original Credit Period

Q. What credit amount is a taxpayer eligible to claim on the tax return during the original credit period (5 years for the annual job tax credit or 60 consecutive months for the monthly small business job tax credit) if the county ranking changes from Year 1 (the year of new job creation)?

A. The credit is based on the county ranking at the time the new jobs are created in Year 1. The credit created in Year 1 that is claimed in Years 2 through 6 (or the years in the 60 consecutive month period) is not affected by any future reranking of the county in which the taxpayer is located for the jobs created in Year 1. See SC Revenue Ruling #99-5 - Question 17 for additional information.

Question 15 – County Ranking Changes from Year 1 and Credit Amount for Additional New Jobs

Q. What credit amount is a taxpayer eligible to claim for additional new jobs created in Years 2 through 6 (or the years in the 60 consecutive month period) if the county designation changes from Year 1 (the year of the initial job increase)?

A. Generally, the credit amount for any number of additional new jobs created is based on the county designation for the year the additional new jobs are created. See SC Revenue Ruling #99-5 - Question 18 for an exception if a Form SC 616 is filed to lock in a county designation.

F. CREDIT AMOUNT

Question 16 – 100% “Basic” Credit Amount and 50% “Basic” Credit Amount

Q. What is the “basic” credit amount?

A. In general, the “basic” credit amount is \$750 to \$8,000 per year per qualifying job increase depending, in part, on the county where the taxpayer is located and the amount of gross wages paid to each new, full time employee.

Annual Small Business Job Tax Credit. The following chart illustrates the “basic” credit amount for a qualifying taxpayer under Code Section 12-6-3360(C)(2) creating and maintaining the required number of new, full time jobs, without regard to any “additional” amounts for which a taxpayer may be eligible. (See Question 20 for an exception to the credit amounts below for a taxpayer who creates the minimum of 2 new, full time jobs for the tax year, but with one job paying “at or above” the 120% wage threshold and the other job paying “below” the 120% wage threshold.) See Examples D and E for additional illustrations.

County Designation (Location of Taxpayer with 99 or Fewer Total Employees Everywhere on the First or Last Day of its Tax Year of Qualifying Job Creation)	Gross Wages Per Job Greater Than or Equal To (≥) 120% County or State Average Per Capita Income, Whichever is Less (i.e., the 100% Credit Amount)	Gross Wages Per Job Less Than (<) 120% County or State Average Per Capita Income, Whichever is Less (i.e., the 50% Credit Amount)
Distressed	\$8,000	\$4,000
Least Developed	\$4,500	\$2,250
Under Developed	\$3,500	\$1,750
Moderately Developed	\$2,500	\$1,250
Developed County	\$1,500	\$ 750

Monthly Small Business Job Tax Credit. For taxpayers qualifying for the job tax credit under Code Section 12-6-3360(C)(2) that elect to use the monthly method under Code Section 12-6-3362 to calculate and claim the job tax credit, the above annual credit amounts are converted to pro-rated monthly amounts to arrive at “tentative” monthly credit amounts for each wage threshold category.

The “tentative” monthly credit amount under Code Section 12-6-3362 is the applicable credit amount above multiplied by 8.33% multiplied by the number of new, full time qualifying jobs for which wages are paid for the full month. The total “tentative” monthly small business job tax credit claimed under Code Section 12-6-3362 cannot exceed the “maximum applicable annual credit.” The “maximum applicable annual credit” is the credit amount determined on an “annual” basis under Code Section 12-6-3360(C)(2) (i.e., the combined total monthly average increase (or decrease) for the tax year in new jobs multiplied by the appropriate wage threshold credit amount.) See Examples F and G for additional illustrations.

Question 17 - “Additional” Credit Amount

Q. What is the “additional” credit amount?

A. Certain small business taxpayers may also be entitled to job tax credit amounts in addition to the “basic” credit amounts listed above. These “additional” amounts are available to the following qualifying taxpayers:

1. A small business located in a multi-county industrial park may be allowed an additional \$1,000 credit amount for each new job created. Two or more counties determine if an area in the county is designated as a multi-county industrial park by entering into an agreement under Code Section 4-1-170. This determination is not made by the Department.
2. A small business that creates qualifying new, full time jobs on property where a response action has been completed pursuant to a nonresponsible party voluntary cleanup contract under Title 44, Chapter 56, Article 7 (the Brownfields Voluntary Cleanup Program) may be allowed an additional \$1,000 credit amount for each new job created. Taxpayers must have a certification of completion from the South Carolina Department of Health and Environmental Control.

Note: For simplicity, the examples used in this advisory opinion assume a taxpayer does not qualify for any “additional” credit amounts. If a taxpayer qualified for one of the “additional” credit amounts, the full \$1,000 would be added to the “basic credit amount” (see Question 16) regardless of the wage threshold (*i.e.*, the additional credit is the full \$1,000 even for jobs created in the “below” 120% wage threshold.) See Code Sections 12-6-3360(E) and 12-6-3362 for the time periods in which the “additional” credits may be claimed.

Question 18 – Limitation on Credit Amount and Maximum Applicable Credit

Q. Are there limitations on the job tax credit amount claimed?

A. Yes. The limitations include the following:

1. For Taxpayers Claiming Both the Job Tax Credit and the Credit for Hiring Family Independence Recipients. The maximum credit amount that may be claimed for any tax year for a single employee under the job tax credit statute and the “basic” part of the family independence credit under South Carolina Code §12-6-3470(A) is \$5,500. The \$5,500 limitation is not applicable to a taxpayer qualifying for the job tax credit in a “distressed” county.
2. Tax Liability Limitation. As discussed in Question 30, the job tax credit taken in one tax year may not exceed 50% of the taxpayer’s income tax, insurance premium tax, or bank tax liability.
3. Monthly Small Business Job Tax Credit Limitations. As discussed in Question 16 and illustrated in Examples F and G, the monthly small business job tax credit cannot exceed the “maximum applicable annual credit” amount determined under the “annual” basis under Code Section 12-6-3360(C)(2).

G. 120% “GROSS WAGES” RULES

Question 19 – Definition of “Gross Wages”

- Q. How is the “gross wage” amount per job determined for purposes of calculating the 120% county or State average per capita income requirement?
- A. **General Rule.** Gross wages are wages subject to withholding (*i.e.*, “net” wages after pre tax benefits, such as pretax medical, dental, disability, retirement, 401(k) contributions, pretax dependent care plan deduction, and pretax medical reimbursement plans deductions). See Code Section 12-10-30(4). An example illustrates how gross wages are used to determine if 120% of the county or State average per capita income requirement is met and whether the small business is eligible for the 100% credit amount or the 50% credit amount discussed in Question 16.

For example, a new employee hired by a manufacturer in X County who is paid \$20 per hour gross or \$41,600 per year elects pretax family medical and dental coverage of \$100 per week (\$5,200 per year), a \$5,000 annual pre tax medical reimbursement, a \$5,000 pretax dependent care plan deduction, and a \$4,000 401(k) contribution. This employee has “gross wages” subject to withholding of \$22,400 for purposes of the per capita computation.

Annual Small Business Job Tax Credit. For illustrative purposes, assume that as of December 31, 2006, X County’s average per capita income is \$28,005 and is less than the State average per capita income; the \$22,400 gross wage amount subject to withholding is not 120% or more of the county or State average per capita income, and the new job would be eligible for the 50% credit amount.

Monthly Small Business Job Tax Credit. Same as the annual small business job tax credit, except the minimum gross wage requirement is met if the gross wages paid for the full month, when annualized, meet the minimum requirement.

Question 20 – Affect of Gross Wages Paid on the Credit Amount

- Q. How does the payment of gross wages “at or above” the 120% wage threshold or “below” the 120% wage threshold affect the credit amount for each job?
- A. The 120% threshold is determined for each job at the end of the taxpayer’s tax year based on data published by the Department. (See Section H below for more information on State and county average per capita income amounts to use.) To determine the credit amount, a monthly average number of full time jobs and full time equivalent of half time jobs with gross wages “at or above” 120% of the per capita income threshold amount is determined and then a monthly average number of full time jobs and full time equivalent of half time jobs with gross wages “below” 120% of the per capita income threshold amount is determined. This separate calculation is needed since the “monthly average” number of new jobs created is most often not the same as the “actual” number of new jobs created. Then, the monthly average increase for the wage thresholds are added or subtracted, as necessary, to determine the “combined” total

monthly average increase (or decrease) in new jobs for the tax year that is used to calculate the credit amount.

The following general examples explain the affect gross wages paid have on the credit amount. **Caveat:** The examples illustrate the annual small business job tax credit, however, similar concepts also apply to the monthly small business job tax credit. See Question 11.

Note: A minimum monthly average of 2 new, full time jobs must be created paying gross wages “at or above” 120% of the county or State average per capita income, whichever is less, to receive the 100% credit amount. See Example C1 #4 below that illustrates the adjustment of a 1 job increase for the tax year in the “at or above” 120% wage category to the “below” 120% wage category with only a 1 job increase that allows the taxpayer to meet the qualifying requirements in the “below” 120% wage category.

<p>Example C1 - Full Time Jobs – Basic Concepts of Combining Wage Thresholds – Annual Small Business Job Tax Credit</p>
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Simplified examples illustrate the affect of the 120% wage threshold on the credit amount for each new, full time job. These examples assume the taxpayers illustrated below meet all the statutory requirements of the credit in 2006, are located in a distressed county, and hire 3 new, full time employees in Examples 1 and 5 on January 1, 2006, and 2 new, full time employees on January 1, 2006, in Examples 2, 3, and 4, and all jobs are maintained in Years 2 – 6 for taxpayers using the annual small business credit.

