PART B: JOB OR EMPLOYEE CREDITS AND INCENTIVES

9. JOB TAX CREDIT AND COMPARISON CHART

South Carolina Code Title 12, Chapter 6 contains three job tax credit provisions. The provisions are contained in S.C. Code Ann. § 12-6-3360(C)(1), the "traditional" annual job tax credit, S.C. Code Ann. § 12-6-3360(C)(2), the "annual" small business job tax credit, and S.C. Code Ann. § 12-6-3362, the "accelerated" small business job tax credit. Since the qualifying requirements, the credit amount and computation, and the time in which the credit may first be 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 a taxpayer may meet the requirements of all three of the credit provisions, but only one credit provision may be used for each credit period.

The job tax credit statute rules and requirements can be complex. An overview of the three job tax credit provisions is provided below. Also, a general comparison of the three job tax credits is provided for use as a quick reference tool; it is a simplification and may be misleading if not used in conjunction with researching the law.

For additional guidance on more complex principles and exceptions to the general rules discussed below, see S.C. Code Ann. §§ 12-6-3360 and 12-6-3362, the job tax credit statutes, SC Revenue Ruling #07-2, a comprehensive question and answer advisory opinion addressing the small business job tax credits, SC Revenue Ruling #99-5, a comprehensive question and answer advisory opinion regarding the traditional job tax credit, and SC Revenue Ruling #19-11 which addresses changes to the job tax credit statute made in 2018. Taxpayers should also consult their tax advisors.

COMPARISON OF JOB TAX CREDIT OPTIONS

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**	**"Accelerated" 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-4SA
Qualifying Type Business	Manufacturing, tourism, processing, warehousing, distribution, research & development, corporate office, technology intensive, banking, qualifying service-related facility, agribusiness operations, agricultural packaging, professional sports team, qualifying health care related facilities, and air transportation support. Also, retail facilities and service related industries in Tier IV Counties. See S.C. Code Ann. §§ 12-6-3360(A) and (M)(5) through (17).	same	same
Size Requirement	None	99 or fewer employees worldwide	99 or fewer employees worldwide
Taxes Credit Used Against	Corporate or individual income tax, bank franchise tax; or insurance premium tax	same	same
Entities Qualifying	C corporation, S corporation, LLC, Partnership, or Sole Proprietorship	same	same
Credit Amount – Basic	$1,500 - $25,000 per year for each new, full time job created, depending on county designation.	$1,500 - $25,000 (100% credit amount) or $750 - $12,500 (50% credit amount) for each new, full-time job created depending on county designation and annualized compensation amount.	$1,500 - $25,000 (100% credit amount) or $750 - $12,500 (50% credit amount) for each new, full-time job created, depending on county designation and annualized compensation amount.
Credit Amount – Additional	$1,000 multicounty park $1,000 Brownfields Voluntary Cleanup Site	same	same
Monthly Average Increase for Tax Year Requirement	10* (*Exceptions: 20 for new hotels/motels, 25-175 for qualifying service-related facilities and 150 for professional sports teams) 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* (Subject to same exceptions as "traditional".) 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 * – (Subject to same exceptions as "traditional".) 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.
Compensation/Gross Wage Requirement	Generally, no. Qualifying service-related facilities are an exception unless 175 jobs are created at one location or 150 jobs are created at a vacant building meeting certain requirements.	Yes (determines if jobs qualify for 100% or 50% credit amount) Based on ≥ 120% or < 120% per capita income for state or county (whichever per capita is lower). Annualize pay for year.	Yes (determines whether jobs qualify for 100% or 50% credit amount) Based on ≥ 120% or <120% per capita income for state or county, (whichever per capita is lower). Annualize pay for year.
Tax Limitation	50% of tax liability	same	same
Carry Forward	15 years	same	same
Period Credit Duration	5 years	same	same
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**	Years 1 – 5, with job creation in Year 1 if jobs are maintained**
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)

**See Section 9.B.a. below for an explanation of the use of the term "maintained" in this credit summary.

9.A. "TRADITIONAL" ANNUAL JOB TAX CREDIT – Applicable to Any Size Taxpayer

a. General Provisions

S.C. Code Ann. § 12-6-3360(C)(1) provides a tax credit against South Carolina income tax, bank tax, or insurance premium tax for a qualifying business creating new jobs in this State.

Corporations, sole proprietorships, partnerships, S corporations, and limited liability companies are eligible for the credit. To qualify for the job tax credit, a business must: (1) be a certain type of business, and (2) create and maintain a required minimum number of new, full-time jobs at the time a new facility or expansion is initially staffed. The "basic" credit amount for each new job is $1,500 to $25,000 per year depending, in part, on where a taxpayer's facility is located. A taxpayer can receive an "additional" $1,000 credit per year for each new qualifying job, subject to certain dollar limitations if: (1) the taxpayer's qualifying facility is located in a multicounty industrial park, or (2) the taxpayer is creating 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 ("Brownfields Site"). The traditional annual job tax credit is available for 5 years and is first claimed on the taxpayer's tax return for the year following the creation of the new jobs, provided the jobs are maintained.

The credit is adjusted for job increases or decreases each year. During the 5-year credit period, a credit is also allowed for additional new, full-time jobs created. Any unused credit may be carried forward for 15 years. The credit is claimed on Form TC-4, "New Jobs Credit."

NOTE: The "traditional" annual job tax credit provisions are discussed in more detail below and an example is provided. For additional guidance on more complex principles and exceptions to the general rules discussed below, see S.C. Code Ann. § 12-6-3360; SC Revenue Ruling #99-5, a comprehensive question and answer advisory opinion addressing credit issues; SC Revenue Ruling # 19-11 which discusses matters related to the new increased credit amounts for Tier III and Tier IV counties; and consult your tax advisor.

b. Types of Qualifying Businesses

A business must be engaged in manufacturing, processing, tourism, warehousing, banking, distribution, research and development, agribusiness operations, agricultural packaging, or must be a qualifying service-related facility, a corporate office facility, a technology intensive facility, a professional sports team, or an extraordinary retail establishment to qualify for the job tax credit. A retail facility or service-related industry located in a Tier IV county may also qualify for the credit. The statute contains definitions of "manufacturing facility," "processing facility," "warehousing facility," "distribution facility," "research and development facility," “corporate office facility,” “qualifying service-related facility,” “tourism facility,” “technology intensive facility,” “agricultural packaging,” “professional sports team,” and “extraordinary retail establishment.”

S.C. Code Ann. Regs. 117-750.1 defines the term “facility” as follows:

> A facility is generally a single physical location where a taxpayer’s business is conducted or where its services or industrial operations are performed. Where two or more distinct and separate economic activities are performed at a single physical location, each separate economic activity will be treated as a separate facility when: (1) each activity has its own separate and dedicated personnel; (2) separate reports can be prepared on the number of employees, their wages and salaries, sales, or receipts and expenses; and (3) employment and output are significant as to the activity. For purposes of item (2), it is irrelevant if separate reports are actually prepared, so long as separate reports can be prepared, this criteria is met.

In general, a taxpayer must increase employment by a monthly average of 10 new, full-time jobs to qualify for the credit, regardless of the county in which the employer is located. Exceptions include:

1. Tourism facilities that consist of new hotels and motels must create 20 new, full-time jobs in order to qualify for the credit. Other tourism facilities defined in S.C. Code Ann. § 12-6-3360(M)(12) are only required to increase employment by 10 new, full-time jobs. See the definition of “tourism facility” for requirements regarding the types of qualifying jobs.

2. A qualifying service-related facility must either (a) create 25 to 175 new, full-time jobs at a single location based upon average cash compensation listed below, or (b) be a facility classified under North American Industry Classification System Manual (“NAICS”) Section 62, subsectors 621 (ambulatory health care services), 622 (hospitals), or 623 (residential care facilities) or (c) be an establishment engaged in activities in support of air transportation (Section 4881, subsector 488190 of the NAICS). A taxpayer who is qualifying under (a) above must create:

    - 175 jobs at a single location; or
    - 100 jobs at a single location where the average cash compensation for those jobs is 1.5 times the county or state average (whichever is lower); or
    - 50 jobs at a single location where the average cash compensation for those jobs is 2 times the county or state average (whichever is lower); or
    - 25 jobs at a single location where the average cash compensation for those jobs is 2.5 times the county or state average (whichever is lower); or

- 150 jobs at a single location comprised of a building or portion of a building that has been vacant for at least 12 consecutive months prior to the taxpayer's investment in the facility.

NOTE: For purposes of the jobs tax credit, a qualifying service-related facility may not be engaged in legal, accounting, banking, investment services, or retail sales. See exceptions for job development purposes discussed in item 10.a. of this chapter.

3. A "professional sports team" must have an annual payroll for federal tax purposes of at least $190 million and at least 150 full-time employees in South Carolina. In order to claim the credit, a professional sports team must create the jobs by July 1, 2022. However, a team that has entered into a revitalization agreement with the Coordinating Council before that date is not subject to this deadline.

The per capita income for each county is received annually from the South Carolina Revenue and Fiscal Affairs Office. The most recent data available as of November 2022 is listed below.

COUNTY	PER CAPITA INCOME	COUNTY	PER CAPITA INCOME	COUNTY	PER CAPITA INCOME
Abbeville	$40,596	Dillon	$39,567	Marion	$41,519
Aiken	$51,057	Dorchester	$46,857	Marlboro	$37,933
Allendale	$41,814	Edgefield	$45,299	McCormick	$44,391
Anderson	$46,894	Fairfield	$48,634	Newberry	$46,917
Bamberg	$41,081	Florence	$51,554	Oconee	$52,336
Barnwell	$41,828	Georgetown	$57,656	Orangeburg	$42,376
Beaufort	$70,166	Greenville	$55,442	Pickens	$43,842
Berkeley	$48,919	Greenwood	$44,723	Richland	$52,980
Calhoun	$50,375	Hampton	$41,689	Saluda	$44,503
Charleston	$73,032	Horry	$46,817	Spartanburg	$50,596
Cherokee	$40,230	Jasper	$41,531	Sumter	$47,046
Chester	$43,169	Kershaw	$50,635	Union	$40,821

COUNTY	PER CAPITA INCOME	COUNTY	PER CAPITA INCOME	COUNTY	PER CAPITA INCOME
Chesterfield	$39,538	Lancaster	$55,033	Williamsburg	$40,746
Clarendon	$44,874	Laurens	$41,245	York	$56,566
Colleton	$42,481	Lee	$41,364		
Darlington	$47,845	Lexington	$55,034		

The per capita income for the state is generally published twice a year. The most recent state per capita income as of April 2023 is $ 53,320.

c. Definition of "Full-Time" and "New Job"

The terms "full-time" and "new job" are defined in the statute. 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. Two half-time jobs requiring a minimum of 20 hours of each employee's time a week qualify as one "full-time" job. Additionally, seasonal workers in agricultural packaging and agribusiness operations may be considered full-time. However, a seasonal employee only counts as a fraction of a full-time worker, with the numerator being the number of hours worked a week multiplied by the number of weeks worked and the denominator being 1,820.

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 the meaning of "expansion.") A "new job" also includes existing jobs which are reinstated after the employer has rebuilt a facility (1) because of its destruction (more than 50% of the facility) by accidental fire, natural disaster, or act of God, or (2) due to involuntary conversion as a result of condemnation or exercise of eminent domain (as determined under the statute) by the state, political subdivisions of the state, or the federal government.

The term "new job" does not include a job created when an employee is shifted from an existing South Carolina location to a new or expanded facility whether the transferred job is from, or to, a facility of the taxpayer or a related person. However, a "new job" includes a job shifted from an existing facility of the taxpayer in South Carolina to a new or expanded facility located in a county that has an "applicable federal facility" as that term is defined in S.C. Code Ann. § 12-6-3450(A)(1)(b).

