

SC INFORMATION LETTER #06-20

SUBJECT: Per Capita Income Figures for the State of South Carolina
(Income Tax)

DATE: September 29, 2006

SUPERSEDES: All previous documents and any oral directives in conflict herewith.

REFERENCE: S. C. Code Ann. Section 12-6-3410 (2000, Supp. 2005)
S. C. Code Ann. Section 12-6-3360 (2000, Supp. 2005)

AUTHORITY: S. C. Code Ann. Section 12-4-320 (2000)
S.C. Code Ann. Section 1-23-10(4) (Supp. 2005)
SC Revenue Procedure #05-2

SCOPE: An Information Letter is a written statement issued to the public by the Department to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

Code Section 12-6-3410 allows a tax credit for taxpayers that establish a corporate headquarters in South Carolina. The credit consists of two components: (1) a credit equal to 20% of the real property costs of the facility and (2) an additional credit equal to 20% of the tangible personal property costs of the facility.

In order to qualify for the real property component of the credit, a taxpayer must have qualifying real property costs (as defined by the statute) of at least \$50,000 at a new headquarters or at an expansion of an existing headquarters and the taxpayer must create at least 40 new jobs performing headquarters related functions and services (as defined by the statute) or research and development related functions and services at the headquarters. At least 20 of the above mentioned jobs must qualify as "headquarters staff employees" as that term is defined in Code Section 12-6-3410(J)(5).

In order to qualify for the personal property component of the credit, a taxpayer must: (1) meet all the requirements necessary to claim the real property component of the headquarters credit; (2) meet certain requirements as to the personal property that is qualifying for the credit; (3) create at least 75 new full-time jobs performing either headquarters related functions and services, or research and development related functions and services; and (4) the 75 new full-time jobs must have an average cash compensation level of more than one and one-half times the per capita income of the State and all employees of the taxpayer in the State must have a cash compensation level of more than twice the South Carolina per capita income.

Additionally, the new jobs tax credit provisions in Code Section 12-6-3360(C)(2) are available to small businesses with 99 or fewer employees that increase employment by two or more full-time jobs. The amount of the credit depends in part on if the gross wages of the new full-time jobs amount to a minimum of 120% of the county's or state's average per capita income, whichever is lower. [Emphasis added]

A taxpayer uses the most recent per capita personal income data available as of the end of the taxpayer's taxable year in which the jobs are created in determining if the per capita income requirements are met. See, South Carolina Revenue Ruling #05-17 for an in depth discussion on the jobs tax credit for small businesses and how the per capita income requirement is to be determined for jobs subject to the jobs tax credit. See South Carolina Revenue Ruling #99-11 which discusses the appropriate method for determining how the per capita personal income is applied to all jobs for purposes of the headquarters credit in determining if the per capita income requirements of Code Section 12-6-3410 have been met.

Generally, the information concerning per capita personal income for the State of South Carolina is updated twice a year, usually in May and October. The Department publishes the figure when it receives it from the South Carolina Board of Economic Advisors. They usually obtain the information from the United States Department of Commerce's Bureau of Economic Analysis website at www.bea.gov. The most recently available South Carolina per capita personal income figure is as follows:

State of South Carolina \$28,212