	Example 1	Example 2	Example 3	Example 4	Example 5
1. Monthly average increase of each new, full time job paying gross wages \geq 120%	2	2	0	1 * (must move to below 120% wage category)	1 * (must move to below 120% wage category)
2. 100% credit amount for each new, full time job paying gross wages \geq 120%	2 x \$8,000 = \$16,000	2 x \$8,000 = \$16,000	N/A	0* x \$8,000 = \$0	0* x \$8,000 = \$0
3. Monthly average increase of each new, full time job paying gross wages < 120%	1	0	2	1*	2*
4. 50% credit amount for each new, full time job paying gross wages < 120%	1 x \$4,000 = \$4,000	N/A	2 x \$4,000 = \$8,000	2* x \$4,000 = \$8,000 *(Line 1 + Line 3)	3* x \$4,000 = \$12,000 *(Line 1 + Line 3)
5. Total Credit for Monthly Average Increase of All New, Full Time Jobs (Line 2 + Line 4)	\$20,000	\$16,000	\$8,000	\$8,000	\$12,000

Example 1 and Example 2 illustrate that the minimum monthly average 2 new job requirement for the tax year is met in the “at or above” 120% wage threshold, thereby making these 2 new jobs eligible for the 100% credit amount. Example 1 also illustrates that the wage threshold for another job is looked at separately and the 1 other job in this example is eligible for the 50% credit amount since it is paid at the “below” 120% wage threshold.

Example 3 illustrates that the minimum monthly average 2 new job requirement for the tax year is met in the “below” 120% wage threshold, thereby making these 2 new jobs eligible for the 50% credit amount.

Examples 4 and 5 illustrate a minimum monthly average of 2 new, full time jobs must be created for the tax year paying gross wages “at or above” 120% of the county or State average per capita income, whichever is less, to receive the 100% credit amount. Example 4 illustrates that a small business creating a monthly average of 2 new, full time jobs for the tax year paying one job in the “at or above” 120% threshold and the other job in the “below” 120% threshold qualifies only for the 50% credit amount for these 2 jobs since the 2 job monthly average minimum is not met in the “at or above” wage threshold category. If these 2 jobs are maintained and an additional job is created in a subsequent year, it will earn the 50% credit if it pays gross wages “below” 120%. If an additional job is created paying gross wages “at or above” 120%, then it and the original job paid “at or above” 120% qualify for the 100% credit. Example 5 illustrates the “adjustment” of less than 2 jobs in the “at or above” 120% threshold to the “below” threshold since the 2 job monthly average minimum for the tax year is not met in the “at or above” wage threshold. In this example, the taxpayer qualifies for the 50% credit amount for 3 jobs.

Example C2 - Half Time Jobs - Basic Concepts of Combining Wage Thresholds – Annual Small Business Job Tax Credit

Simplified examples illustrate the affect of the 120% threshold on the credit amount for half time jobs. This example assumes the taxpayers illustrated below meet all the statutory requirements of the credit, hire only half time employees in a distressed county on January 1, 2006, and maintain the jobs for taxpayers using the annual small business credit. Reminder: Two half time jobs requiring at least 20 hours of each employee’s time a week qualify as one “full time equivalent” job.

	Example 1	Example 2	Example 3	Example 4	Example 5
1. Monthly average increase of each half time new job paying gross wages \geq 120%	2 half time (1 full time equivalent – must move to “below” 120% wage category)	5 half time (2 full time equivalents, <i>i.e.</i> , 2.5 rounded down to the nearest whole number – the .5 job is moved down and added to the “below” 120% wage category)	5 half time (2 full time equivalents, <i>i.e.</i> , 2.5 rounded down – the .5 job is moved down and added to the “below” 120% wage category)*	3 half time (1 full time equivalent – <i>i.e.</i> , 1.5 rounded) down	0
2. 100% credit amount for each new “full time” job paying gross wages \geq 120%	$\$0 \times \$8,000 = \$0$	$2 \times \$8,000 = \$16,000$	$2 \times \$8,000 = \$16,000$	0	0
3. Monthly average increase of each half time new job paying gross wages < 120%	2 half time (1 full time equivalent + 1 full time equivalent from above = 2)	2 half time (1 full time equivalent + .5 equivalent rounded from above = 1.5, rounded to 1)	3 half time (1.5 full time equivalents + .5 equivalent rounded from above = 2)*	0	4 half time (2 full time equivalents)
4. 50% credit amount for each new “full time” job paying gross wages < 120%	$2 \times \$4,000 = \$8,000$	$1 \times \$4,000 = \$4,000$	$*2 \times \$4,000 = \$8,000$	0	$2 \times \$4,000 = \$8,000$
5. Total Credit for Monthly Average Increase of All New, “Full Time Equivalent” Jobs (Line 2 + Line 4)	\$8,000	\$20,000	\$24,000	0	\$8,000

Example 1 illustrates hiring 1 “full time equivalent” (*i.e.*, 2 half time jobs) paying in the “at or above” 120% threshold and hiring 1 “full time equivalent” (*i.e.*, 2 half time jobs) paying in the “below” 120% threshold qualifies the taxpayer only for the 50% credit amount for these 2 “full time equivalents” of half time jobs since the 2, new full time job minimum monthly average requirement for the tax year is not met in the “at or above” 120% wage threshold category.

Example 2 illustrates that the minimum monthly average 2 new, full time jobs requirement for the tax year is met in the “at or above” 120% wage threshold, thereby making these 2 new, full time equivalent of half time jobs eligible for the 100% credit amount. It further illustrates that the wage threshold for each job is looked at separately and the 1 full time equivalent of half time jobs in this example is eligible for the 50% credit amount since it is “below” the 120% wage threshold. (Note the rounding down to the whole number and the moving of any remaining fraction to the “below” 120% wage threshold.) The 0.5 job in the “at or above” 120% wage threshold is added to the number of jobs in the “below” 120% wage threshold, however it does not affect the monthly average since the 1 full time equivalent job in the “below” 120% category plus the 0.5 job moved down from the “at or above” 120% wage category is 1.5 and rounds down to 1 full time equivalent.

*Example 3 illustrates that in computing the monthly average increase, the 8 half time jobs are calculated as 4 “full time equivalent” jobs, after rounding. But first each half time job must be classified in the “at or above” 120% wage threshold or “below” 120% threshold, then any remaining fraction of a job is moved down to the monthly average computation for the “below” 120% wage threshold and rounded to the whole number (*i.e.*, the 0.5 job in the “at or above” 120% amount is added to the number of jobs in the “below” 120% wage threshold, thereby increasing the number of jobs in the monthly average computation for the “below” 120% category from 1.5 to 2 full time equivalent jobs.)

Example 4 illustrates that the 3 half time jobs do not qualify for the credit since the minimum monthly average requirement of 2 new, full time jobs for the tax year are not created.

Example 5 illustrates that the minimum 2 new, full time job monthly average requirement for the tax year is met in the “below” 120% wage threshold, thereby making these 2 new, full time equivalent jobs eligible for the 50% credit amount.

Note: Only rounding from the “at or above” 120% wage threshold may be moved to the “below” 120% wage threshold.

Question 21 – Calculation of Gross Wages of 120% County or State Average Per Capita Income for Full Time Jobs

Q. How is the 120% wage threshold calculated?

A. **Annual Small Business Job Tax Credit.** To determine if the 120% wage threshold is met, gross wages paid for each new job created in the tax year are annualized. For example, assume a new job created in X County in July 1, 2006 pays a gross wage of \$20,000 for the 6 month period July 1, 2006 through December 31, 2006. The annualized salary is \$40,000 (*i.e.*, $\$20,000 \div 6 \times 12$).

The threshold for each full time job is computed using the following formula:

$$\frac{\text{Gross wages}}{\text{Months worked in tax year}} \times 12 \text{ months}$$

For illustrative purposes, assume that the State average per capita income is \$28,212, and is below the average per capita income in X county based on the data available as of the end of 2006. Since the annualized salary of \$40,000 is \geq 120% of the State average per capita income of \$33,854 ($120\% \times \$28,212$), it meets the 120% wage threshold for the year. If eligible, it would qualify for the 100% credit amount.

Monthly Small Business Job Tax Credit. To determine if the 120% wage threshold is met, gross wages paid for the full month, when annualized, must meet the minimum requirement.

The threshold for each full time job paid for a full month is computed in one of the following manners:

Option 1: Convert the monthly gross wage amount to an annual amount and compare it to the appropriate 120% annual per capita income amount or

Option 2: Convert the appropriate 120% annual per capita income amount into a monthly per capita amount ($\text{per capita amount} \times 120\% \div 12 \text{ months}$) and compare it to the gross wage amount paid for the full month. This option is illustrated below.

For example, assume a new job in X County pays a gross wage of \$2,800 for a full month in November 2006, and \$3,000 for the full month of December 2006. For illustrative purposes assume that the State average per capita income is \$28,212, and it is below the average per capita income in X county based on the data available as of the end of 2006 – the per capita income amount for the month is \$2,821 ($\$28,212 \times 120\% \div 12$). Since the \$2,800 gross wage paid for the full month of November is less than \$2,821 (*i.e.*, the 120% wage threshold for the month), the new job does not meet the 120% wage threshold and if eligible, would qualify for the 50% credit amount (pro-rated) for November. However, since the \$3,000 gross wage paid for the full month of December is greater than \$2,821 (*i.e.*, the 120% threshold for the month), the new job meets the 120% wage threshold and if eligible, would qualify for the 100% credit amount (pro-rated) for December.