NOTE: S.C. Code Ann. § 12-6-3450 has been repealed and there is no longer a definition of "applicable federal facility" as referenced in the definition of "new job". Therefore, this special exception contained in the definition of "new job" is no longer operative.

d. County Rankings

The amount of credit that a business may receive for each job created is determined by the county where the business's facility is located. There are 4 categories of counties; Tier I, Tier II, Tier III and Tier IV. The rankings are now done with equal weight given to unemployment rate and per capita income for the counties.

The county rankings are updated once a year, usually in December and are effective as of January 1st of the following year. For 2023, the county rankings are as follows:

TIER IV	TIER III	TIER II	TIER I
Allendale	Abbeville	Anderson	Aiken
Bamberg	Chesterfield	Calhoun	Beaufort
Barnwell	Clarendon	Dorchester	Berkeley
Cherokee	Colleton	Edgefield	Charleston
Chester	Darlington	Florence	Greenville
Dillon	Fairfield	Georgetown	Kershaw
Lee	Greenwood	Hampton	Lexington
Marion	Horry	Lancaster	Newberry
Marlboro	Jasper	Pickens	Oconee
Orangeburg	Laurens	Saluda	Richland
Union	McCormick	Spartanburg	York
Williamsburg	Sumter		

Companies planning significant expansions may lock-in the current county designation without regard to whether the ranking of the particular county in which the company is planning its project changes by filing a Form SC616. In order to ensure qualification for a planned expansion of jobs, companies should file Form SC616 before the initial staffing of the new facility or expansion begins. This will ensure the company that the Department is aware of the planned expansion and that the company will be entitled to the designated credits in future years without regard to whether a particular county's designation changes in a later year.

e. Credit Amount

The "basic" job tax credit amounts under the traditional annual job tax credit are listed below:

- $25,000 per year for each new, full-time job created in a Tier IV county
- $20,250 per year for each new, full-time job created in a Tier III county
- $2,750 per year for each new, full-time job created in a Tier II county
- $1,500 per year for each new, full-time job created in a Tier I county.

A company may be entitled to an "additional" $1,000 job tax credit amount for each new, full-time job created by a company in the following locations:

1. At a facility that is located in a multicounty park. Two or more counties determine if an area in the county is designated as a multicounty park by entering into an agreement. This determination is not made by the Department.

2. At a facility that is located on a 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 ("Brownfields Site"). Qualifying taxpayers must have a certification of completion from the South Carolina Department of Health and Environmental Control.

NOTE: 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 S.C. Code Ann. § 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 Tier IV county. A taxpayer may choose not to claim the family independence credit to maximize the job tax credit. See the discussion in Section 13 below regarding the family independence credit.

The job tax credit taken in one tax year may not exceed 50% of the taxpayer's income tax, bank tax, or insurance premium tax liability. If the credit is passed through, the 50% limitation is determined at the shareholder, partner, or member level. 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.

Any unused credit may be carried forward for 15 years.

f. Calculating the Credit

The job tax credit is claimed on the taxpayer's tax return for 5 years provided those jobs are maintained in the year in which the credit is claimed. The credit is <u>not</u> claimed in the year the new jobs are created. 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.

A taxpayer investing at least $50 million at a "single site" within a 3-year period may elect to determine the number of new, full-time jobs created by using the monthly average number of full-time jobs created at that one site. The statute defines "single site" as a stand-alone building whether or not several stand-alone buildings are located in one geographical location.

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. No credit is allowed for the year or any subsequent year in which the net increase in employment falls below the minimum level of 10. 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 10 jobs required to be maintained will result in the credit being allowed in Years 2 through 6 only for those jobs that are maintained. Additional credits are allowed for increases in full-time jobs, if the company already qualifies for the credit. This additional credit is earned for jobs created in Years 2 through 6 of a qualified credit period and runs for 5 years beginning the year after the jobs are created.

g. Frequently Asked Questions and Helpful Tips

SC Revenue Ruling #99-5 provides numerous questions and answers regarding the "traditional" annual job tax credit as does SC Revenue Ruling #19-11. In addition, the instructions to the job tax credit form, Form TC4, provide helpful examples regarding the computation of the job tax credit.

Helpful tips to remember concerning the job tax credit include:

- To qualify for the credit, a business must be a certain type of business and must create a required minimum number of new, full-time jobs at the time a new facility or expansion is initially staffed.

- In general, the job tax credit amount is based on the county designation during the year the new jobs are actually created. However, if Form SC616 is filed, the credit is based on (1) the county designation at the time the SC616 is filed or (2) the county designation at the time the new jobs are created, whichever county designation results in the largest credit.

- Form SC616 is not required to be filed; it is a planning tool that can prove to be beneficial if the county ranking where the jobs are to be created changes prior to creation of the jobs. The filing of Form SC616 "locks in" a county designation; it cannot be detrimental to a taxpayer. Form SC616 is valid for all new jobs created during the original credit period. Additionally, any increases in new jobs occurring during this original credit period are automatically included in the "lock-in" period. Form SC616 is required to be sent to the Department before the initial staffing of the new facility.

- Whether or not Form SC616 is filed, the credit generated in any applicable year and claimed for 5 subsequent years is not affected by any future re-designation of the county in subsequent years.

- The year a job is created is not the year in which the credit may be claimed. The credit for that job creation may first be claimed in the tax year after the job was created.

- The statute requires a monthly average increase of new, full-time jobs (ranging from 10 to 175 jobs) to be created in the tax year and be maintained for a taxpayer to qualify for the credit. When computing the increase in new, full-time jobs each year, the taxpayer must round down to the lowest whole number of jobs. The credit is not earned when a total of 10 jobs are created by the end of a tax year or when a total of 10 jobs are created over several years.

- The months to reflect on Form TC-4 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.

- Generally, the credit is computed on a county-by-county basis. The credit is not computed on a facility-by-facility basis or on a statewide basis. A taxpayer may not transfer employees from one county to another county to create a qualifying job increase.

- A computer designed form or spreadsheet is acceptable in lieu of Form TC-4 provided all information on Form TC-4 is reflected on the substitute form.

- Form TC-4 should be completed for each taxable year, even if there is no South Carolina taxable income. This allows the taxpayer to claim the credit and establish a credit carryforward. Any unused credit can be carried forward 15 years from the taxable year in which it is earned.

- 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. Once the credit is passed through by the entity generating it, the credit may not later be used by the entity.

- During the original credit period, a business can take credit for additional new, full-time jobs added in subsequent eligible years even if fewer than 10 additional jobs are added. This additional credit is claimed for 5 years beginning in the year following the year in which the qualifying additional new, full-time jobs are created, provided the jobs are maintained for the year that the business is claiming the credit.

- The credit amount for any number of additional new, full-time jobs is based on the county designation at the time Form SC616 is filed or the county designation for the year the additional new, full-time jobs are created, whichever results in the largest credit.

  If Form SC616 is not filed, the credit amount for any additional new, full-time jobs created is based on the county designation for the year the additional new jobs are created.

- The merger, consolidation, or reorganization of a taxpayer where tax attributes survive does not create new eligibility in a succeeding taxpayer, but unused credits may be transferred to, and continued by, the succeeding taxpayer subject to the limitations in I.R.C. § 383. In addition, a taxpayer may assign its rights to the job tax credit to another taxpayer if it transfers all, or substantially all, of the assets of a business or operating division related to the generation of the credit to another taxpayer and the required number of new jobs is maintained.

- The job tax credit cannot be sold and is nonrefundable.

h. Example

An example is provided below to explain the "traditional" annual job tax credit calculation.

NOTE: This example assumes that the jobs are created in 2022 and that no Form SC616 was filed in connection with this new facility.

The job tax credit calculation is a 3 step process:

Step 1 - Compute the monthly average increase in full-time employees

Step 2 - Compute the employees eligible for the credit

Step 3 - Compute the eligible credit amount

This example is based on the following facts. The taxpayer, a calendar year taxpayer, has one manufacturing facility located in a Tier IV county that is not located in a multicounty park or on a Brownfields Site. The taxpayer initially staffed the new facility by hiring 12 new full-time employees on January 1, 2022.

NOTE: For simplicity, the example shows the credit computation for Years 2 through 6 (2023-2027) only. The example does not show the entire 5-year credit period for additional jobs created in 2023 through 2027.

STEP 1: COMPUTATION OF AVERAGE INCREASE IN FULL TIME EMPLOYEES							
	Prior Year (2021)	**Year 1 (2022)**	**Year 2 (2023)**	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**	**Year 6 (2027)**
1. Cumulative Total of Full Time Employees in Each County for Each Month. (*e.g.*, Year 1 has 12 employees working 12 months)	0	144	168	156	192	276	288
2. Divided by Number of Months in Operation	0	12	12	12	12	12	12
3. Monthly Average of Full-time Employees	0	12	14	13	16	23	24
4. Less: Previous Year Monthly Average		0	12	14	13	16	23
5. Average Increase in Full Time Employees (Line 3 minus Line 4)		12	2	(1)*	3	7	1

STEP 2: COMPUTATION OF EMPLOYEES ELIGIBLE FOR CREDIT					
	Year 2	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Year 1 Increase	12	12	12	12	12
Year 2 Increase		1**	1	1	1
Year 3 Increase			0	0	0
Year 4 Increase				3	3
Year 5 Increase					7
Number of New Jobs	12	13	13	16	23

***NOTE**: The Year 3 decrease of 1 job (see Step 1) affects the computation of employees eligible for the credit in Step 2 as follows:

1. **The Year 2 increase is reduced by 1 job (2 job increase in Year 2 minus 1 job decrease in Year 3) in Years 3 through 7 since the credit may be claimed in Year 3 only for those jobs created in Year 2 and maintained in subsequent years.

2. The Year 3 increase is 0 in Years 4 through 8 since there was an average decrease of jobs.

STEP 3: COMPUTATION OF ELIGIBLE CREDIT AMOUNT					
	Year 2 (2023)	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**	**Year 6 (2027)**
Number of New Jobs	12	13	13	16	23
Multiply by Credit Amount for a Tier IV County	$25,000	$25,000	$25,000	$25,000	$25,000
Job Tax Credit (Limited to 50% of tax liability)	$300,000	$325,000	$325,000	$400,000	$575,000

NOTE: This example only shows the entire credit period for the initial 12 jobs created in 2022. 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 2022 tax year generate a credit available for first use on the 2023 tax return, filed April 15, 2024. Additional credits are created for any job increases in 2023, 2024, 2025, and 2026. The credit for the 2023 increase is claimed on the 2024 through 2028 tax returns; the credit for the 2024 increase is claimed for 5 years beginning with the 2025 tax return, and so on, providing the jobs are maintained.

9.B. SMALL BUSINESS JOB TAX CREDIT – Applicable To Qualifying Taxpayers with 99 or Fewer Employees Worldwide

a. General Provisions

General Provisions. S.C. Code Ann. §§ 12-6-3360(C)(2) and 12-6-3362 provide a job tax credit against South Carolina income tax, bank tax, or insurance premium tax for most types of small businesses (*i.e.,* a business with 99 or fewer employees worldwide) creating and maintaining new jobs in South Carolina. Corporations, sole proprietorships, partnerships, S corporations, and limited liability companies are eligible for the credit. To be eligible for this new job tax credit, the qualifying small business must generally create and maintain a monthly average increase of 2 new, full-time jobs.

The credit amount is determined by the South Carolina county where the taxpayer's facility is located and the amount of gross wages paid to each employee. The "basic" credit amount for each new job for the small business job tax credit ranges from $750 to $25,000 per year. Further, "additional" credit amounts for each new qualifying job, subject to certain dollar limitations, may be available to businesses in particular locations, (*e.g.,* in a multicounty park or on a Brownfields Site.)

"Annual" Small Business Job Tax Credit (Claimed in Years 2 – 6). S.C. Code Ann. § 12-6-3360(C)(2) provides the credit is first claimed on the taxpayer's tax return for the year following the creation of the new jobs (For example, jobs created in Year 1 are claimed in Year 2), provided the jobs are maintained. The credit is adjusted for job increases or decreases. No credit is allowed for the year or any subsequent year in which the net increase in employment falls below the minimum level. During the original 5-year credit period, a credit is also allowed for additional new, full-time jobs created during that period. Any unused credit may be carried forward for 15 years. The credit is claimed on Form TC-4SB, "Small Business Job Tax Credit."

"Accelerated" Small Business Job Tax Credit (Claimed in Years 1 – 5). S.C. Code Ann. § 12-6-3362 provides the credit is first claimed on the taxpayer's tax return beginning with the year the new jobs are created (Year 1). The credit is adjusted for job increases or decreases. No credit is allowed for the year or any subsequent year in which the net employment falls below the minimum level. During the original 5-year credit period, a credit is also allowed for additional new, full-time jobs created beginning in the year the qualifying additional new jobs are created. Any unused credit may be carried forward for 15 years. The credit is claimed on Form TC-4SA, "Alternative Small Business Job Tax Credit."

Comparison of "Annual" and "Accelerated" Small Business Job Tax Credits. This simplified example is provided to illustrate the differences between the annual and the accelerated small business job tax credit. The differences are: (1) the effect that the following year(s) have on the number of jobs eligible for the current year credit (*i.e.,* referred to as "maintained" throughout this summary) and (2) what year the 5-year period for claiming the credit starts.

This example assumes the corporate taxpayer is a manufacturing facility, the facility is not located in a multicounty park or on a Brownfields Site, and taxpayer initially staffed the new facility on January 1, 2022 with 5 new full-time jobs.

Year of Job Creation:	**Prior Year**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Monthly Average Number of Jobs	0	5	3	2	1	2	2
Number of Jobs "Maintained" During Tax Year		5	Lost 2 of 5 jobs = 3 maintained	Lost 1 job = 2 jobs maintained	Lost 1 job – 1 job maintained	Hired 1 job = 2 jobs maintained	Hired 0 jobs = 2 jobs maintained

Year Credit is Claimed:	**Year 1 (2022)**	**Year 2 (2023)**	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**	**Year 6 (2027)**
Annual Credit – Number of Jobs Qualifying		3	2	0	0	2
Accelerated Credit – Number of Qualifying Jobs	5	3	2	0	2	

Annual Small Business Credit Method. This example illustrates the following:

- The credit is first claimed in Year 2 for jobs created in Year 1 and continues for a 5-year period through Year 6. For example, the credit for the jobs created in 2022 is claimed in 2023 – 2027.

- The number of jobs maintained in the following year affects the amount of credit that can be claimed. For example, the taxpayer created 5 jobs in Year 1, but only "maintained" 3 jobs in Year 2. As a result, credit for jobs created in Year 1 which is first claimed in Year 2 is allowed for only the 3 jobs maintained in year 2.

- No credit is allowed for any year that the increase in jobs fall below 2. See Year 4 and its effect on the annual credit claimed in Year 4 (2025) and Year 5 (2026).

Accelerated Small Business Credit Method. This example illustrates the following:

- The credit is first claimed in Year 1 for jobs created in Year 1 and continues for a 5-year period through Year 5. For example, the credit for the jobs created in 2022 is claimed in 2022 – 2026.

- The number of jobs maintained in the following year does not affect the current year credit. As a result, the credit first claimed in Year 1 is allowed for all 5 jobs, the credit in Year 2 is allowed for 3 jobs, etc. (Note: The credit is not allowed for 5 years for the 5 original jobs since they were not maintained.)

- No credit is allowed for any year that the minimum increase in jobs falls below 2. See Year 4 and its effect on the accelerated credit claimed in Year 4 (2025).

NOTE: The basic "annual" job tax credit principles for small businesses are discussed in more detail below. Be aware that the credit statute rules, requirements, and computations can be complex. For additional guidance on more complex principles and exceptions to the general rules discussed below, see S.C. Code Ann. § 12-6-3360; SC Revenue Ruling #07-2, a detailed question and answer advisory opinion on computing the job tax credit for small businesses with 99 or fewer employees worldwide; SC Revenue Ruling #99-5, a comprehensive question and answer advisory opinion addressing credit issues after a substantial amendment in 1996; SC Revenue Ruling #19-11 which discusses matters related to the new increased credit amounts for Tier III and Tier IV counties; and consult your tax advisor.

b. Types of Qualifying Businesses

The following chart summarizes the types of small businesses that may be eligible to qualify for the small business job tax 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 Creation Requirement**
	Tier IV	**Tier III**	**Tier II**	**Tier I**	
1. Manufacturing	Yes	Yes	Yes	Yes	2
2. Processing	Yes	Yes	Yes	Yes	2
3. Warehousing	Yes	Yes	Yes	Yes	2
4. Distribution	Yes	Yes	Yes	Yes	2
5. Research & Development	Yes	Yes	Yes	Yes	2
6. Corporate Office	Yes	Yes	Yes	Yes	2
7. Technology Intensive	Yes	Yes	Yes	Yes	2
8. Banking	Yes	Yes	Yes	Yes	2
9. Tourism	Yes	Yes	Yes	Yes	2, except 20 for a new hotel or motel
10. Agribusiness operations	Yes	Yes	Yes	Yes	2
11. Agricultural Packaging	Yes	Yes	Yes	Yes	2
12. Extraordinary Retail Establishment	Yes	Yes	Yes	Yes	2
13. Retail Facility (*e.g.,* a convenience store, restaurant, florist, photographer, machine shop, interior design, repair shop selling tangible personal property)	Yes	No	No	No	2
14. Service Related Industry (*e.g.,* seamstress, hair stylist, lawn care, childcare, construction contractor, painter, repair services, trucking or hauling, roofer, janitorial services, courier services, security services, accounting, legal, investment services, accounting, investment services, call centers, mortgage processing)	Yes	No	No	No	2

Qualifying Facility	County Ranking				Monthly Average Job Creation Requirement
	Tier IV	Tier III	Tier II	Tier I	
15.a.Qualifying Service-Related Facility – health care (*e.g.,* hospital, health related services) and air transportation support	Yes	Yes	Yes	Yes	2
15.b. Qualifying Service-Related Facility – other (*e.g.,* call centers, mortgage processing centers, but not legal, accounting, investment services, or retail sales)	Yes	Yes	Yes	Yes	25- 175 at a single location based on certain average cash compensation amounts or other criteria. See S.C. Code Ann. § 12-6-3360(M)(13)(b).
16. Professional Sports Team (if jobs are created by, or revitalization agreement entered into, before July 1, 2022)	Yes	Yes	Yes	Yes	150 and annual federal payroll of $190 million

The statute contains definitions of "manufacturing facility," "processing facility," "warehousing facility," "distribution facility," "research and development facility," "corporate office facility," "qualifying service-related facility," "tourism facility," "extraordinary retail establishment," "agricultural packaging," "technology intensive facility," and "professional sports team." Further, S.C. Code Ann. Regs. 117-750.1 defines the term "facility."

In general, a small business taxpayer must increase employment by a monthly average of 2 new, full-time jobs to qualify for this credit.

NOTE: For illustrative purposes, the number of new, full-time jobs required to be created is referred to as "2" throughout the summary of this incentive. Be aware that exceptions to this general rule exist for certain "tourism" facilities," "qualifying service-related facilities," and "professional sports teams."

The per capita income for each county is received annually from the South Carolina Revenue and Fiscal Affairs Office, usually in November or December. Upon receipt, the Department publishes an Information Letter listing the most recent per capita income data for each county and the state. This information can be obtained from the Department's website at www.dor.sc.gov. See Section 9.A.b. for a listing of the per capita income data for each county as of November 2022 and for the State as of April 2023.

c. Definition of "Full-Time" and "New Job"

The terms "full-time" and "new job" are defined in the statute. 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. Two half-time jobs requiring a minimum of 20 hours of each employee's time a week qualify as one "full-time" job. Additionally, seasonal workers in agricultural packaging and agribusiness operations may be considered full-time. However, a seasonal employee counts as a fraction of a full-time worker, with the numerator being the number of hours worked a week multiplied by the number of weeks worked and the denominator being 1,820.

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 the meaning of “expansion.”) The term “new job” does not include a job created when an employee is shifted from an existing South Carolina location to a new or expanded facility whether the transferred job is from, or to, a facility of the taxpayer or a related person.

d. County Rankings

The amount of credit that a small business qualifying for the small business job tax credit may receive for each job created is determined, in part, by the county where the business’s facility is located. Rankings are done with equal weight given to unemployment rate and per capita income and the counties are ranked as either Tier I, Tier II, Tier III or Tier IV. These rankings will be based solely on the unemployment rate and the per capita income for each county.
The county rankings are updated once a year, usually in December and are effective as of January 1st of the following year. For 2023, the county rankings are as follows:

TIER IV	TIER III	TIER II	TIER I
Allendale	Abbeville	Anderson	Aiken
Bamberg	Chesterfield	Calhoun	Beaufort
Barnwell	Clarendon	Dorchester	Berkeley
Cherokee	Colleton	Edgefield	Charleston
Chester	Darlington	Florence	Greenville
Dillon	Fairfield	Georgetown	Kershaw
Lee	Greenwood	Hampton	Lexington
Marion	Horry	Lancaster	Newberry
Marlboro	Jasper	Pickens	Oconee
Orangeburg	Laurens	Saluda	Richland
Union	McCormick	Spartanburg	York
Williamsburg	Sumter		

In order to ensure qualification for a planned expansion of jobs, companies should file Form SC616 before the initial staffing of the new facility or expansion begins. This will ensure the company that the Department is aware of the planned expansion and that the company will be entitled to the designated credits in future years without regard to whether a particular county’s designation changes in a later year.

e. Credit Amounts

Basic Credit Amounts:

In general, the "basic" job tax credit amount for each new, full-time job created under the small business job tax credit and maintained by a small business is substantial and can be either the "100% credit amount" or the "50% credit amount." The credit amount depends on: (1) the county where the taxpayer is located and (2) the amount of gross wages paid to each new, full-time employee. The "basic" job tax credit amounts available to a small business creating a monthly average of 2 or more new, full-time jobs are the:

- "50% credit amount" – This amount ranges from $750 to $12,500 per year per job for a taxpayer who pays gross wages per job below 120% of the county or state average per capita income (whichever is less). The amount depends upon the location of the business.

- "100% credit amount" – This amount ranges from $1,500 to $25,000 per year per job for a taxpayer who pays gross wages per job at or above 120% of the county or state average per capita income (whichever is less). The amount depends upon the location of the business. The "100% credit amount" and the "50% credit amount" are dependent, in part, on the "wage category" of the minimum number of required jobs and the "wage category" of each additional job. The following rules apply in determining the credit amount.

- For a small business taxpayer to qualify for the "100% credit amount," the minimum 2 new, full-time jobs must be created paying gross wages at or above the 120% wage threshold "wage category." The credit amount for each additional job created over the minimum during the original credit period is determined separately based upon the wage category of each additional job (*i.e.,* some additional jobs may qualify for the "50% credit amount" and other additional jobs may qualify for the "100% credit amount").

- If a small business taxpayer creates the minimum 2 new, full-time jobs with one job paying at or above the 120% wage threshold and the other job paying below the 120% wage threshold, then the taxpayer would be eligible only for the "50% credit amount" for these 2 jobs. The credit amount for any additional jobs created over the minimum is determined separately and will be eligible for either the "50% credit amount" or the "100% credit amount," depending on the wage category of each additional new job.

In general, the credit is also based on the county ranking at the time the new jobs are created in Year 1. The credit amount during the credit period for the jobs created in Year 1 is not affected by any future re-ranking of the county in which the taxpayer is located in a subsequent year.

Where new, full-time jobs are created during years 2-6, each additional qualifying job may be eligible for the "50% credit amount" or the "100% credit amount," depending on the wage category of each additional job. The credit amount for additional new jobs in years 2-6 is based on the county designation for the year the additional new, full-time jobs are created; it is not affected by any future re-ranking of the county in which the taxpayer is located.