Question 22 – Calculation of Gross Wages of 120% County or State Average Per Capita Income for Half Time Jobs

Q. How is the 120% wage threshold for 2 half time jobs calculated?

A. **Annual Small Business Job Tax Credit.** To determine if the 120% wage threshold is met, the gross wages of each half time job is converted into a full time basis amount. (See Question 5 for qualifying half time jobs.) For example, one full time and two half time jobs are created by a calendar year taxpayer and maintained the following year. The threshold for each half time job is computed using the following formula:

$$\frac{\text{Gross wages}}{\text{Months worked in tax year}} \times 12 \text{ months} \times 40 \text{ hours per full time work week} \div \text{half time hours worked per week}$$

In this example, the wage computations for each half time job are:

Half time Job 1. This job is created on March 1, 2006 to work 20 hours per week at gross wages of \$25,000 for the 10 month period March 1, 2006 through December 31, 2006. The gross wages of this half time job is \$60,000 annualized on a full time basis (*i.e.*, \$25,000 ÷ 10 x 12 x 40 ÷ 20.) For illustrative purposes, assume that the State average per capita income is \$28,212, and is below the average per capita income in X county based on the data available as of the end of 2006. Since the annualized salary of \$60,000 is ≥ 120% of the State average per capita income of \$33,854 (120% x \$28,212), half time job 1 meets the 120% threshold. If eligible, it would qualify for the 100% credit amount.*

Half time Job 2. This job is created on June 1, 2006 to work 25 hours per week at gross wages of \$12,000 for the 7 month period June 1, 2006 through December 31, 2006. The gross wages of this half time job is \$32,914 annualized on a full time basis (*i.e.*, \$12,000 ÷ 7 x 12 x 40 ÷ 25.) Half time job 2 does not meet the 120% threshold of \$33,854 (see per capita assumption above). If eligible, it would qualify for the 50% credit amount.

*Note: Assuming the taxpayer created 1 full time job and 1 half time (0.5 full time equivalent) in the “at or above” 120% wage category, and 1 half time (0.5 full time equivalent) in the “below” 120% category, then the taxpayer would qualify for the 50% credit amount for the 2 new, full time jobs, since the minimum monthly average requirement of 2 new, full time jobs was not met in the “at or above” wage threshold.

Monthly Small Business Job Tax Credit. Same as above annual calculation, except the calculation must be made for each month. In this example, half time job 1 was given a raise in August and half time job 2 began work during the middle of June. The computations for each job are:

Half time Job 1.

	A. Gross Wages Paid for Full Month	B. Convert Gross Wages Paid to Full Time Basis Amount	C. Compare Column B. to 120% Per Capita Income Figure (see assumptions above)	D. Eligible Credit Amount*
January	\$0	\$0	\$2,821 = \$28,212 x 120% ÷ 12	\$0
February	\$0	\$0	\$2,821	\$0
March	\$2,400	\$4,800 (\$2,400 x 40 ÷ 20)	\$2,821	100% (Column B ≥ Column C)
April	\$2,400	\$4,800	\$2,821	100% credit
May	\$2,400	\$4,800	\$2,821	100% credit
June	\$2,400	\$4,800	\$2,821	100% credit
July	\$2,400	\$4,800	\$2,821	100% credit
August	\$2,600	\$5,200 (\$2,600 x 40 ÷ 20)	\$2,821	100% credit
September	\$2,600	\$5,200	\$2,821	100% credit
October	\$2,600	\$5,200	\$2,821	100% credit
November	\$2,600	\$5,200	\$2,821	100% credit
December	\$2,600	\$5,200	\$2,821	100% credit
Total	\$25,000			

Half time Job 2.

	A. Gross Wages Paid as Indicated	B. Convert Gross Wages Paid to Full Time Basis Amount	C. Compare Column B. to 120% Per Capita Income Figure (see assumptions above)	D. Eligible Credit Amount*
January	\$0		\$2,821 = \$28,212 x 120% ÷ 12	\$0
February	\$0		\$2,821	\$0
March	\$0		\$2,821	\$0
April	\$0		\$2,821	\$0
May	\$0		\$2,821	\$0
June	\$1,200 paid partial month	\$0	\$2,821	\$0 - Not eligible; not paid full month
July	\$1,700 paid full month	\$2,720 (1,700 x 40 ÷ 25)	\$2,821	50% (Column B < Column C)
August	\$1,700 paid full month	\$2,720	\$2,821	50%
September	\$1,700 paid full month	\$2,720	\$2,821	50%
October	\$1,700 paid full month	\$2,720	\$2,821	50%
November	\$2,000 paid full month	\$3,200 (\$2,000 x 40 ÷ 25)	\$2,821	100% (Column B ≥ Column C)
December	\$2,000 paid full month	\$3,200	\$2,821	100%
Total	\$12,000			

*Note: Assuming the taxpayer created 1 full time job and 1 half time (0.5 full time equivalent) in the “at or above” 120% wage category, and 1 half time (0.5 full time equivalent) in the “below” 120% category, then the taxpayer would qualify for the 50% credit amount for the 2 new, full time jobs, since the minimum requirement of 2 new, full time jobs for the tax year was not met in the “at or above” wage threshold.

*Reminder: For monthly small business job tax credit purposes, the 100% or 50% credit amount referred to in this example must be pro-rated on a monthly basis. See Question 16.

Question 23 – When to Compute 120% Threshold

Q. When is the Computation Made to Determine Whether Gross Wages Paid Meet the 120% Wage Threshold?

A. **Annual Small Business Job Tax Credit.** The computation to determine whether the gross wages paid for each job meets the 120% threshold is calculated at the end of each year.

Monthly Small Business Job Tax Credit. The computation to determine whether the gross wages paid for each job for a full month meets the 120% threshold is calculated each month.

H. PER CAPITA INCOME REQUIREMENTS

Question 24 - County Average Per Capita Income

Q. When are the County Average Per Capita Income Amounts Published?

A. The average per capita income for each county is received annually from the South Carolina Board of Economic Advisors, usually in May or June. Upon receipt, the Department publishes an Information Letter listing the most recent per capita income data for each county. This information can be obtained from the Department's website at www.sctax.org.

Question 25 - State Average Per Capita Income

Q. When are the State Average Per Capita Income Amounts Published?

A. The average per capita income for the State is received twice each year from the South Carolina Board of Economic Advisors, usually in May and October. Upon receipt, the Department publishes an Information Letter listing the most recent State per capita income data. This information can be obtained from the Department's website at www.sctax.org.

Question 26 – Per Capita Figures to Use in Computing 120% Threshold

Q. What annual figures should be used to determine the 120% threshold?

A. The most recent figures published by the Department as of the end of the taxpayer's tax year must be used. For example, a calendar year taxpayer eligible for the annual small business job tax credit in 2006 will use the county average per capita income published in the summer of 2006 and the State average per capita income published in the fall of 2006 to determine if the 120% threshold is met for each job created in its 2006 tax year. The appropriate figures published as of the summer and fall of the taxpayer's base year are used to determine if the 120% threshold is met for each job in its base year. For example, a taxpayer would use county average per capita income published in the summer of 2005 and State average per capita income published in the fall of 2005 to determine if the 120% threshold is met for each job, if its base year is 2005.

I. DETERMINING AND CLAIMING THE CREDIT

Question 27 – Years (Months) Credit is Claimed

- Q. When is the job tax credit in Code Sections 12-6-3360(C)(2) and 12-6-3362 available to a small business?
- A. The credit is available to qualifying small businesses in tax years which begin on or after January 1, 2006.

Annual Small Business Job Tax Credit. The credit is taken each year for 5 years, if the jobs are maintained each year. Year 1 is the year the jobs are created; the credit is not claimed in Year 1. The credit is claimed in Years 2 through 6 on the taxpayer's income tax return.

For example, a calendar year sole proprietor creating qualifying new jobs in 2006 (Year 1) generates a credit available for first use on the 2007 tax return (Year 2), and thereafter on the 2008 tax return (Year 3), the 2009 tax return (Year 4), the 2010 tax return (Year 5), and the 2011 tax return (Year 6). If the jobs are maintained, the credit is claimed on the qualifying taxpayer's tax return filed on or before April 15, 2008, 2009, 2010, 2011, and 2012.

Monthly Small Business Job Tax Credit. The credit is taken for not more than 60 consecutive months, beginning with the first full month wages are paid for the new full time jobs created.

For example, a calendar year sole proprietor creating qualifying new jobs in one or more months of 2006 (Year 1) generates a credit available for first use on the 2006 tax return (Year 1), and thereafter, if the taxpayer continues to meet the credit qualifications on a monthly basis during the 60 consecutive month period.

The following example illustrates the 60 consecutive month period for the jobs created in tax year 1 (e.g., 2006). It illustrates that 5 jobs are eligible for the monthly credit during certain months.

Months in Tax Year (e.g., 2006)	Adjusted Total Increase in Jobs	Number of Qualifying Jobs Eligible for Monthly Credit	60 Consecutive Month Periods for Jobs Indicated		
			Job	Start Time of Credit Period First Earned in Month Indicated	End Time of Credit Period
January	3	3	Jobs 1, 2, and 3	January 2006 *	December 2011
February	3	3			
March	3	3			
April	4	4	Job 4	April 2006	March 2012
May	1	0			
June	1	0			
July	1	0			
August	1	0			
September	1	0			
October	1	0			
November	1	0			
December	5	5**	Job 5	December 2006	November 2012

* The 60 consecutive month period for jobs 1, 2, and 3 continues to run each month even though no jobs are eligible for the credit in May – November.

**These 5 jobs represent jobs 1 – 4 and 1 new job. The 60 consecutive month period continues to run for jobs 1 – 4 from their respective start times.

Question 28 – Credit Form to File

Q. What form is used by a small business to compute and claim the job tax credit?

A. **Annual Small Business Job Tax Credit.** South Carolina Form TC-4SB is used. This form is currently being designed and will be available on the Department’s website at www.sctax.org.

Monthly Small Business Job Tax Credit. South Carolina Form TC-4SM is used. This form is currently being designed and will be available on the Department’s website at www.sctax.org.

Traditional Annual Job Tax Credit. The existing Form TC-4 will continue to be used only by taxpayers creating 10 new jobs under Code Section 12-6-3360(C)(1).

Note: Computer designed forms or spreadsheets are acceptable in lieu of Form TC-4, TC-4SB, or TC-4SM, providing all information on the applicable credit form is reflected on the substitute form. The form is attached to the taxpayer’s tax return. Once a credit period begins, the annual or monthly method in which the credit is claimed must be used for the entire credit period.

Question 29 – Claiming Credit When \$0 Tax Liability

- Q. If a taxpayer has a loss or no South Carolina taxable income for the year, should the credit be computed and a South Carolina return filed?
- A. Yes, the taxpayer is required to file an income tax return even if there is no South Carolina tax liability. Form TC-4SB or Form TC-4SM should be completed and attached to each year's tax return, even if there is no South Carolina taxable income. This allows the taxpayer to claim the credit and establish a credit carryforward.

Question 30 – Income Tax Limitations of Credit

- Q. How much of the credit may be claimed per year?
- A. The job tax credit taken in one tax year may not exceed 50% of the taxpayer's income tax, insurance premium tax, or bank tax liability.

The credit generated by a pass through entity is limited to 50% of the partner's, shareholder's, or member's income tax liability or married couple's income tax liability. An S corporation must first use the credit against its own income tax liability, if any, before passing the credit through to its shareholders. The amount of credit allowed a shareholder, partner, or member of a limited liability company is equal to the shareholder's percentage of stock ownership, partner's interest in the partnership, or member's interest in the limited liability company for the taxable year multiplied by the amount of the credit the entity would have been entitled to if it was taxed as a corporation. Once the credit is passed through by the entity generating it, the credit may not later be used by the entity.

J. COMPUTING THE CREDIT AND CARRYFORWARDS

Question 31 – Determining the Number of New Jobs

Q. How is the number of new, full time jobs determined?

- A. **Annual Small Business Job Tax Credit.** The number of new and additional new, full time jobs is determined by comparing the monthly average number of full time employees subject to South Carolina income tax withholding in the applicable county for the taxable year with the monthly average for the prior taxable year. The computation must be made for employees paid gross wages in: (1) the “at or above” 120% threshold and (2) the “below” 120% threshold, and combined, as applicable.

The months to reflect on Form TC-4SB are the months of the business’ tax year. Further, an appropriate and justifiable day in the month to determine the monthly number of new, full time employees, such as the last day of each month, must be used. Once a day of the month is chosen, it must be used for all future months and years. Once the job tax credit is claimed using the annual computation method in Code Section 12-6-3360(C)(2), the taxpayer must continue to use this method for the entire credit period.

Monthly Small Business Job Tax Credit. This method requires a “tax year” computation to determine if there is a monthly average increase of 2 or more for the tax year. It also requires a computation “each month” to determine if there is an increase of 2 or more jobs for each month. Both requirements must be met for the taxpayer to be eligible for the 100% credit (pro-rated). Each requirement is described below.

- 1. Tax Year Computation.** This computation calculates the monthly average increase of new, full time jobs for the tax year paid for a full month by comparing the monthly average number of full time employees paid for a full month in the applicable county for the taxable year with the monthly average of full time employees paid for a full month for the base year. See Question 10. This computation is made separately for employees paid gross wages in the “at or above” 120% threshold and for employees paid gross wages in the “below” 120% threshold. If there is not a combined total monthly average increase of 2 or more new, full time jobs for the tax year then the taxpayer does not qualify for the credit. See Examples F and G, Step 1.
- 2. Each Month Computation.** This computation calculates if there is an adjusted total increase of 2 or more jobs for each new, full time job paid for a full month by comparing the adjusted number of qualifying jobs paid for a full month with the qualifying jobs paid for a full month in the base year (*i.e.*, January of the qualifying year is compared to January of the base year, and so on for each calendar month in the tax year). This computation is made separately for employees paid gross wages in the “at or above” 120% threshold and for employees paid gross wages in the “below” 120% threshold to determine the number of qualifying jobs eligible for the monthly credit. Then any applicable job adjustments are made. See Question 11, and Examples F and G, Step 2.

The months to reflect on Form TC-4SM are the months of the business’ tax year. Further, the days of the calendar month are used to determine the monthly number of new, full time employees. Once the election to use the monthly computation in Code Section 12-6-3362 is made, the taxpayer must continue to use this method for the entire credit period.

Question 32 – Credit for Additional New Jobs

Q. Are additional jobs created during the 5 year (or 60 consecutive month) credit period also eligible for the credit?

A. **Annual Small Business Job Tax Credit.** The credit is adjusted for job increases or job decreases and is allowed for the job level maintained in the taxable year that the credit is claimed. A business may take credit for additional new, full time jobs added and maintained during the 5 year credit period (Years 2 – 6), even if only 1 additional job is added. This additional credit would be claimed for 5 years beginning in the year following the year in which the qualifying additional new, full time jobs are created. For example, the credit for a qualifying job increase in Year 2 is claimed in Years 3 – 7, credit for a qualifying job increase in Year 3 is claimed in Years 4 – 8, etc, providing the jobs are maintained. The credit amount for any number of additional new, full time jobs created is generally based on the county designation for the year the additional new, full time jobs are created. See SC Revenue Ruling #99-5 - Question 27.

Monthly Small Business Job Tax Credit. The credit is allowed for the number of jobs in the current year in excess of the base year, with certain adjustments. One complexity of this method is determining the 60 consecutive month period of the credit. The credit is claimed for 60 consecutive months beginning in the first full month wages are paid for the qualifying new, full time job. A 60 consecutive month period begins each month additional qualifying jobs are created for a full month during the credit period. For example, a 2 job increase in May 2006 begins the 60 month period for the 2 jobs from May 2006 to April 2011. An additional 1 job qualifying increase in September 2006 begins the 60 month period for the additional job from September 2006 to August 2011.

Question 33 – Credit Reduced if Employment Falls

Q. How is the credit adjusted for job decreases?

A. **Annual Small Business Job Tax Credit.** No credit is allowed for the year or any subsequent year in which the employment falls below the minimum level. If the job level for which a credit was claimed decreases, the 5 year period for eligibility for the credit continues to run. A decrease of jobs that does not fall below the minimum required will result in the credit being allowed in Years 2 through 6 for those jobs that are maintained.

Monthly Small Business Job Tax Credit. No credit is allowed for any month in which the new employment increase falls below the minimum level. If the job level falls below the minimum required, the 60 consecutive month period for eligibility for the credit continues to run.

Question 34 – Carryforward Period

Q. What is the carryforward period?

A. Any unused credit previously claimed but unused can be carried forward 15 years from the taxable year in which it is earned.

Example D – Credit Calculation for Year 1 and Year 2 - Annual Job Tax Credit – Code Section 12-6-3360(C)(2)

This example is provided to illustrate the basic concepts of computing the annual job tax credit for Year 1 and Year 2 for a small business in a developed county that creates full time and half time jobs in the “at or above” 120% threshold and full time and half time jobs in the “below” 120% threshold. This example assumes that all jobs are maintained. The credit computation is simplified for illustration purposes and is done in 3 steps. **Note: For simplicity, it does not illustrate concepts such as the “combined” total monthly average increase or decrease in jobs for both wage categories, the treatment of decreases in jobs in one pay threshold, the concept of job adjustments discussed in Question 11, etc. Other steps not illustrated may be required depending on the specific facts of a taxpayer.**

Step 1 – Determine the number of full time and full time equivalent of half time employees paid gross wages in the “at or above” 120% wage threshold for each month during the tax year.

- Compute the monthly average increase for the employees paid gross wages in the “at or above” 120% threshold, using rounding methods discussed in Question 8 (*i.e.*, fractions of jobs remaining in the “at or above” 120% wage threshold category due to rounding down to the nearest whole number are moved down to the monthly average computation for the “below” 120% threshold.)
- Determine the credit amount for employees eligible for the 100% credit amount.

Step 2 – Determine the number of full time and full time equivalent of half time employees paid gross wages in the “below” 120% threshold for each month during the tax year.

- Compute the monthly average increase for the employees paid gross wages in the “below” 120% threshold, using rounding methods discussed in Question 8. If applicable, include any fractions of jobs remaining from the “at or above” 120% threshold amount moved to the monthly average increase of jobs created in the “below” 120% category due to rounding fractions of jobs from Step 1.
- Determine the credit amount for employees eligible for the 50% credit amount.

Step 3 – Compute the total eligible amount of the job tax credit for the year.

*Base Year (see following two pages.) In order to properly determine the monthly average increase in a wage category, a taxpayer who has jobs in the “base year” must categorize each job in the “at or above” 120% wage threshold or in the “below” 120% wage threshold in Steps 1 and 2 below. This is done using the State and county average per capita income figures published as of the end of the taxpayer’s “base year” (*i.e.*, 2005 in this example.) For simplicity, this example does not illustrate this principle.

Example D - Step 1 – Computation of full time and half time jobs paying gross wages “at or above” the 120% threshold.

Months of Tax Year (e.g., 2006)	Base Year* (e.g., 2005)	Total Full Time Jobs in Year 1	Total “Full Time Equivalents” of Half Time Jobs in Year 1	Year 1 Total Jobs	Year 2 Total Jobs
January	0	0	1.5	1.5	8
February	0	6	1.5	7.5	8
March	0	6	1.5	7.5	8
April	0	6	2	8	8
May	0	6	2	8	8
June	0	6	2	8	8
July	0	6	2	8	8
August	0	6	2	8	8
September	0	6	2	8	8
October	0	6	2	8	8
November	0	6	2	8	8
December	0	6	2	8	8
Cumulative Total of Full Time Jobs \geq 120% for Each Month		66	22.5	88.5	96
Divided by Months in Operation				12	12
Monthly Average of New Jobs \geq 120%				7.375	8
Less: Previous Year Monthly Average				0	7
Monthly Average Increase – Rounded Down to Whole Number (Fraction moves down to Step 2)				7	1
Developed County Credit Amount				\$1,500	\$1,500
100% Credit Amount				\$10,500 (7 x \$1,500) Claimed in Years 2 – 6 if jobs are maintained	\$1,500 (1 x \$1,500) Claimed in Years 3 – 7 if job is maintained

Example D - Step 2 – Computation of full time and half time jobs paying gross wages “below” the 120% threshold.