The “basic” credit amounts by county ranking and wage category per qualifying job are listed below, subject to statutory rules and computations discussed in this summary.
The credit amounts are as follows:

County Designation (Location of Taxpayer)	**“100% Credit Amount” *i.e.,* Gross Wages Per Job Greater Than or Equal To 120% County or State Average Per Capita Income, Whichever is Less**	**“50% Credit Amount” *i.e.,* Gross Wages Per Job Less Than 120% County or State Average Per Capita Income, Whichever is Less**
Tier IV	$25,000	$12,500
Tier III	$20,250	$10,125
Tier II	$2,750	$1,375
Tier I	$1,500	$ 750

Additional Credit Amounts:

Further, a small business qualifying for the “basic” job tax credit may be entitled to an “additional” $1,000 job tax credit for each new, full-time job created and maintained, if the facility is located in:

1. A multicounty park. Two or more counties determine if an area in the county is designated as a multicounty park by entering into an agreement. This determination is not made by the Department.

2. 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 (“Brownfields Site”). The company must receive a certification of completion from the South Carolina Department of Health and Environmental Control.

If a taxpayer qualifies for one of the “additional” credit amounts, the additional credit is the full $1,000 even for jobs receiving the 50% credit amount.

Maximum Credit Amounts:

The maximum “basic” and “additional” credit amounts that may be claimed for any tax year for a single employee under the small business job tax credit and the “basic” part of the family independence credit under S.C. Code Ann. § 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 Tier IV county. A taxpayer may choose not to claim the family independence credit to maximize the job tax credit. See the discussion in Section 13 below concerning the family independence credit.

Credit Use and Limitations:

The job tax credit taken in one tax year may not exceed 50% of the taxpayer's income tax, bank tax, or insurance premium tax liability. If the credit is passed through, the 50% limitation is determined at the shareholder, partner, or member level. 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 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.

f. Gross Wages – Definition and Calculation of 120% Wage Category

As discussed above, the "basic" job tax credit amount for each new, full-time job created and maintained by a small business depends, in part, on the amount of gross wages paid to each new, full-time employee. The 120% wage threshold is determined for each job at the end of the taxpayer's tax year in which the jobs are created. This computation can involve a series of steps depending on when the jobs are created, the amount of gross wages paid, and whether both half-time and full-time jobs are created. The steps involved in determining the gross wage amounts are briefly described below.

Step 1 – Determine "Gross Wage" Amount Per Job:

For purposes of calculating the 120% county or state average per capita income requirement, "gross wages" are wages subject to withholding (*i.e.,* "net" wages after pretax benefits, such as pretax medical, dental, disability, retirement, 401(k) contributions, pretax dependent care plan deduction, and pretax medical reimbursement plans deductions).

A simplified example illustrates how the "gross wage" amount per job is determined. A new employee hired on January 1st by a manufacturer in X County who is paid $25 per hour gross or $52,000 per year elects pretax family medical and dental coverage of $100 per week ($5,200 per year), a $5,000 annual pretax 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 (*i.e.,* "net wages" after pretax benefits) of $32,800 for purposes of the per capita computation.

Assume that the figures published by the Department indicate that the average per capita income for X County is $40,230, and this amount is less than the state average per capita income; the $32,800 "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. (See Steps 3 – 5 below.)

Step 2 – Annualize Gross Wage Amounts:

Since most jobs are not created on the first day of the tax year, the gross wages paid for each job must be annualized to determine if the 120% wage threshold is met. The annualized "net" wage amount is computed for each new, full-time job created in the tax year. In addition, each new, half-time job, if any, must be converted to a "full-time equivalent" and the annualized "net" wage amount must be determined for each, new "full-time equivalent" (two half-time jobs) job created in the tax year.

- The following explains the computation to annualize wages for full-time jobs.

  The 120% wage threshold for each full-time job is computed using the following formula:

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

  For example, assume a new, full-time job created July 1, 2021 pays a "gross wage" (*i.e.,* "net" wages after pretax benefits) of $35,000 for the 6 month period July 1, 2022 through December 31, 2022. The annualized "net" salary is $70,000 (*i.e.,* $35,000 ÷ 6 x 12). Assume that the state average per capita income is $50,000, and is below the average per capita income for the county in which the jobs are created based on the data available as of the end of 2022. Since the annualized salary of $70,000 is greater than 120% of the state average per capita income of $60,000 (120% x $50,000), the new job meets the 120% wage threshold for the year. If eligible, it would qualify for the 100% credit amount.

- The following explains the computations to annualize wages for "full-time equivalent" jobs (*i.e.,* half-time jobs.)

  The 120% wage threshold for each half-time job converted into a "full-time equivalent" is determined using the following formula:

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

  The following example illustrates the computation of "full-time equivalents" for half-time jobs created and the computation of the annualized gross wages.

  <u>Half-time Job 1.</u> This job is created on March 1, 2022 to work 20 hours per week at "gross wages" (*i.e.,* "net" wages after pretax benefits) of $35,000 for the 10-month period March 1, 2022 through December 31, 2022. The gross wages of this half-time job is $84,000 annualized on a full-time basis (*i.e.,* $35,000 ÷ 10 x 12 x 40 ÷ 20.) (**Note**: Half-time job 1 meets the 120% wage threshold – see Step 3. If eligible, it would qualify for the 100% credit

amount.) Assume that the state average per capita income is $50,000, and is below the average per capita income for the county in which the jobs are created based on the data available as of the end of 2022. Since the annualized salary of $84,000 is greater than 120% of the state average per capita income of $60,000 (120% x $50,000), it meets the 120% wage threshold for the year. If eligible, it would qualify for the 100% credit amount.

<u>Half-time Job 2.</u> This job is created on June 1, 2022 to work 25 hours per week at "gross wages" (*i.e.,* "net" wages after pretax benefits) of $8,000 for the 7-month period June 1, 2022 through December 31, 2022. The gross wages of this half-time job is $49,371 annualized on a full-time basis (*i.e.,* $18,000 ÷ 7 x 12 x 40 ÷ 25 (rounded).) (**Note:** Half-time job 2 does <u>not</u> meet the 120% wage threshold of $60,000 (see per capita assumption above) – see Step 3. If eligible, it would qualify for the 50% credit amount.)

Step 3 - Calculate 120% Wage Threshold:

At the end of the tax year in which the jobs are created, the following calculations must be made to "categorize" each employee by wage threshold amount. The calculation to determine the 120% wage threshold "categories" are:

- Determine the number of full-time and "full-time equivalent" employees paid gross wages in the "at or above" 120% wage threshold category for each month during the tax year. **Note:** Due to rounding down to the lowest whole number, fractions of jobs remaining in the "at or above" 120% wage threshold category are moved down to the monthly average computation for the below 120% threshold.

- Determine the number of full-time and "full-time equivalent" employees paid gross wages in the "below" 120% wage threshold category for each month during the tax year.

In making this calculation, the most recent county and state per capita income figures published by the Department as of the end of the taxpayer's tax year in which the new jobs are created must be used. For example, a calendar year small business creating new jobs in 2023 will use the state and county per capita income published in the Fall/Winter of 2022 to determine if the 120% threshold is met for each job created in its 2023 tax year.

g. Monthly Average Increase and Credit Amount

Step 4 – Compute the Monthly Average Increase in New Jobs:

The small business job tax credits require that a monthly average increase of 2 jobs or more in the tax year be created and maintained in the applicable county for a small business to qualify for the credit. See SC Revenue Ruling #07-2, Questions 8 – 10 and Examples A1 and A2 for more information on the basic calculation of the monthly average of full-time employees and the "combined" monthly average increase for taxpayers paying wages in both wage threshold categories.

NOTE: A monthly average increase of 2 jobs is not the same as creating a total of 2 jobs by the end of a tax year or creating a total of 2 jobs over several years. This computation is briefly described below.

- Compute the monthly average increase for employees paid gross wages in the “at or above” 120% wage threshold category. Due to rounding down to the lowest whole number, fractions of jobs remaining in the “at or above” 120% wage category are moved down to the monthly average computation for the “below” 120% wage threshold category. For more information on rounding methods, see SC Revenue Ruling #07-2, Question 19.

- Compute the monthly average increase for employees paid gross wages in the “below” 120% wage threshold category. If applicable, include any fractions of jobs remaining from the “at or above” 120% wage category moved to the monthly average increase of jobs in the “below” 120% wage threshold category due to rounding fractions of jobs from above.

The following illustrates a portion of the basic concepts used in the monthly average computation for full-time and half-time jobs paying “gross wages” at or above the 120% threshold. See SC Revenue Ruling #07-2, Example D for a more complete example illustrating this calculation. Example D, however, does not illustrate more complex concepts such as “combined” total monthly average increase or decrease in jobs for both wage categories, the treatment of job decreases in one threshold category, etc.

Months of Tax Year (*e.g.,* 2022)	**Prior Year (*e.g.,* 2021)**	**Total Full - Time Jobs In Year 1**	**Total “Full-Time Equivalents” of Half-Time Jobs in Year 1**	**Year 1 Total Jobs**
January	0	0	1.5	1.5
February	0	6	1.5	7.5
March	0	6	1.5	7.5
April	0	6	2	8
May	0	6	2	8
June	0	6	2	8
July	0	6	2	8
August	0	6	2	8
September	0	6	2	8
October	0	6	2	8
November	0	6	2	8
December	0	6	2	8
Cumulative Total of Full Time Jobs ≥120% for Each Month		66	22.5	88.5
Divided by Months in Operation				12
Monthly Average of New Jobs ≥120%				7.375
Less: Prior Year Monthly Average				0
Monthly Average Increase – Rounded Down to Lowest Whole Number (Fraction moves down to below 120% computation, if any)				7

Step 5 – Compute Credit for New Jobs Created in the "100% Credit Amount" and the "50% Credit Amount" Based on County Ranking:

- Once the monthly average increase for all jobs paying gross wages in the "at or above" 120% wage threshold category has been determined, the dollar value of the credit per job based on the designation on the county in which the taxpayer is located is used to determine the "100% credit amount."

- Once the monthly average increase for all jobs paying gross wages in the "below" 120% wage threshold category has been determined, the dollar value of the credit per job based on the designation of the county in which the taxpayer is located is used to determine the "50% credit amount."

Step 6 – Compute Total Credit for All New Jobs Created:

The monthly average increase (rounded to the lowest whole number) for full- and half-time jobs paying gross wages in the "at or above" 120% threshold is determined and multiplied by the credit amount for the county in which the taxpayer's business is located. Likewise, the monthly average increase is determined for full- and half-time jobs paying gross wages in the "below" 120% threshold category is determined and multiplied by the credit amount for the county in which the business is located. The sum of these amounts is the total job tax credit that may be claimed in Year 2 under the annual method assuming the jobs are maintained or Year 1 under the accelerated method, Reminder: The job tax credit taken in one tax year may not exceed 50% of the taxpayer's income tax, bank tax, or insurance premium tax liability.

See SC Revenue Ruling #07-2, Questions 19 - 23 and Example D for more information on computing the annual small business credit amount per job.

h. Frequently Asked Questions and Helpful Tips

SC Revenue Ruling #07-2, SC Revenue Ruling #99-5, and SC Revenue Ruling #19-11 provide numerous questions and answers regarding the job tax credit. Helpful tips to remember concerning the "annual" and "accelerated" small business job tax credit include:

- A small business is one with 99 or fewer total employees at all locations worldwide on either the first day or the last day of its tax year for the first year in which qualifying jobs are created.

- To qualify for the credit, a small business must be a qualifying type of business and must create a required minimum number of "new, full-time jobs," at the time a new facility or expansion is initially staffed.

- The "basic" credit amount can be the "50% credit amount" or the "100% credit amount." In general, the amount depends on the county in which the taxpayer's facility is located and the amount of gross wages paid to each new, full-time employee.

- To qualify for the "100% credit amount," a minimum of 2 new, full-time jobs must be created in the same "wage category," *i.e.,* the business pays gross wages at or above 120% of the county or state average per capita income, whichever is less. For example, if a monthly average increase of 2 new jobs are created in different wage categories (one job pays at or above the 120% threshold and the second job pays below the 120% wage threshold,) the taxpayer is eligible only for the "50% credit amount" for jobs 1 and 2. The credit amount for any additional job created during the original credit period (*e.g.,* job 3), however, is determined separately.

- For purposes of calculating the 120% county or state average per capita income threshold, "gross wages" are wages subject to withholding (*i.e.,* "net" wages after pre tax benefits, such as pretax medical and 401(k) contributions.)

- The 120% wage threshold for each new job is determined at the end of the tax year in which the jobs are created based on the most recent figures published by the Department.

- Gross wages for each new job created in the tax year must be annualized.

- In general, the job tax credit amount is based, in part, on the county designation during the year the new jobs are actually created. However, if Form SC616 is filed, the credit is based on (1) the county designation at the time the Form SC616 is filed or (2) the county designation at the time the new jobs are created, whichever county designation results in the largest credit. Form SC616 is required to be sent to the Department before the initial staffing of the new facility or expansion.

- Whether or not Form SC616 is filed, the credit generated by a job created in Year 1 and claimed in Year 1 (for the "accelerated" method) or claimed in Year 2 (for the "annual" method) and subsequent years is not affected by any future re-designation of the county in which the taxpayer is located for jobs created in Year 1.

  Annual Method. Year 1 is the year of job creation that generates a job tax credit. The credit is not claimed in Year 1.

  Accelerated Method. Year 1 is the year of job creation that generates a job tax credit. The credit is claimed in Year 1.

- The credit is for a 5-year period and is taken each year for 5 years, if the jobs are maintained.

  Annual Method. The credit is claimed in Years 2 - 6 on Form TC-4SB and the tax return.

  Accelerated Method. The credit is claimed in Years 1 - 5 on Form TC-4SA and the tax return.

- A monthly average increase of new, full-time jobs (ranging from 2 to 175 jobs) must be created in the tax year and be maintained for a taxpayer 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.

- When computing the increase in new, full-time jobs each year, the taxpayer must use the rounding down rules set forth in SC Revenue Ruling #07-2. For example, when computing the monthly average increase for the employees paid gross wages in the "at or above" 120% threshold category, fractions of jobs remaining in that wage category due to rounding down to the lowest whole number are moved to the monthly average computation for the "below" 120% threshold category.

- Generally, the credit is computed on a county-by-county basis. The credit is not computed on a facility-by-facility basis or on a statewide basis. A taxpayer may not transfer employees from one county to another county to create a qualifying job increase.

- Form TC-4SA or Form TC-4SB 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. Any unused credit can be carried forward 15 years from the taxable year in which it is earned.

- The months to reflect on Form TC-4SA or 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.

- A computer designed form or spreadsheet is acceptable in lieu of Form TC-4SA or Form TC-4SB providing all information on Form TC-4SA or Form TC-4SB is reflected on the substitute form.

- 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. Once the credit is passed through by the entity generating it, the credit may not later be used by the entity.

  Annual Method. During the original 5-year credit period (Years 2 – 6), a business can take credit for additional new full-time jobs added, even if only 1 additional job is added. This additional credit is claimed in the year following the year in which the qualifying additional new, full-time jobs are created, providing the jobs are maintained.

  Accelerated Method. During the original 5-year credit period (Years 1 - 5), a business can take credit for additional new, full-time jobs added and maintained, even if only 1 additional job is added. This additional credit is claimed in the year the qualifying additional new, full-time jobs are created, and each following year for the jobs maintained.

- The credit amount for any number of additional new, full-time jobs is based on the county designation at the time Form SC616 is filed or the county designation for the year the additional, new full-time jobs are created, whichever results in the largest credit.

  If Form SC616 is not filed, the credit amount for any additional new, full-time jobs created is based on the county designation for the year the additional new jobs are created.

- The merger, consolidation, or reorganization of a taxpayer where tax attributes survive does not create new eligibility in a succeeding taxpayer, but unused credits may be transferred to, and continued by, the succeeding taxpayer subject to the limitations in I.R.C. § 383. In addition, a taxpayer may assign its rights to the job tax credit to another taxpayer if it transfers all, or substantially all, of the assets of a business or operating division related to the generation of the credit to another taxpayer and the required number of new jobs is maintained.

- The job tax credit cannot be sold and is nonrefundable.

i. Example – "Annual" Small Business Job Tax Credit (Claimed in Years 2 – 6)

CAUTION: This is an oversimplified example. It is provided only to illustrate an overview of the incentive available to a small business over the entire 5-year credit period (*i.e.,* Years 2 - 6 or Years 2023 - 2027.) This example assumes that the corporate taxpayer is a retail facility with one store in a Tier IV county, has a calendar year, initially staffed the new facility in May 2022, 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 ≥ 120% THRESHOLD							
	Prior Year (2021)	**Year 1 (2022)**	**Year 2 (2023)**	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**	**Year 6 (2027)**
1. Cumulative Total of Full-Time Employees in the County for Each Month. (e.g., See SC Rev. Rul. #07-2, Example A1, Taxpayer 2 – the number of employees in January plus number in February, etc.)	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 lowest whole number)	0	3	5	5	4	6	6

STEP 1: COMPUTATION OF AVERAGE INCREASE IN FULL-TIME EMPLOYEES OF EMPLOYEES PAID GROSS WAGES ≥ 120% THRESHOLD							
	Prior Year (2021)	**Year 1 (2022)**	**Year 2 (2023)**	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**	**Year 6 (2027)**
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

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

STEP 2: COMPUTATION OF EMPLOYEES ELIGIBLE FOR CREDIT WITH GROSS WAGES ≥ 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

STEP 3: COMPUTATION OF ELIGIBLE CREDIT AMOUNT FOR NEW JOBS CREATED WITH GROSS WAGES ≥ 120% THRESHOLD					
	Year 2 (2023)	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**	**Year 6 (2027)**
Number of New Jobs – at or above 120% threshold	3	5	4	4	6
Credit amount for a Tier IV county where the employer pays all new employees greater than 120% of the county or state average per capita income for all years	$25,000	$25,000	$25,000	$25,000	$25,000
Job Tax Credit (Line 1 x Line 2) (Limited to 50% of tax liability)	$75,000	$125,000	$100,000	$100,000	$150,000

NOTE: This example only shows the entire credit period for the initial 3 jobs created in 2022. The credit is first claimed in the year following the creation of the new full-time jobs; it is not claimed in the year the new full-time jobs are created. For example, qualifying new full-time jobs created in this example in the 2022 tax year generate a credit available for first use on the 2023 tax return, filed April 15, 2024, provided the jobs are maintained. Additional credits are created for the 2 job increase in 2023; it is claimed on the 2024 through 2028 tax returns if those jobs are maintained.

j. Example – "Accelerated" Small Business Job Tax Credit (Claimed in Years 1 – 5) (Uses Same Number of Jobs as Shown in Example i for Annual Small Business Job Tax Credit)

CAUTION: This is an oversimplified example. It is provided only to illustrate an overview of the incentive available to a small business over the entire 5-year credit period (*i.e.,* Years 1 - 5 or Years 2022 - 2026.) This example assumes that the corporate taxpayer is a retail facility with one store in a Tier IV county, has a calendar year, initially staffed the new facility in May 2022, and hired all full-time employees at gross wages <u>over</u> the 120% threshold.

STEP 1: COMPUTATION OF AVERAGE INCREASE IN FULL TIME EMPLOYEES OF EMPLOYEES PAID GROSS WAGES ≥ 120% THRESHOLD						
	Prior Year (2021)	**Year 1 (2022)**	**Year 2 (2023)**	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**
1. Cumulative Total of Full-Time Employees in the County for Each Month. (e.g., See SC Rev. Rul. #07-2, Example A1, Taxpayer 2 – the number of employees in January plus number in February, etc.)	0	29	60	60	58	72
2. Divided by Number of Months in Operation	0	8	12	12	12	12
3. Monthly Average of Full-Time Employees (rounded down to lowest whole number)	0	3	5	5	4	6
4. Less: Previous Year Monthly Average		0	3	5	5	4
5. Average Increase in Full-Time Employees (Line 3 minus Line 4)		3	2*	0	(1)*	2

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

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

STEP 3: COMPUTATION OF ELIGIBLE CREDIT AMOUNT FOR NEW JOBS CREATED WITH GROSS WAGES ≥ 120% THRESHOLD					
	Year 1 (2022)	**Year 2 (2023)**	**Year 3 (2024)**	**Year 4 (2025)**	**Year 5 (2026)**
Number of New Jobs – at or above 120% threshold	3	5	5	4	6
Credit amount for a Tier IV county where the employer pays all new employees greater than 120% of the county or state average per capita income for all years	$25,000	$25,000	$25,000	$25,000	$25,000
Job Tax Credit (Line 1 x Line 2) (Limited to 50% of tax liability)	$75,000	$125,000	$125,000	$100,000	$150,000

NOTE: This example only shows the entire credit period for the initial 3 jobs created in 2022. The credit is first claimed the year the new jobs are created. For example, qualifying new jobs created in this example in the 2022 tax year generate a credit available for first use on the 2022 tax return, filed April 15, 2023. Additional credits are created for the 2 job increase in 2023; it is claimed on the 2023 through 2027 tax returns if the jobs are maintained for those years.

10. JOB DEVELOPMENT AND JOB RETRAINING CREDITS

South Carolina Code Title 12, Chapter 10, contains an economic development incentive designed to promote the growth of manufacturing, processing, warehousing, distribution, research and development, technology intensive, and other targeted businesses in South Carolina.

This incentive is referred to as the "job development credit." It is a discretionary incentive that allows businesses approved by the South Carolina Coordinating Council for Economic Development ("Council") to obtain a refund of employee withholding to reimburse the cost of approved business expenditures. The job development credit, contained in S.C. Code Ann. §§ 12-10-80 (general provision) and 12-10-81 (provision for tire manufacturers), is available to approved new or expanding businesses making a new capital investment and creating a minimum number of net new jobs in South Carolina. Because the qualifying requirements and the approval process of this incentive can be complex, the applicable South Carolina law and current Council applications and agreements should be carefully reviewed. A general overview of the incentive is provided below.

NOTE: The Council administers the approval of the "job development credit". They have developed rules concerning a business qualifying for and claiming the job development credit and these rules are generally set forth in the applicable applications and agreements.

a. Qualifying for a Job Development Credit

To qualify for the job development credit a business must be located, or locating, in South Carolina and must meet the following criteria:

1. The business must be primarily the type of business that qualifies for the job tax credit, such as a manufacturing, tourism, processing, distribution, research and development, or technology intensive facility. (See S.C. Code Ann. § 12-6-3360, S.C. Code Ann. Regs. 117-750.1, and Section 9 the discussion of the job tax credit above for the types of facilities qualifying for the job tax credit.)

   Special rules for qualifying service-related facilities for job development credit purposes only.

   i. The number of jobs required to qualify as a qualifying service-related facility is reduced. Instead of 175 jobs, a business only has to create 125 jobs with no minimum compensation requirements. Alternatively, a business can qualify if it creates 100 jobs and those jobs have an average compensation of one and a half times the lower of the state or county per capita income or a business can qualify if it creates 75 jobs and those jobs have an average cash compensation of twice the lower of the state or county per capita income.

   ii. All jobs created within the 5-year period can count towards meeting the job requirements. A business does not have to use the monthly average provided in S.C. Code Ann. § 12-6-3360(M)(13) and does not have to create the jobs in a single taxable year.

   iii. At the discretion of the Council, businesses generally engaged in legal, accounting, banking, or investment services operating at a single facility may qualify as a qualifying service-related facility if they would otherwise meet the requirements of a qualifying service-related facility for job development credit purposes.

   iv. Businesses generally engaged in retail sales at a single facility may qualify if that single facility would otherwise qualify as a qualifying service-related facility for job development credit purposes and provided that no retail sales are conducted at that single facility.