Months of Tax Year (e.g., 2006)	Base Year* (e.g., 2005)	Total Full Time Jobs in Year 1	Total “Full Time Equivalents” of Half Time Jobs in Year 1	Year 1 Total Jobs	Year 2 Total Jobs
January	0	0	0	0	4.5
February	0	0	0	0	4.5
March	0	0	1.5	1.5	4.5
April	0	0	1.5	1.5	4.5
May	0	0	1.5	1.5	4.5
June	0	2	1.5	3.5	4.5
July	0	2	1.5	3.5	4.5
August	0	3	1.5	4.5	4.5
September	0	3	1.5	4.5	4.5
October	0	3	1.5	4.5	4.5
November	0	3	1.5	4.5	4.5
December	0	3	1.5	4.5	4.5
Cumulative Total of Full Time Jobs < 120% for Each Month		19	15	34	54
Divided by Months in Operation				12	12
Monthly Average of New Jobs < 120%				2.833	4.5
Rounded Fraction from Step 1, if applicable				0.375	N/A
Less: Previous Year Monthly Average				0	3
Monthly Average Increase – Rounded Down to Whole Number				3 (2.833 + .375 = 3.208)	1 (i.e., 1.5 rounded down)
Developed County Credit Amount				\$750	\$750
50% Credit Amount				\$2,250 (3 x \$750) Claimed in Years 2 – 6 if jobs are maintained	\$750 (1 x \$750) Claimed in Year 3 – 7 if job is maintained

Example D - Step 3 – Computation of Total Credit for All New Jobs Created in Year 1 and 2

	Claimed in Year 2	Claimed in Year 3
Step 1 – 100% Credit	\$10,500	\$12,000 (\$10,500 + \$1,500)
Step 2 – 50% Credit	\$ 2,250	\$ 3,000 (\$2,250 + \$750)
Total Job Tax Credit	\$12,750	\$15,000

Example E – Calculation of Credit for 5 Year Credit Period For New Jobs Created in 2006 ALL With Gross Wages \geq 120% Threshold Annual Job Tax Credit – Code Section 12-6-3360(C)(2)

This example is provided below to explain the annual job tax credit calculation for the entire 5 year credit period (*i.e.*, Years 2 through 6 – 2007 - 2011.) This is a simple example; it assumes that the corporate taxpayer is a retail facility with one store in a distressed county, has a calendar year, initially staffed the new facility May 1, 2006, and hired all full time employees at gross wages over the 120% threshold.

STEP 1: COMPUTATION OF AVERAGE INCREASE IN FULL TIME EMPLOYEES OF EMPLOYEES PAID GROSS WAGES \geq 120% THRESHOLD							
	Base Year (2005)	Year 1 (2006)	Year 2 (2007)	Year 3 (2008)	Year 4 (2009)	Year 5 (2010)	Year 6 (2011)
1. Cumulative Total of Full Time Employees in Each County for Each Month. (<i>e.g.</i> , See Taxpayer 2 in Example A1)	0	29	60	60	58	72	74
2. Divided by Number of Months in Operation	0	8	12	12	12	12	12
3. Monthly Average of Full Time Employees (rounded down to whole number)	0	3	5	5	4	6	6
4. Less: Previous Year Monthly Average		0	3	5	5	4	6
5. Average Increase in Full Time Employees (Line 3 minus Line 4)		3	2*	0	(1)*	2	0

STEP 2: COMPUTATION OF EMPLOYEES ELIGIBLE FOR CREDIT WITH GROSS WAGES \geq 120% THRESHOLD					
	Year 2	Year 3	Year 4	Year 5	Year 6
Year 1 Increase	3	3	3	3	3
Year 2 Increase		2	1*	1	1
Year 3 Increase			0	0	0
Year 4 Increase				0	0
Year 5 Increase					2
Number of New Jobs	3	5	4	4	6

***Note:** The Year 2 increase of 2 jobs (see Step 1) is reduced by the 1 job since the 2 job increase in Year 2 is not maintained. See Step 2, Year 2 Increase, Year 4.

STEP 3: COMPUTATION OF ELIGIBLE CREDIT AMOUNT FOR NEW JOBS CREATED WITH GROSS WAGES ≥ 120% THRESHOLD					
	Year 2 (2007)	Year 3 (2008)	Year 4 (2009)	Year 5 (2010)	Year 6 (2011)
Number of New Jobs – at or above 120% threshold	3	5	4	4	6
Credit Amount for a Distressed County where the employer pays all new employees greater than 120% of the county or State average per capita income for all years	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Job Tax Credit (Line 1 x Line 2) (Limited to 50% of tax liability)	\$24,000	\$40,000	\$32,000	\$32,000	\$48,000

NOTE: This example only shows the entire credit period for the initial 3 jobs created in 2006. The credit is first claimed in the year following the creation of the new jobs; it is not claimed in the year the new jobs are created. For example, qualifying new jobs created in this example in the 2006 tax year generate a credit available for first use on the 2007 tax return, filed March 15, 2008, providing the jobs are maintained. An additional credit is created for the job increase in 2007; it is claimed on the 2008 through 2012 tax returns for the jobs maintained.

Example F – Credit Calculation for Qualifying Months in Year 1 Monthly Job Tax Credit – Code Section 12-6-3362 (Uses Same Number of Jobs as Shown in Example D for Annual Credit)

This example is provided to illustrate the basic principles used in computing the monthly job tax credit for Year 1 for a small business in a developed county that creates full time and half time jobs in the “at or above” 120% threshold and full time and half time jobs in the “below” 120% threshold. It assumes that all jobs are paid for a full month. To compare the “monthly” and “annual” small business job tax credit, this example uses the same number of jobs shown in Example D illustrating the “annual” credit computation. The “monthly” credit computation is calculated in 4 steps as illustrated below.

General Instructions. These instructions explain the numerical computations illustrated in Example F on the following pages. They are intended to be read in conjunction with the example.

■ **STEP 1 – For the Tax Year. Calculate the monthly average increase in new, full time jobs for the tax year. Complete the applicable steps based on the wage thresholds paid.**

Step 1A – Applies to Small Businesses with Gross Wages Paid in the “At or Above” 120% Wage Threshold for the Full Month.

Column A. List the months in the tax year (*e.g.*, January – December for a calendar year taxpayer.)

Column B. List the cumulative total of full time jobs paid for the full month (*i.e.*, total jobs in January paid for the full month, total jobs in February paid for the full month, etc.)

Column C. List the cumulative total of full time equivalent of half time jobs paid for the full month (*i.e.*, total full time equivalent of half time jobs in January paid for the full month, total full time equivalent of half time jobs in February paid for the full month, etc.) A half time job is a job requiring at least 20 hours a week for a year. In this example, 3 half time jobs in January are listed as 1.5 “full time equivalent” jobs, and 4 half time jobs in April are listed as 2 “full time equivalent” jobs.

Column D. Add Columns B and C to determine the cumulative total of full time jobs in the tax year paid in the $\geq 120\%$ wage threshold. Divide the cumulative total by the number of months the taxpayer is in operation for the year (12 months in this example). The result is the monthly average of jobs in the $\geq 120\%$ wage threshold for the tax year.

Column E. The “base year” is the year preceding the first year a taxpayer creates the number of jobs necessary to qualify for the job tax credit; the base year may or may not be the first year of operation of the facility. In this example, the base year is 2005 and is 0 for all months since the company was not in operation in 2005. Since the base year is 0 in this example, the base year amounts for the full time and full time equivalent of half time jobs have been combined into one

column for simplicity. The “base year” amount does not change for the entire credit period. In this example, 2005 is the “base year” for all years of the credit period.

Column F. Determine the total increase in jobs in the current tax year (2006 in this example.) This is determined by subtracting the total base year jobs from the total jobs in the tax year. The cumulative total is divided by the months in operation and the result is the monthly average increase for the tax year rounded down to a whole number, if necessary. In this example, the monthly average of 7.375 is rounded down to 7; the resulting .375 fraction is moved down to the existing < 120% wage threshold and added to the monthly average in the < 120% wage threshold before rounding down.

Step 1B - Applies to Small Businesses with Gross Wages Paid in the “Below” 120% Wage Threshold for the Full Month.

Columns A – E. See explanations in Step 1A above.

Column F. See Column F explanation in Step 1A above. Note, however, that the fraction moved down from Step 1A, Column F is added to the monthly average increase of new jobs in the < 120% wage threshold. In this example, the .375 fraction from Step 1A, Column F is added to the 2.83 monthly average amount in the < 120% wage threshold; the result is a monthly average increase for the tax year of 3.208 or 3 (rounded down.) **Note:** Any fraction remaining in the “below” threshold cannot be moved up to the “at or above” 120% wage threshold.

Step 1C – Applies to Small Businesses Paying Wages in Either Wage Threshold.

Determine if the required monthly average increase for the tax year is met. In order to qualify for the small business job tax credit, the taxpayer must have a combined total monthly average increase for the tax year from Steps 1A and 1B of 2 or more new, full time jobs. In order to qualify for the 100% credit amount, the taxpayer must have a minimum monthly average of 2 or more jobs in this wage category for the tax year. If the required monthly average increase for the tax year is met, then complete Step 2 to determine the number of qualifying jobs for each month.

■ **STEP 2 – For Each Month.** Calculate the number of qualifying jobs eligible for the credit for each month in the tax year.

Step 2A – Applies to Small Businesses with Gross Wages Paid in the “At or Above” 120% Wage Threshold for the Full Month.

Column A. This is the amount from Step 1A, Column F.

Column B. See Question 11 for a discussion of job adjustments required to determine the number of qualifying jobs eligible for the monthly small business job tax credit. Enter all required adjustments. In this example, since the January increase in the $\geq 120\%$ wage category is not 2 or more, the entire amount [1.5] is moved down to the < 120% wage category and added to its January job amount, if any, for possible eligibility for the 50% credit amount. However, since the February increase in the $\geq 120\%$ wage category is 2 or more, only the fractional job [0.5] is moved down to the < 120% wage category and added to its February job amount for possible

eligibility for the 50% credit amount. As a result, 7 jobs are eligible for the 100% credit amount in February (pro-rated).