2. The business must provide a benefits package that includes health care to full-time employees at the project site where the investment is made.

3. The business must enter into a revitalization agreement with the Council.

4. The Council must determine that the negotiated incentives are appropriate for the project, and the Council must determine that the total benefits of the proposed project exceed the total costs to the public, and that the qualifying business otherwise fulfills the requirements of Chapter 10, Title 12.

5. The business must agree to create at least 10 net, new full-time jobs ("full-time" and "new job" are defined in S.C. Code Ann. § 12-6-3360) at the project within a period of time. A new job does not include an employee whose job was created in South Carolina before

the taxable year of the business in which the qualifying business enters into a preliminary revitalization agreement and job development credits may not be claimed on those employees.

NOTE: Although, a business is required by law to create at least 10 net new full-time jobs, the Council generally requires a business to create significantly more than 10 jobs in order to qualify a business for job development credits.

Special rules for related persons and the job development credit

A qualifying business may designate up to two "related persons" whose jobs and investments may be included in determining whether the qualifying business has met and maintained its minimum job and capital investment requirements required to claim the job development credits. To qualify, the related person's jobs and capital investment must be located at the qualifying business's project. Qualifying expenditures incurred by a related person may be treated as though they were incurred by the qualifying business and each related person may claim the job development credit for jobs created by the related person and may include any qualifying expenditures of the qualifying business or another related person as if they had been created and made by the related person.

A single member limited liability company (LLC) that is disregarded or a qualified subchapter S subsidiary (QSSS) as defined in Section 1361(b)(3)(B) of the Internal Revenue Code is treated as the qualifying business for all purposes of Chapter 10, Title 12; however, the LLC or QSSS counts as a related person for purposes of the two entity or person limit discussed above. S.C. Code Ann. § 12-10-80(A)(14).

A "related person" includes any entity or person that bears a relationship to a business as provided in I.R.C. §§ 267 or 707(b). The related person must be a "qualifying business" as defined in S.C. Code Ann. § 12-10-30, except the related person does not have to be engaged in a business of the type identified in the job tax credit statute, S.C. Code Ann. § 12-6-3360. S.C. Code Ann. § 12-10-30(19).

b. Application, Agreement, Certification, and Renewal Process

In order to receive the job development credit, a business must complete an application, a revitalization agreement, and a certification process. Once a business begins receiving the credit, it must participate in an annual renewal process. The entire process is briefly described below.

Step 1: Application Process – An application to receive the job development credit, accompanied by a $4,000 application fee and financial statements of the business, should be submitted to the Council prior to official announcement by a business of its South Carolina location or expansion. The nonrefundable application fee is required at the time of application. The application must include the following information:

- The number of existing full-time jobs at the facility, if any, as of the beginning of the taxable year in which the application is approved (“the “base employment”)

- The number of new jobs that will be created (the “minimum job requirement”)

- The total capital investment that will be made (the “minimum capital investment requirement.”)

Step 2: Revitalization Agreement Process – If approved by the Council, the application generally serves as the “preliminary revitalization agreement.” In order to have an expenditure reimbursed by the job development credit, the expenditure must be incurred during the term of the agreement or within 60 days before the Council’s receipt of an application for job development credit benefits. A business must enter into a “final” revitalization agreement with the Council within twelve months from the date the application is approved. A revitalization agreement describes the project and the negotiated terms and conditions, including the minimum capital investment and minimum job requirements, for a business to qualify for the job development credit. The minimum job requirement represents both the minimum number of jobs that must be created and the maximum number of jobs for which the job development credits may be claimed.

Step 3: Certification Process – Once a final revitalization agreement has been executed, the qualifying business certifies to the Council in writing that the minimum capital investment and minimum job requirements have been met. As a general rule, a qualifying business must certify within 5 years of the date of approval of its application. The Council then certifies the business to the Department and notifies the business of the certification date. After such notification, the Department will send the business the appropriate withholding forms to use to claim the credit. The business may begin claiming job development credits the quarter following the quarter in which they certify. Withholding may only be refunded for quarters that begin after the Council’s certification.

If a qualifying business fails to achieve the minimum capital investment or minimum job requirement by the date provided in the final revitalization agreement (usually 5 years from the date of approval), the Council may terminate the revitalization agreement and reduce or suspend all, or any part of, the incentives granted.

Step 4: Renewal Process – Once a business’ application has been approved, it must remit certain renewal fees to stay in the job development program. The Council imposes an annual $500 renewal fee that is due June 30 of each year. Further, S.C. Code Ann. § 12-10-105 provides that a business claiming more than $10,000 in job development credits for a project in one calendar year must remit an annual $1,000 fee to the Department. The fee is used to reimburse the Department for costs incurred in auditing the project’s job development credits at least once every 3 years.

c. Claiming a Job Development Credit

The job development credit is a credit against employee withholding tax. A business remits all South Carolina withholding to the Department as required under the withholding laws in Chapter 8 of Title 12 and claims a credit for the amount of allowable job development credits when it files the quarterly South Carolina withholding tax return. The withholding overpayment resulting from the job development credit is refunded to the business and must be used to reimburse the cost of qualifying expenditures.

To claim a job development credit for any quarter, the following requirements must be met:

1. The business must be current with respect to all South Carolina state taxes.

2. The business must maintain the base employment, the minimum job requirement and the minimum capital investment set forth in the revitalization agreement for the entire withholding quarter.

A business may claim a job development credit for up to 15 years, although the Council generally limits a business to collecting a job development credit for 10 years. The amount that may be claimed is based on the designation of the county in which the project is located and the gross wages paid to the employees at the project. The designation of the county at the time the application is received by the Council is "locked-in" and the county designation for purposes of the job development credit does not change in future years unless there is a new application for a new project and a new revitalization agreement is approved.

The credit amounts are as follows:

- A business located or to be located in a Tier IV county at the time the application is received by the Council may retain 100% of the allowable job development credit as provided in the revitalization agreement.

- A business located or to be located in a Tier III county at the time the application is received by the Council may retain 85% of the allowable job development credit as provided in the revitalization agreement.

- A business located or to be located in a Tier II county at the time the application is received by the Council may retain 70% of the allowable job development credit as provided in the agreement.

- A business located or to be located in a Tier I county at the time the application is received by the Council may retain 55% of the allowable job development credit as provided in the revitalization agreement.

The Council may waive a portion of these limits and allow a qualifying business to retain up to 95% of the job development credits it collects if it qualifies as: (a) a significant business making a significant capital investment, as defined in S.C. Code Ann. § 12-44-30(7) (generally an investment of at least $150 million and the creation of at least 125 new full-time jobs or a $400 million investment is required); or (b) a related person, as defined in S.C. Code Ann. § 12-10-80(D)(2), to the significant business if the related person qualifies for the job development credit and is located at the project site of the significant business.

If the project is located in a multicounty park, the credit is based on the designation of the county in which the park is physically located. However, if the park is located on the geographical boundary of adjacent counties and the multicounty park agreement requires revenues from the park to be allocated to each county equally, the credit is based on the lowest development status of any of the counties that are included in the park.

The maximum allowable job development credit that may be claimed is calculated as a percentage of the gross wages of each new employee. Gross wages is defined in S.C. Code Ann. § 12-10-30(4) as wages subject to withholding. However, the Council generally limits the amount of job development credits to no more than $3,250 per employee per year. Special rules exist for a qualifying business that is a tire manufacturer meeting the substantial job and capital requirements of S.C. Code Ann. § 12-10-81. A business may never claim a job development credit that exceeds all withholding from all employees for the quarter.

The hourly gross wage figures are adjusted annually by an inflation factor determined by South Carolina's Revenue and Fiscal Affairs Office. See Appendix II for a list of the hourly gross wage figures for years 1995 through 2023. The gross wage amounts for 2023 and the percentages to claim are:

GROSS WAGES PER HOUR OF NEW EMPLOYEE FOR 2023	**PERCENTAGE TO CLAIM**
$11.67 to $15.55	2%
$15.56 to $19.44	3%
$19.45 to $29.18	4%
$29.19 and over	5%

In order to compute the hourly wages for new employees, the business may divide the amount of total wages subject to South Carolina quarterly withholding for each new employee by the sum of the hours worked by the employee, plus hours of paid leave (*i.e.*, vacation, illness, and other purposes). Alternatively, the qualifying business may elect to take the total amount of wages subject to South Carolina quarterly withholding for each new employee and divide it by the number of hours the employee is deemed to work. Each new full-time employee will be deemed to work 40 hours each week employed, or 500 hours if employed for the entire calendar quarter.

An example best explains this calculation. For purposes of this example it is assumed that: (1) the employer's total South Carolina withholding for all employees in all locations during the calendar quarter is $15,000, (2) the employer is located in a Tier IV county and therefore may claim 100% of the maximum allowable job development credit, and (3) the employer has certified that it is current with respect to all state taxes and has maintained its base employment, minimum job requirement, and minimum capital investment requirement for the entire quarter.

GROSS WAGES PER HOUR OF NEW EMPLOYEE	PERCENTAGE BASED ON WAGES	AMOUNT EARNED DURING CALENDAR QUARTER BY ELIGIBLE EMPLOYEES IN EACH PAY RANGE	TENTATIVE AMOUNT TO CLAIM (% BASED ON WAGES x GROSS WAGES x % BASED ON COUNTY)
$11.67 to $15.55	2%	$ 35,000	$ 700
$15.56 to $19.44	3%	$ 40,000	$1,200
$19.45 to $29.18	4%	$ 60,000	$2,400
$29.19 and over	5%	$100,000	$5,000
		$235,000	$9,300

In this example, the business may claim a $9,300 job development credit against the total South Carolina employee withholding because the total South Carolina withholding ($15,000) exceeds the amount that is calculated to be claimed ($9,300). In the example, the Department will refund $9,300 to the business to reimburse the cost of eligible expenditures.

S.C. Code Ann. § 12-10-82 provides that a qualifying business may make an irrevocable election to assign the job development credit to a "designated trustee" or "other designee." A "designated trustee" is the single financial institution designated by the Council to receive all assignments of payments. An "other designee" is a taxpayer that receives a minimum of 70% of the goods or services produced by the qualifying business at the project. The election must be made on a form provided by the Department and must include a waiver of confidentiality under S.C. Code Ann. § 12-54-240.

d. Use of Job Development Credit

To claim a job development credit, a business must incur qualified expenditures during the term of the revitalization agreement, including a preliminary revitalization agreement, or within 60 days prior to the Council's receipt of the application, and such expenditures must be authorized by the revitalization agreement and are restricted to the following purposes:

(A) Training costs and facilities;

(B) Acquiring and improving real estate and subject to Council approval, capital and operating leases for real estate if the lease has at least a 5-year term;

(C) Improvements to public and private utility systems, including water, sewer, electricity, natural gas, and telecommunications;

(D) Fixed transportation facilities, including highway, rail, water, and air;

(E) Construction or improvements of real property and fixtures for the purpose of complying with environmental laws and regulations;

(F) Employee relocation expenses but only for employees that are paid twice the per capita income of the state or the county where the project is located, whichever is lower;

(G) Financing costs associated with (A) – (F) above;

(H) South Carolina Quality Forum improvement programs;

(I) Training that increases a business's export capabilities;

(J) Apprenticeship programs.

Note, for a business qualifying for job development credits under S.C. Code Ann. § 12-10-81, only items (A) – (E) are considered eligible expenditures.