Column C. Subtract Columns A and B to get the adjusted total increase in jobs (rounded) qualifying for the credit each month.

Columns D and E. These columns illustrate that the adjusted total increase in jobs for the month in the $\geq 120\%$ wage category must be 2 or more to qualify for the 100% credit amount. See January where the total is not 2. The amount in Column E is the number of jobs qualifying for the 100% credit amount (pro-rated) each month.

Step 2B - Applies to Small Businesses with Gross Wages Paid in the “Below” 120% Wage Threshold for the Full Month.

Column A. This is the amount from Step 1B, Column F.

Column B. See Question 11 for a discussion of job adjustments required to determine the number of qualifying jobs eligible for the monthly small business job tax credit. Enter all required adjustments. In this example, since the January increase in the $\geq 120\%$ wage category is not 2 or more, the entire amount [1.5] is moved down to the $< 120\%$ wage category and added to its January job amount, if any, for possible eligibility for the 50% credit amount. In this example, since the adjusted total increase of jobs is not 2 or more, the 1.5 jobs moved down do not qualify for the 50% credit for January. Likewise, the fractional job [0.5] moved down and added to the February job increase in the $< 120\%$ wage category amount does not qualify for the 50% credit amount. However, the fractional job [0.5] moved down in March does qualify for the 50% credit amount in March since the increase for March in the $< 120\%$ wage category is 2 or more.

Column C. Add Columns A and B. This column results in the adjusted total increase of jobs. This result in this column must then be rounded down to the nearest whole number.

Columns D and E. For each month, look at the adjusted total increase in jobs, after rounding, in Column C to determine if there is an increase of 2 or more for each month in the $< 120\%$ wage category. If “yes,” then enter the rounded number from Column C in Column E.

Caution: Once a taxpayer meets the job tax credit requirements for the tax year and if the taxpayer has an adjusted total increase of 2 or more jobs in the $\geq 120\%$ wage category for the month, then an additional job of 1 created in the $< 120\%$ wage category for the month is looked at separately and is eligible for the 50% credit amount. See April and May in this example where the 1 job increase qualifies for the 50% credit.

Column E. This is the number of jobs qualifying for the 50% credit amount (pro-rated) each month.

■ **STEP 3 – For Each Month.** Calculate the “tentative” monthly job tax credit for the tax year.

Step 3A – Applies to Small Businesses with Gross Wages Paid in the “At or Above” 120% Wage Threshold for the Full Month.

Column A. Amount from Step 2A, Column E.

Column B. Enter appropriate 100% credit amount based on county ranking. See Question 16. Add the full amount of any “additional” credit, if applicable. See Question 17.

Column C. The credit amount in Column B is pro-rated on a monthly basis at 8.33%.

Column D. Multiply Columns A, B, and C for each month. The sum of all months is the total “tentative” monthly credit amount in the $\geq 120\%$ wage threshold.

Step 3B – Applies to Small Businesses with Gross Wages Paid in the “Below” 120% Wage Threshold for the Full Month.

Column A. Amount from Step 2B, Column E.

Column B. Enter appropriate 50% credit amount based on county ranking. See Question 16. Add the full amount (not 50%) of any “additional” credit, if applicable. See Question 17.

Column C. The credit amount in Column B is pro-rated on a monthly basis at 8.33%.

Column D. Multiply Columns A, B, and C for each month. The sum of all months is the total “tentative” monthly credit amount in the $< 120\%$ wage threshold.

■ **STEP 4 – For the Tax Year.** Applies to Small Businesses Paying Wages in Either Wage Threshold.

Step 4A – Compute the “maximum applicable annual credit.” This is the maximum applicable credit amount determined on an “annual” basis under Code Section 12-6-3360(C)(2). The amount of the credit claimed under the alternative monthly method in Code Section 12-6-3362 cannot exceed the “maximum applicable annual credit” determined in this Step 4A. This is determined from Step 1C and multiplying the combined total monthly average increase (decrease) in the appropriate wage threshold by the applicable credit amount.

Step 4B – Compute the total “tentative” monthly credit amount determined under Code Section 12-6-3362. Total of amounts from Steps 3A and 3B.

Step 4C – Determine the ‘actual’ job tax credit amount to claim on Form SC TC-4SM. This amount is the lesser of Step 4A or Step 4B. **Note:** The job tax credit taken in one tax year may not exceed 50% of the taxpayer’s tax liability. (See Questions 18 and 30 for more information on how much of the credit may be claimed each tax year.)

Example F - Step 1 – Calculate the monthly average increase in new, full time jobs for the tax year.

Step 1A – Monthly Average Calculation for Employees Paid Gross Wages ≥ 120% Threshold for the Full Month, if applicable					
A. Months of Tax Year (e.g., 2006)	B. Total Full Time Jobs in Tax Year Paid for the Full Month	C. Total “Full Time Equivalent” of Half Time Jobs in Tax Year Paid for the Full Month	D. Total Jobs in Tax Year (Column B+C)	E. Base Year (i.e., 2005)*	F. Total Increase in Jobs in Tax Year ≥ 120% (Column D-E)
January	0	1.5	1.5	0	1.5
February	6	1.5	7.5	0	7.5
March	6	1.5	7.5	0	7.5
April	6	2	8	0	8
May	6	2	8	0	8
June	6	2	8	0	8
July	6	2	8	0	8
August	6	2	8	0	8
September	6	2	8	0	8
October	6	2	8	0	8
November	6	2	8	0	8
December	6	2	8	0	8
Cumulative Total of Full Time Jobs ≥ 120% Paid for Each Full Month	66	22.5	88.5	0	88.5
Divided by Months in Operation			12	0	12
Monthly Average of New Jobs ≥ 120% (Column F)			7.375	0	7.375 (.375 fraction moves to Step 1B)
Monthly Average Increase for the Tax Year (Rounded Down to Whole Number) – Enter result in Step 1C					7

Step 1B – Monthly Average Calculation for Employees Paid Gross Wages < 120% Threshold for the Full Month, if applicable					
A. Months of Tax Year (e.g., 2006)	B. Total Full Time Jobs in Tax Year Paid for the Full Month	C. Total “Full Time Equivalent” of Half Time Jobs in Tax Year Paid for the Full Month	D. Total Jobs in Tax Year (Column B+C)	E. Base Year (i.e., 2005)*	F. Total Increase in Jobs in Tax Year < 120% (Column D-E)
January	0	0	0	0	0
February	0	0	0	0	0
March	0	1.5	1.5	0	1.5
April	0	1.5	1.5	0	1.5
May	0	1.5	1.5	0	1.5
June	2	1.5	3.5	0	3.5
July	2	1.5	3.5	0	3.5
August	3	1.5	4.5	0	4.5
September	3	1.5	4.5	0	4.5
October	3	1.5	4.5	0	4.5
November	3	1.5	4.5	0	4.5
December	3	1.5	4.5	0	4.5
Cumulative Total of Full Time Jobs <120% Paid for Each Full Month	19	15	34	0	34
Divided by Months in Operation			12	0	12
Monthly Average of New Jobs <120% + Rounded Fraction from Step 1A, if applicable (Column F)			2.83	0	2.83 + .375 (fraction from Step 1A) = 3.208
Monthly Average Increase for the Tax Year (Rounded Down to Whole Number) Enter result in Step 1C					3

Step 1C – Combined Total Monthly Average Increase (or Decrease) in New Jobs for the Tax Year	
Step 1A ≥ 120% monthly average increase (or decrease)	7 (Must have 2 or more in this wage category to qualify for the 100% credit.)
Step 1B <120% monthly average increase (add increases; subtract decreases)	3
COMBINED TOTAL Monthly Average Increase	10 (Must be 2 or more to qualify for the job tax credit. If 2 or more then complete Step 2.)

*“Base Year” amounts will not change for the entire credit period.

Example F - Step 2 – Calculate the number of qualifying jobs eligible for the credit for each month in the tax year.

Step 2A – Calculation of Eligible Jobs Paid Gross Wages ≥ 120% Threshold for the Full Month, if applicable					
Months of Tax Year (e.g., 2006)	A. Total Increase (Decrease) in Jobs in Tax Year Paid for Full Month (≥120% Wage Category) From Step 1A, Column F	B. Job Adjustment, if applicable. (See Column A)	C. Adjusted Total Increase in Jobs Column A – B (The result is a whole number)	D. Is Column C monthly increase ≥ 2 for the month?	E. Number of Qualifying Jobs Eligible for Monthly Credit (If the month in Column D is No, enter 0)
January	1.5	1.5 - amount < 2 so 1.5 moved down to < 120%	0 (i.e., 1.5 - 1.5)	No	0
February	7.5	0.5 fraction moved down to <120%	7 (i.e., 7.5 - 0.5)	Yes	7
March	7.5	0.5 see Feb. above	7 see Feb. above	Yes	7
April	8	n/a	8	Yes	8
May	8	n/a	8	Yes	8
June	8	n/a	8	Yes	8
July	8	n/a	8	Yes	8
August	8	n/a	8	Yes	8
September	8	n/a	8	Yes	8
October	8	n/a	8	Yes	8
November	8	n/a	8	Yes	8
December	8	n/a	8	Yes	8

Step 2B – Calculation of Eligible Jobs Paid Gross Wages < 120% Threshold for the Full Month, if applicable					
Months of Tax Year (e.g., 2006)	A. Total Increase (Decrease) in Jobs in Tax Year Paid for Full Month (<120% Wage Category) From Step 1B, Column F	B. Fractional Jobs, if applicable Enter all adjustments moved from other wage category	C. Adjusted Total Increase in Jobs Column A+B, then round down to whole number	D. Is Column C monthly increase ≥ 2 for the month? (See Note 1 for an exception if taxpayer qualifies for credit in ≥ 120% wage category)	E. Number of Qualifying Jobs Eligible for Monthly Credit (If the month in Column D is No, enter 0)
January	0	1.5	1.5= 1 (rounded)	No	0 Do not qualify for credit; increase in both wage thresholds < 2
February	0	0.5	0.5=0 (rounded)	No	0
March	1.5	0.5	2	Yes	2
April	1.5	n/a	1.5=1 (rounded)	Yes* Exception	1 Exception*
May	1.5	n/a	1.5=1 (rounded)	Yes* Exception	1 Exception*
June	3.5	n/a	3	Yes	3
July	3.5	n/a	3	Yes	3
August	4.5	n/a	4	Yes	4
September	4.5	n/a	4	Yes	4
October	4.5	n/a	4	Yes	4
November	4.5	n/a	4	Yes	4
December	4.5	n/a	4	Yes	4

***Note 1: Step 2B, Column D Exception.** Since the taxpayer meets the job tax credit requirements in Step 1C (i.e., combined monthly average increase for the tax year ≥ 2) and has an increase of 2 or more jobs in the ≥ 120% wage category for the month (see April and May), then the 1 additional job created in the < 120% wage category for the month is looked at separately, and is eligible for the 50% credit amount. As a result, in this example, the 1 job increase in April and May in the < 120% wage category qualifies for the credit.

Example F - Step 3 – Calculate the “tentative” monthly job tax credit for the tax year.

Step 3A – Calculation of Tentative Credit for Jobs Paid Gross Wages ≥ 120% Threshold for the Full Month, if applicable				
Months of Tax Year (e.g., 2006)	A. Number of Qualifying Jobs Eligible for Monthly Credit From Step 2A, Column E	B. 100% Credit Amount Per County Ranking (Including any applicable additional credit amounts)	C. Monthly %	D. “Tentative” Monthly Credit Amount ≥ 120% Wage Threshold
January	0	\$1,500	8.33%	\$0
February	7	\$1,500	8.33%	\$875
March	7	\$1,500	8.33%	\$875
April	8	\$1,500	8.33%	\$1,000
May	8	\$1,500	8.33%	\$1,000
June	8	\$1,500	8.33%	\$1,000
July	8	\$1,500	8.33%	\$1,000
August	8	\$1,500	8.33%	\$1,000
September	8	\$1,500	8.33%	\$1,000
October	8	\$1,500	8.33%	\$1,000
November	8	\$1,500	8.33%	\$1,000
December	8	\$1,500	8.33%	\$1,000
TOTAL				\$10,750

Step 3B – Calculation of Tentative Credit for Jobs Paid Gross Wages < 120% Threshold for the Full Month, if applicable				
Months of Tax Year (e.g., 2006)	A. Number of Qualifying Jobs Eligible for Monthly Credit From Step 2B, Column E	B. 50% Credit Amount Per County Ranking (Including any applicable additional credit amounts)	C. Monthly %	D. “Tentative” Monthly Credit Amount < 120% Wage Threshold
January	0 average < 2	\$750	8.33%	\$0
February	0 average < 2	\$750	8.33%	\$0
March	2	\$750	8.33%	\$125
April	1	\$750	8.33%	\$62
May	1	\$750	8.33%	\$62
June	3	\$750	8.33%	\$187
July	3	\$750	8.33%	\$187
August	4	\$750	8.33%	\$250
September	4	\$750	8.33%	\$250
October	4	\$750	8.33%	\$250
November	4	\$750	8.33%	\$250
December	4	\$750	8.33%	\$250
TOTAL				\$1,873

Example F - Step 4 - Calculate the “maximum applicable annual credit” to determine the “actual” job tax credit amount.

Step 4A. Maximum Applicable Annual Credit* – From Step 1C		
Total Monthly Average Increase for Tax Year		
7	\$1,500	\$10,500
3	\$750	\$ 2,250
Maximum Applicable Credit		\$12,750

Step 4B. Tentative Monthly Credit – From Step 3 (limited to maximum applicable credit)	
≥ 120% wage threshold	\$10,750
< 120% wage threshold	\$ 1,873
Total Tentative Monthly Credit	\$12,623

Step 4C. Actual Job Tax Credit Amount Claimed on Form SC TC-4SM	
Lesser of Step 4A or 4B	\$12,623

*The maximum applicable annual credit is the credit amount determined on an “annual” basis under Code Section 12-6-3360(C)(2); the amount of credit claimed under the alternative monthly method in Code Section 12-6-3362 cannot exceed the “maximum applicable annual credit.”

Example G – Credit Calculation for Qualifying Months in Year 1 Monthly Job Tax Credit – Illustrates Base Year > 0 and Job Decrease in a Wage Category for the Year - Code Section 12-6-3362

This example is provided below to explain the monthly job tax credit calculation for Year 1 of the credit period when there is a monthly average decrease in jobs for the tax year in one wage threshold and a monthly average increase in jobs for the tax year in the other wage threshold. This is a simple example; it assumes that the corporate taxpayer is a retail facility with one store in a distressed county, has a calendar year, initially staffed the new facility in January 1, 2005, and paid all full time employees at gross wages over the 120% threshold each month for the full month.

General Instructions. These instructions explain the numerical computations illustrated in Example G on the following pages. They are intended to be read in conjunction with the example.

■ **STEP 1 – For the Tax Year. Calculate the monthly average increase in new, full time jobs for the tax year. Complete the applicable steps based on the wage thresholds paid.** See explanation in Example F for Steps 1A, 1B, and 1C, except as otherwise noted below.

Column F. A taxpayer who has a base year other than 0 may need to determine the base year amount for the full time jobs and the base year amount for the “full time equivalent” of half time jobs separately. In this example, for simplicity, the base year is assumed to be 8 for all months in both wage categories. Reminder: Only include those jobs paid for a full month in the base year monthly amounts.

Step 1C. Since the monthly average decrease of 3 jobs in the “at or above” 120% wage threshold is netted against the 6 job increase in the “below” 120% wage threshold, the credit, including the maximum applicable credit is based upon a monthly average increase of 3 jobs for the tax year. The number of jobs qualifying for the credit is adjusted accordingly.

■ **STEP 2 – For Each Month. Calculate the number of qualifying jobs eligible for the credit for each month in the tax year.**

Steps 2A and 2B, Column B. The job decrease for any month is entered as an adjustment in Column B. In this example, no jobs are eligible for the 100% credit amount after adjustment. The job adjustment for the decrease reduces the number of jobs eligible for the 50% credit amount. See Column E, Step 2B for the number of jobs qualifying for the credit after all adjustments.

■ **STEP 3 – For Each Month. Calculate the “tentative” monthly job tax credit for the tax year.**

Step 3A is not applicable in this example and does not need to be completed since the increase for the tax year in this wage category is < 2 . The taxpayer is not eligible for the 100% credit amount.

■ **STEP 4 – For the Tax Year. Applies to Small Businesses Paying Wages in Either Wage Threshold.**

Step 4A – Compute the “maximum applicable annual credit.” This is the maximum applicable credit amount determined on an “annual” basis under Code Section 12-6-3360(C)(2). The amount used to compute the maximum applicable credit must be “adjusted” when there is a total job decrease for the tax year in one wage category. The maximum applicable annual credit is determined from Step 1C, after adjustment. In this example, the Step 1A job decrease of 3 for the tax year must reduce the 6 job increase for the tax year in Step 1B, and the combined total increase of 3 jobs is used to compute the maximum applicable credit.

Example G - Step 1 – Calculate the monthly average increase in new, full time jobs for the tax year.

Step 1A – Monthly Average Calculation for Employees Paid Gross Wages ≥ 120% Threshold for the Full Month, if applicable					
A. Months of Tax Year (e.g., 2006)	B. Total Full Time Jobs in Tax Year Paid for the Full Month	C. Total “Full Time Equivalent” of Half Time Jobs in Tax Year Paid for the Full Month	D. Total Jobs in Tax Year (Column B+C)	E. Base Year (i.e., 2005)*	F. Total Increase in Jobs in Tax Year ≥ 120% (Column D-E)
January	5	0	5	8	(3)
February	5	0	5	8	(3)
March	5	0	5	8	(3)
April	5	0	5	8	(3)
May	5	0	5	8	(3)
June	5	0	5	8	(3)
July	5	0	5	8	(3)
August	5	0	5	8	(3)
September	5	0	5	8	(3)
October	5	0	5	8	(3)
November	5	0	5	8	(3)
December	5	0	5	8	(3)
Cumulative Total of Full Time Jobs ≥ 120% Paid for Each Full Month	60	0	60	96	(36)
Divided by Months in Operation			12	12	12
Monthly Average of New Jobs ≥ 120% (Column F)			5	8	(3)
Monthly Average Increase(Decrease) for the Tax Year (Rounded Down to Whole Number) – Enter result in Step 1C					(3)

Step 1B – Monthly Average Calculation for Employees Paid Gross Wages < 120% Threshold for the Full Month, if applicable					
A. Months of Tax Year (e.g., 2006)	B. Total Full Time Jobs in Tax Year Paid for the Full Month	C. Total “Full Time Equivalent” of Half Time Jobs in Tax Year Paid for the Full Month	D. Total Jobs in Tax Year (Column B+C)	E. Base Year* (i.e., 2005)	F. Total Increase in Jobs in Tax Year < 120% (Column D-E)
January	0	12	12	8	4
February	0	12	12	8	4
March	0	12	12	8	4
April	0	12	12	8	4
May	0	12	12	8	4
June	0	13	13	8	5
July	0	16	16	8	8
August	0	18	18	8	10
September	0	19	19	8	11
October	0	15	15	8	7
November	0	15	15	8	7
December	0	12	12	8	4
Cumulative Total of Full Time Jobs <120% Paid for Each Full Month	0	168	168	96	72
Divided by Months in Operation			12	12	12
Monthly Average of New Jobs <120% + Rounded Fraction from Step 1A, if applicable (Column F)			14	8	6
Monthly Average Increase for the Tax Year (Rounded Down to Whole Number) Enter result in Step 1C					6

Step 1C – Combined Monthly Average Increase (or Decrease) in New Jobs for the Tax Year	
Step 1A ≥ 120% monthly average increase (or decrease)	(3) (Must have 2 or more in this wage category to qualify for the 100% credit)
Step 1B < 120% monthly average increase (add increases; subtract decreases)	6
COMBINED TOTAL Net Monthly Average Increase	3** (Must be 2 or more to qualify for the job tax credit) – Amount to use to compute maximum applicable annual credit amount.