For purposes of the job development credit, an expenditure is incurred if it is accrued under the accrual method of accounting for income tax purposes, without regard to I.R.C. § 461(h). In general, under the accrual method of accounting, an expense or liability is incurred when all the events have occurred that establish the fact of the liability and the amount of the liability can be determined with reasonable accuracy. To the extent any job development credit is not used for the approved purposes, it is treated as misappropriated employee withholding.

e. General Recordkeeping Requirements

Any business claiming a job development credit must satisfy the following recordkeeping requirements:

1. The business must timely provide the Council and the Department documentation regarding the job development credit and the use of any overpayments resulting from the claiming of the credits.

2. The business must provide access to all its payroll books and records any time the Council or Department requests them for inspection.

3. A business claiming a job development credit in any calendar year must furnish the Council and the Department with a report that summarizes the credit claimed. The business must file its report no later than June 30 following the calendar year the job development credit is claimed. An extension of time may be granted in writing by the Council for good cause.

   In addition, a business claiming a job development credit must file quarterly reports with the Council that are due within 30 days following the end of the 1st, 2nd and 3rd and 4th quarters. If a company fails to provide the quarterly report as required, the company will receive a notice and will be given an additional 30 day period to comply. If the company fails to provide the report within such additional 30 day period, the company's rights to claim job development credits will be suspended for the next quarter and will not be reinstated until all required reports have been submitted to the Council. A company may not retroactively claim any job development credits forgone during the period its rights were suspended.

f. Helpful Tips for the Job Development Credit

Helpful points to remember concerning the job development credit are listed below. Several of these points contain rules and stipulations that have been established by the Council most of which have been incorporated into the application and/or the revitalization agreement. The application and a sample revitalization agreement may be obtained by calling the Council staff at 803-737-2024.

Council Standards for the Job Development Credit. The Council Standards summarized below pertain to the job development credit.

- Application for job development credit benefits should be made prior to a qualifying business officially announcing its South Carolina location or expansion plan.

- The Council generally approves job development credit benefits for a maximum of 10 years.

- Generally, a business approved for benefits must commit in writing to locate or expand in South Carolina within 30 days of approval of the application.

- Leased employees used by the business do not qualify for benefits.

- A qualifying business may not claim benefits on half-time employees.

- A business must pay at least 50% of the employee's premium for a comprehensive health plan that includes benefits equivalent to the benefits provided under the Savings Plan of the State Health Plan made available to state employees. The qualifying business must offer the same health benefits to the spouses and dependents of employees but does not have to pay for any portion of their premiums.

- The Council generally requires that job development credits may only be claimed on new employees with gross wages that meet or exceed the county average wage. This minimum wage requirement will be adjusted every 5 years.

- Generally, the maximum job development credit provided for in the revitalization agreement is $3,250 per employee annually.

- The job development credit is available for the minimum number of jobs stated in the revitalization agreement provided those jobs are maintained. No credit may be claimed if the base employment and the minimum job requirement are not 100% maintained. The credit is not available for any jobs above the minimum job requirement set forth in the revitalization agreement.

- Existing revitalization agreements may only be amended at the discretion of the Council.

- Job development credits can be claimed beginning with the quarter after the business provides proof of meeting its minimum investment and job requirements to the Council and after the Council has certified the qualifying business to the Department. Generally, the business must begin claiming the benefits no later than the first quarter of the sixth year from the date of the preliminary revitalization agreement. **Helpful tips.** Important points to remember concerning the job development credit are listed below.

- Generally, the minimum job creation requirement to <u>apply</u> for job development credit benefits is at least 10 net new, full-time jobs over 5 years. However, the Council may, and usually does, require the creation of a larger number of jobs to be approved for job development credits.

- The job development credit amount is based on the ranking of the county in which the business is located on the date the application is received by the Council and the gross wages paid (*i.e.*, wages subject to withholding) and any other conditions provided in the revitalization agreement.

- A qualifying business may be eligible to claim both the job development credit and the job retraining credit, but may only claim one of these credits, not both, on the same employee.

- The "time period" (usually 10 years) to obtain job development credit benefits begins upon the earlier of the first request for a refund of withholding or the first quarter of the 6th year from the date of the preliminary revitalization agreement. The time period does not toll even if the business drops below the minimum job requirement and cannot claim the job development credit for a period of time.

- Both consideration and caution should be exercised when stating in the application and the revitalization agreement the number of jobs to be created. For example, if the business creates the 100 new jobs specified in the revitalization agreement but later reduces employment, then the credit is generally not allowed during the time the 100 jobs are not maintained and the time period approved for claiming benefits continues to run. Further, if the number of jobs created exceeds the 100 new jobs specified in the revitalization agreement within the 5-year time period, the credit is limited to the 100 jobs specified in the revitalization agreement, unless the business submits a new application to the Council for approval of job development credit benefits for the additional new jobs.

- Hourly gross wage figures are adjusted annually for inflation. See Appendix II for these figures.

- The credit cannot be claimed before the qualifying business has been certified by the Council to begin claiming job development credits.

- Generally, job development credit benefits begin no later than 5 years after approval of the application. The business must meet all minimum investment and job creation requirements by that date or the benefits will be lost.

- The business must be current with all South Carolina withholding taxes and all other taxes due and owing the state in order to claim a job development credit for the quarter. If a qualifying business is not current with all taxes due and owing the state as of the date of the return on which the job development credit would be claimed, without regard to extensions, the job development credit that would otherwise be allowed for that quarter is reduced by the amount of taxes due and owing South Carolina.

- The business must use pre-printed Forms WH-1605Z and WH-1606Z provided by the Department to claim the job development credit. These forms must be used even if no job development credit is claimed in a particular quarter. The Department will generally issue a refund within 90 days of receipt of the appropriate form.

11. JOB RETRAINING CREDIT

The job retraining credit, contained in S.C. Code Ann. § 12-10-95, is available to approved existing businesses retraining qualifying existing employees in order for the business to remain competitive, introduce new technologies, export products, or provide apprenticeship programs. The job retraining credit is administered by the South Carolina Technical Colleges and the State Board for Technical and Comprehensive Education (SBTCE).

a. Qualifying for a Job Retraining Credit

To qualify for the job retraining credit provided under S.C. Code Ann. § 12-10-95, a qualifying business must be an existing South Carolina business and must meet the following criteria:

1. The business generally must be engaged in manufacturing, processing, or technology at a manufacturing, processing, or technology intensive facility. (See S.C. Code Ann. § 12-6-3360(M) and S.C. Code Ann. Regs. 117-750.1 for definitions of these types of facilities.)

2. The business must demonstrate that the retraining of qualifying production or technology employees is necessary for the qualifying business to remain competitive or to introduce new technologies. Qualifying production or technology employees must be first line employees or immediate supervisors who have been employed by the business on a full-time basis for a continuous period of at least two years. S.C. Code Ann. § 12-10-30 defines "production employee" as an employee directly engaged in manufacturing or processing at a manufacturing or processing facility, and defines "technology employee" as an employee at a technology intensive facility who is directly engaged in technology intensive activities (*i.e.*, the design, development, and introduction of new products or innovative manufacturing processes, or both, through the systematic application of scientific and technical knowledge at a technology intensive facility).

3. The business must provide a benefits package, including health care, to employees being retrained.

4. The business must spend at least one dollar and fifty cents on eligible employee retraining for each dollar claimed as a job retraining credit.

5. The business must develop a retraining plan with the assistance of a technical college within the appropriate service area. Once a retraining plan has been approved by the technical college, the business must submit an application to the SBTCE.[1]

6. The technical college must provide the retraining program directly, contract with other training entities to perform the training, or supervise an employer's internal training program.

7. Only the direct costs of the retraining qualify for the credit (e.g., instructor salaries, development of retraining programs, purchase or rental of materials and supplies, textbooks and manuals, instructional media, and reasonable travel costs). Further, a business may not receive the retraining credit for training costs that are reimbursed directly or indirectly by the employee.

[1] Pursuant to S.C. Code Ann. § 12-10-95(J), the SBTCE shall establish additional policies and procedures for the administration of the job retraining credit. Additional information on these policies and procedures can be found at www.sctechsystem.com.

Pursuant to S.C. Code Ann. § 12-10-95(A), eligible retraining programs include, but are not limited to:

- The retraining of current employees on newly installed equipment; and
- The retraining of current employees on newly implemented technology , such as computer platforms, software implementation and upgrades, Total Quality Management, ISO 9000, and self-directed work teams.

Examples of training not eligible for the job retraining credit include: career development, executive training, management development training, personal enrichment training, and cross-training of employees on equipment or technology. See S.C. Code Ann. § 12-10-95(A)(2).

The job retraining credit has rules similar to the job development credit for related parties. A "related person" includes any entity or person that bears a relationship to a business as provided in I.R.C. §§ 267 or 707(b). However, for the job retraining credit, the "related person" does not have to be engaged in manufacturing or processing operations or technology intensive activities at a manufacturing, processing, or technology intensive facility as defined in S.C. Code Ann. § 12-6-3360(M) to qualify for the job retraining credit. S.C. Code Ann. § 12-10-30(19).

b. Claiming and Using a Job Retraining Credit

The job retraining credit is claimed as a credit against employee withholding tax. A business remits all South Carolina employee withholding to the Department as required under the withholding laws in Chapter 8 of Title 12 and claims a credit for the amount of allowable job retraining credit when it files the quarterly South Carolina withholding tax return. Any withholding overpayment resulting from the retraining credit is refunded to the business and must be used for qualifying job retraining or apprenticeship programs.

To claim the job retraining credit, a qualifying business must submit an application (including a retraining plan approved by the appropriate technical college) to the SBTCE. A revitalization agreement is not required to apply for the job retraining credit. A qualifying business may claim a job retraining credit equal to $1,000 a year for each qualifying employee retrained for up to a 5-year period. A business may not; however, claim a job retraining credit in excess of $5,000 over a 5-year period for any single employee being retrained, and may not claim the job retraining credit and the job development credit on the same employee. A business may not claim a job retraining credit for a temporary or contract employee. Further, the job retraining credit claimed may not exceed the total employee withholding for the qualifying business.

The availability of the job retraining credit is restricted to the following:

- Retraining of an existing production employee or technology employee if the retraining is necessary for the business to remain competitive or to introduce new technologies;

- Retraining for all relevant existing employees that enable a business to export or increase its ability to export its products, including training for logistics, regulatory, and administrative areas connected to its export process and other export process training that allows a business to maintain or expand its business in South Carolina; and

- Apprenticeship programs.

Once a business' application for retraining credits has been approved, it must submit an annual renewal application to the SBTCE and remit an annual $250 fee to the Department to stay in the job retraining program. Additionally, S.C. Code Ann. § 12-10-105 provides that a business claiming more than $40,000 in job retraining credits for a project in one calendar year must remit an annual $1,000 fee to the Department. The fee is used to reimburse the Department for costs incurred in auditing a project's job retraining credit at least once every 3 years.

Questions about applying for the job retraining program may be directed to Michelle Fehr at fehrm@sctechsystem.edu or (803)896-2614.

c. Recordkeeping for Job Retraining Credit

Any business claiming a job retraining credit must satisfy the following recordkeeping requirements:

1. The business must provide the Department with the quarterly employee withholding return (WH-1605Z).

2. A business claiming a job retraining credit in any calendar year must furnish the SBTCE with a report that summarizes the credits claimed. The business must file its report no later than June 30 following the calendar year the job retraining credit is claimed.

d. Helpful Tips for the Job Retraining Credit

Helpful Tips. Important points to remember concerning the job retraining credit are listed below.

- Although a revitalization agreement is not required to receive a job retraining credit, a qualifying business must develop a training plan with the assistance of the appropriate technical college and submit an application to the SBTCE.

- The retraining credit is available for up to 5 years beginning from the date of approval of the business by a technical college under the jurisdiction of the SBTCE.

- A qualifying business may be eligible to claim both the job development credit and the job retraining credit, but may only claim one of these credits, not both, on the same employee.

- The retraining credit is not available for wages of retraining participants or retraining of temporary, contract, or new employees.