*“Base Year” will not change during the entire credit period.

Since the “combined” monthly average increase for the tax year in Step 1C is 2 or more, the taxpayer meets the qualifying requirements and should complete Step 2. **Note: the taxpayer qualifies only for the 50% credit amount for only 3 jobs.

Example G - Step 2 – Calculate the number of qualifying jobs eligible for the credit for each month in the tax year.

Step 2A – Calculation of Eligible Jobs Paid Gross Wages ≥ 120% Threshold for the Full Month, if applicable					
Months of Tax Year (e.g., 2006)	A. Total Increase (Decrease) in Jobs in Tax Year Paid for Full Month (≥120% Wage Category) From Step 1A, Column F	B. Job Adjustment, if applicable (See Column A)	C. Adjusted Total Increase in Jobs Column A - B (The result is a whole number)	D. Is Column C monthly increase ≥ 2 for the month?	E. Number of Qualifying Jobs Eligible for Monthly Credit (If the month in Column D is No, enter 0)
January	(3)	(3)	0 = [(3) – (3) or (3) + 3] See Note	No	0
February	(3)	(3)	0	No	0
March	(3)	(3)	0	No	0
April	(3)	(3)	0	No	0
May	(3)	(3)	0	No	0
June	(3)	(3)	0	No	0
July	(3)	(3)	0	No	0
August	(3)	(3)	0	No	0
September	(3)	(3)	0	No	0
October	(3)	(3)	0	No	0
November	(3)	(3)	0	No	0
December	(3)	(3)	0	No	0

Step 2B – Calculation of Eligible Jobs Paid Gross Wages < 120% Threshold for the Full Month, if applicable					
Months of Tax Year (e.g., 2006)	A. Total Increase (Decrease) in Jobs in Tax Year Paid for Full Month (<120% Wage Category) From Step 1B, Column F	B. Job Adjustment, if applicable Enter all adjustments moved from other wage category	C. Adjusted Total Increase in Jobs Column A+B, then round down to whole number	D. Is Column C monthly increase ≥ 2 for the month? (Exception if taxpayer qualifies for credit in ≥ 120% wage category)	E. Number of Qualifying Jobs Eligible for Monthly Credit* (If the month in Column D is No, enter 0)
January	4	(3)	1 = [4 + (3)]	No	0 (do not qualify for credit; increase < 2)
February	4	(3)	1	No	0 (do not qualify for credit; increase < 2)
March	4	(3)	1	No	0 (do not qualify for credit; increase < 2)
April	4	(3)	1	No	0 (do not qualify for credit; increase < 2)
May	4	(3)	1	No	0 (do not qualify for credit; increase < 2)
June	5	(3)	2	Yes	2
July	8	(3)	5	Yes	5
August	10	(3)	7	Yes	7
September	11	(3)	8	Yes	8
October	7	(3)	4	Yes	4
November	7	(3)	4	Yes	4
December	4	(3)	1	No	0 (do not qualify for credit; increase < 2)

Note: The monthly average decrease of 3 jobs in each month in the “at or above” 120% wage threshold is netted against the job increase in the “below” 120% wage threshold in each month. See Step 2B, Column C.

Example G - Step 3 – Calculate the “tentative” monthly job tax credit for the tax year.

Step 3A – Calculation of Tentative Credit for Jobs Paid Gross Wages ≥ 120% Threshold for the Full Month, if applicable				
Months of Tax Year (e.g., 2006)	A. Number of Qualifying Jobs Eligible for Monthly Credit From Step 2A, Column E	B. 100% Credit Amount Per County Ranking (Including any applicable additional credit amounts)	C. Monthly %	D. “Tentative” Monthly Credit Amount ≥ 120% Wage Threshold
January	0	\$8,000	8.33%	0
February	0	\$8,000	8.33%	0
March	0	\$8,000	8.33%	0
April	0	\$8,000	8.33%	0
May	0	\$8,000	8.33%	0
June	0	\$8,000	8.33%	0
July	0	\$8,000	8.33%	0
August	0	\$8,000	8.33%	0
September	0	\$8,000	8.33%	0
October	0	\$8,000	8.33%	0
November	0	\$8,000	8.33%	0
December	0	\$8,000	8.33%	0
TOTAL				0

Step 3B – Calculation of Tentative Credit for Jobs Paid Gross Wages < 120% Threshold for the Full Month, if applicable				
Months of Tax Year (e.g., 2006)	A. Number of Qualifying Jobs Eligible for Monthly Credit From Step 2B, Column E	B. 50% Credit Amount Per County Ranking (Including any applicable additional credit amounts)	C. Monthly %	D. “Tentative” Monthly Credit Amount < 120% Wage Threshold
January	0	\$4,000	8.33%	\$0
February	0	\$4,000	8.33%	\$0
March	0	\$4,000	8.33%	\$0
April	0	\$4,000	8.33%	\$0
May	0	\$4,000	8.33%	\$0
June	2	\$4,000	8.33%	\$666
July	5	\$4,000	8.33%	\$1,666
August	7	\$4,000	8.33%	\$2,332
September	8	\$4,000	8.33%	\$2,666
October	4	\$4,000	8.33%	\$1,332
November	4	\$4,000	8.33%	\$1,332
December	0 (increase < 2)	\$4,000	8.33%	\$0
TOTAL				\$9,994

Example G - Step 4 - Calculate the “maximum applicable annual credit” to determine the “actual” job tax credit amount.

Step 4A. Maximum Applicable Annual Credit* – From Step 1C		
Total Monthly Average Increase for Tax Year		
(3)	\$8,000	\$0
6 – 3 decrease from above = 3 net (Adjustment due to total job decrease in one wage category)	\$4,000	\$12,000
Maximum Applicable Credit		\$12,000

Step 4B. Tentative Monthly Credit – From Step 3 (limited to maximum applicable credit)	
≥ 120% wage threshold	\$0
< 120% wage threshold	\$9,994
Total Tentative Monthly Credit	\$9,994

Step 4C. Actual Job Tax Credit Amount Claimed on Form SC TC-4SM	
Lesser of Step 4A or 4B	\$9,994

*The maximum applicable annual credit is the credit amount determined on an “annual” basis under Code Section 12-6-3360(C)(2); the amount of credit claimed under the alternative monthly method in Code Section 12-6-3362 cannot exceed the “maximum applicable annual credit.”

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Ray N. Stevens
Ray N. Stevens, Director

March 15, 2007
Columbia, South Carolina

COMPARISON OF JOB TAX CREDIT OPTIONS – Appendix

CAVEAT: This comparison is written in general terms. It may not be relied on as a substitute for researching original sources of authority.

	“Traditional” Annual Job Tax Credit	“Annual” Small Business Job Tax Credit	“Monthly” Small Business Job Tax Credit
Code Section	12-6-3360(C)(1)	12-6-3360(C)(2)	12-6-3362
Form	TC-4	TC-4SB	TC-4SM
Qualifying Type Business	Manufacturing, processing, warehousing, distribution, research & development, corporate office, technology intensive, banking, tourism, qualifying service related facility, qualifying health care related facility, retail facility in distressed and least developed county, and service related industry in distressed or least developed county	same	same
Size Requirement	None	99 or fewer employees worldwide	99 or fewer employees worldwide
Taxes Credit Used Against	Corporate, individual, bank, insurance	same	same
Entities Qualifying	C corporation, S corporation, LLC, Partnership, or Sole Proprietorship	same	same
Credit Amount – Basic	\$1,500 - \$8,000 per year for each new, full time job created, depending on county designation	\$1,500 - \$8,000 (100% credit amount) or \$750 - \$4,000 (50% credit amount) depending on county designation and compensation amount	Basic amount same as annual small business, but limited to 8.33% per month and to “maximum applicable annual credit” for the year
Credit Amount – Additional	\$1,000 multicounty park \$1,000 Brownsfield Voluntary Cleanup Program	same	same, but pro-rated 8.33% monthly
Monthly Average Increase for Tax Year Requirement	10* (* Exceptions: 20 for new hotels, and 30 -250 for qualifying service related facilities in underdeveloped, moderately developed and developed counties) A cumulative total of qualifying employees in each county for each month divided by 12 months or actual number of months in operation during current tax year	2 *See exceptions A cumulative total of qualifying employees in each county for each month divided by 12 months or actual number of months in operation during current tax year for each wage threshold, then combined.	2 *See Exceptions A cumulative total of qualifying employees paid for a full month in each county for each month divided by 12 months or actual number of months in operation during current tax year for each wage threshold, then combined. (Job requirement for each full month also.)
Compensation/Gross Wage Requirement	Only for qualifying service related facilities in underdeveloped, moderately developed, and developed counties	Yes (affects whether jobs qualify for 100% or 50% credit amount) Based on $\geq 120\%$ or $< 120\%$ per capita income for State or county, the lesser of Annualize pay for year	Yes (affects whether jobs qualify for a pro-rated 100% or 50% credit amount) Based on $\geq 120\%$ or $< 120\%$ per capita income for State or county, the lesser of Annualize pay each month
Tax Limitation	50% of tax liability	same	same
Carry Forward	15 years	same	same
Period Credit Duration	5 years	5 years	60 consecutive months
Period to Claim	Years 2 – 6 after job creation in Year 1, if jobs are maintained	Years 2 – 6 after job creation in Year 1, if jobs are maintained	60 consecutive months beginning first full month wages are paid for each job increase
Effective Date	Period open under statute	Tax years beginning on or after 2006	Tax years beginning on or after 2006
Base Year	Year preceding first year a taxpayer creates the number of new jobs to qualify, regardless of whether it is the first year of operation	Same (jobs classified by wage category)	Same (jobs classified by wage category and include only jobs for which wage are paid for the full month)