- The business must use pre-printed Forms WH-1605Z and WH-1606Z provided by the Department to claim the job retraining credit. These forms must be used even if no credit is claimed in a particular quarter. The Department will generally issue a refund within 90 days of the receipt of the appropriate form.

12. TAX MORATORIUM

a. General Provisions

S.C. Code Ann. § 12-6-3367 allows a 10-year, or in some cases a 15-year, moratorium on corporate income taxes or insurance premium taxes to a qualifying taxpayer. The taxpayer must make a substantial investment and create at least 100 new, full-time jobs in designated South Carolina counties (moratorium county). These jobs must be created within 5 years from the date the taxpayer creates the first qualifying job in order to qualify for the tax moratorium.

The moratorium begins the first taxable year after the taxpayer qualifies and ends at the earlier of (a) 10 years from that date or (b) the year when the taxpayer's number of full-time jobs falls below 100. The moratorium applies to that portion of the taxpayer's corporate income tax or insurance premium tax that represents the ratio of the company's new investment in the moratorium county to its total South Carolina investment.

Any facility that is a type of facility defined in S.C. Code Ann. § 12-6-3360(M) of the job tax credit statute may qualify for the tax moratorium. Types of facilities that may qualify for the tax moratorium include manufacturing, processing, warehousing, distribution, tourism, research and development, corporate office, banks, qualifying service-related facilities, technology intensive facilities, agribusiness operations, agricultural packaging, professional sports teams and extraordinary retail establishments. A general overview of the tax moratorium requirements is provided below.

b. Qualifying Taxpayers

- <u>A Facility of the Type Listed in S.C. Code Ann. § 12-6-3360(M).</u> To qualify for the moratorium in S.C. Code Ann. § 12-6-3367(B)(1)(a), a taxpayer must:

    1. Establish or expand a facility identified in S.C. Code Ann. § 12-6-3360(M).

    2. Locate that facility in either: (a) a county with an average annual unemployment rate of at least twice the state average during each of the last two completed years (based on the most recent unemployment rates available), or (b) a county which is one of the three lowest per capita income counties (based on the average of the three most recent years of available average per capita income data) (*i.e.,* a moratorium county);

3. Create at least 100 new full-time jobs as defined in S.C. Code Ann. § 12-6-3360(M) (the job tax credit provision) at the facility within 5 years from the date it creates the first new full-time job at the facility; and

4. Invest at least 90% of its total investment in South Carolina in the moratorium county.

If a taxpayer creates and maintains at least 200 new full-time jobs within 5 years from the date the taxpayer creates the first new full-time job at the facility, the moratorium is extended to 15 years.

To continue claiming the tax moratorium for any year of the 10-year period, the taxpayer must maintain the 100 jobs for that year. If the taxpayer qualifies for the 15-year tax moratorium, to continue claiming the tax moratorium for any year of the 15-year period the taxpayer must maintain the 200 new full-time jobs, however, if the taxpayer's number of full-time jobs falls below 200 during the first 10 years of the 15-year period, but the taxpayer maintains 100 or more jobs at the facility, then the tax moratorium may be continued for the balance of the 10-year period. The tax moratorium is claimed on Form TC-34, "Corporate Tax Moratorium Per Section 12-6-3367" for taxpayer's subject to the corporate income tax. (See special rules for businesses subject to the insurance premium tax).

- <u>Requirements for a Manufacturing Facility Investing and Creating Jobs in Two Counties.</u> To qualify for the tax moratorium in S.C. Code Ann. §12-6-3367(B)(1)(b), a taxpayer must:

1. Create and maintain at least 100 new full-time jobs and invest at least $150 million at a manufacturing facility in a moratorium county described above;

2. Create and maintain at least 100 new full-time jobs and invest at least $150 million at a manufacturing facility in a second county which is designated as "distressed," "least developed," or "underdeveloped" as provided in the job tax credit statute;[2] and

3. Invest at least 90% of its total investment in South Carolina in one or both of the counties described above in items (1) and (2).

For purposes of the tax moratorium in S.C. Code Ann. § 12-6-3367(B)(1)(b), the 10 (or 15) year moratorium periods are determined separately for income from each facility. The tax moratorium is not affected if the taxpayer changes its form of business organization within the time period the tax moratorium is in effect. The term "taxpayer" means a single taxpayer or, collectively, a group of one or more affiliated taxpayers.

[2] Note: As of January 1, 2011, there are no longer any "distressed", "least developed" or "underdeveloped" counties in South Carolina, therefore, this provision may no longer be effective for companies that have not already been approved for the tax moratorium.

NOTE: S.C. Code Ann. § 12-6-3360(H), allowing a 15-year job tax credit carryforward, provides that a taxpayer eligible for the tax moratorium in S.C. Code Ann. § 12-6-3367 and the job tax credit may claim the job tax credit and carry forward the unused job tax credits after the tax moratorium period expires.

c. Approval Procedure

A taxpayer must petition, using the procedures in S.C. Code Ann. § 12-6-2320(B), (the criteria for applying for an alternative allocation/apportionment method), to obtain approval for the tax moratorium. Guidance regarding the application process is provided in SC Revenue Procedure #04-6 and includes the Coordinating Council for Economic Development's certifying that the facility will have a significant beneficial economic effect on the region for which it is planned and that its benefits to the public exceed the costs. The petition for a corporate tax moratorium is made to, and approved by, the Department of Revenue; and the petition for an insurance premium tax moratorium is made to, and approved by, the Director of the Department of Insurance.

d. Moratorium Counties

The new moratorium counties are generally determined in December of each year and those counties are eligible counties as of January 1st of the following year**.** For 2023, the following counties are moratorium counties.

Chesterfield
Dillon
Jasper

13. CREDIT FOR HIRING FAMILY INDEPENDENCE RECIPIENT

S.C. Code Ann. § 12-6-3470 allows a tax credit to employers who employ persons who received family independence payments within this state for 3 months immediately before becoming employed. In order to qualify for the credit, the employer must make health insurance available to a family independence payment recipient. All conditions, including employer contributions and employer imposed waiting periods, must be on the same basis and under the same conditions as that of any other employee. However, the employer is not required to pay for all or part of any health insurance coverage for family independence payment recipients hired in order to claim the credit if an employer does not pay for all or part of health insurance coverage for any other employee. An employer may claim the credit from the date of hire for each full month of employment even if there is an employer imposed waiting period for the health insurance, providing the waiting period does not exceed 12 months.

The employer must submit an employee release and must request in writing certification of family independence eligibility for each of the newly hired employees from the South Carolina Department of Social Services. The employer has until 15 days after the end of its tax year in which the family independence payment recipient is hired to request verification. Department of Social Service Form 12108 is used to request eligibility. The Department of Social Services has 30 days to approve or deny this certification. The employer may not take the credit if another employee was terminated in order to hire the family independence payment recipient.

A qualifying employer receives a "basic" credit amount equal to:

- 20% of wages paid to such employee for each full month of employment during the first 12 months of employment
- 15% of wages paid to such employee for each full month of employment during the second 12 months of employment and
- 10% of wages paid to such employee for each full month of employment during the third 12 months of employment.

The total amount claimed per employee under both the job tax credit, S.C. Code Ann. § 12-6-3360 discussed above, and the "basic" part of the family independence credit, S.C. Code Ann. § 12-6-3470(A), is limited to $5,500 for all taxpayers not located in a Tier IV county. The $5,500 limitation is not applicable to a taxpayer qualifying for the job tax credit in a Tier IV county. A taxpayer may choose not to claim the family independence credit to maximize the job tax credit.

Notwithstanding the $5,500 limitation amount, employers located in a South Carolina county designated for job tax credit purposes as a (1) "distressed county" or (2) "least developed county" may be able to receive the "additional" part of the family independence credit in S.C. Code Ann. § 12-6-3470(B). An employer located in a "distressed county" or "least developed county" who employs a former family independence recipient to work full-time in that county is allowed an additional $175 credit per qualifying employee for each full month during the first 36 months of employment, up to an additional $2,100, for each qualifying year.

NOTE: Since as of January 1, 2011, there are no longer any "distressed" or "least developed" counties in South Carolina, this provision no longer applies.

Any unused credit may be carried forward for 15 years.

Form TC-12, "Credit for Employers Hiring Recipients of Family Independence Payments," is used to claim the credit.

14. APPRENTICESHIP CREDIT

S.C. Code Ann. § 12-6-3477 allows an employer a $1,000 tax credit for each apprentice employed pursuant to an apprentice agreement registered with the Office of Apprenticeship of the Employment and Training Administration of the United States Department of Labor. The apprentice must be employed by the taxpayer for at least 7 full months of the tax year to qualify. A credit is not allowed for an individual for more than 4 tax years. The credit is claimed on Form TC-45, "Apprenticeship Credit."

15. REGISTERED APPRENTICESHIP CREDIT FOR HIRING VETERANS OF THE ARMED FORCES

A tax credit is available for employers that hire veterans of the Armed Forces of the United States as new employees in a registered apprenticeship program validated by the United States Department of Labor. A "veteran" is "a person who served on active duty in the Armed Forces of the United States and who, within three years of being hired in a qualifying apprenticeship program, was honorably discharged or released from such service due to a service-connected disability." The credit is available for veterans hired after 2021 and before 2027.

The tax credit is earned in the year in which the veteran first completes the twelfth consecutive month of employment with the taxpayer. The credit is earned in the same manner and on the same schedule in the second and third year of employment. In the first year in which the credit is earned, the amount of the credit is $3,000 for each eligible veteran. The credit is $2,500 in the second year and $1,000 in the third year, provided the veteran remains employed. The credit may not be claimed beyond the third year. Note, the tax credit may only be claimed for an eligible veteran once, regardless of the employer.

The credit may be taken against the income taxes imposed under Chapter 6, Title 12; the bank tax imposed under Chapter 11, Title 12; the savings and loan association tax imposed under Chapter 13, Title 12; the corporate license tax imposed under Chapter 20, Title 12; and insurance premium taxes imposed under Chapter 7, Title 38. The total amount of the tax credit for a taxable year may not exceed the taxpayer's tax liability and there is no credit carryover. S.C. Code Ann. § 12-6-3720.

16. REGISTERED APPRENTICESHIP CREDIT FOR HIRING FORMERLY INCARCERATED INDIVIDUALS

A tax credit is available for employers that hire formerly incarcerated individuals as new employees in a registered apprenticeship program validated by the United States Department of Labor. An "'incarcerated individual" is an individual that, within three years of being hired in a qualifying apprenticeship program, was held in a state or county prison, jail, or detention center for at least 90 consecutive days. However, an incarcerated individual does not include an individual incarcerated for a violent crime set forth in S.C. Code Ann. § 16-1-60, unless such individual received a pardon for the offense or unless the only disqualifying violent crime resulted in a sentence of ten years or less under S.C. Code Ann. §§ 44-53-370(E) or 44-53-375(C). The credit is available for qualifying individuals hired after 2021 and before 2027.

The tax credit is earned in the year in which the formerly incarcerated individual first completes the twelfth consecutive month of employment with the taxpayer. The credit is earned in the same manner and on the same schedule in the second and third year of employment. In the first year in which the credit is earned, the amount of the credit is $3,000 for each eligible individual. The credit is $2,500 in the second year and $1,000 in the third year, provided the qualifying individual remains employed. The credit may not be claimed beyond the third year. Note, the tax credit may only be claimed for an eligible individual once, regardless of the employer.

The credit may be taken against the income taxes imposed under Chapter 6, Title 12; the bank tax imposed under Chapter 11, Title 12; the savings and loan association tax imposed under Chapter 13, Title 12; the corporate license tax imposed under Chapter 20, Title 12; and insurance premium taxes imposed under Chapter 7, Title 38. The total amount of the tax credit for a taxable year may not exceed the taxpayer's tax liability and there is no credit carryover. S.C. Code Ann. § 12-6-3710.