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SC INFORMATION LETTER #87-2

TO:	Ms. Vicki Jinnette Public Information Officer
FROM:	John Swearingen, Manager Tax Policy and Procedures Department
SUBJECT:	New Jobs Credit
REFERENCE:	12-7-616 Redesignated 12-7-1220
AUTHORITY:	S.C. Code Section 12-3-140
SCOPE:	"An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts."

The new jobs credit bill expands the jobs credit to all counties. The Commission shall designate the (a) <u>sixteen less developed counties</u>, (b) <u>the fifteen moderately developed counties</u> and (c) <u>the fifteen developed counties</u> by December 31 each year and this designation is effective for tax years of companies which begin after the date of designation. This designation is based on the most current data available from the South Carolina Employment Security Commission and the United States Department of Commerce as furnished by the Division of Research and Statistical Services of the Budget and Control Board. The credit is allowed for corporate income taxes (taxes imposed by 12-7-230) and applies to companies engaged in manufacturing, processing, warehousing, wholesaling, research and development and service related industries.

The credit is $1,000 per job for job increases of 10 or more in less developed counties, $600 per job for job increases of 18 or more in moderately developed counties and $300 per job for job increases of 50 or more in developed counties.

In order to insure qualification for a planned expansion of jobs, regardless of whether a particular county remains on the list of less developed or moderately developed counties, companies should file form SC 616, (Application for Certification of Eligibility For South Carolina New Jobs Credit) before the end of the calendar year in which the expansion is planned or announced. The filing of this form with the Commission insures the company that the Commission is aware of its planned expansion and that the credit for jobs in the less developed or moderately developed county will be allowed in the event the county falls in a different category for subsequent years.

The jobs credit is allowed for each new full time employee job for five years beginning with years two through six after the creation of the new job. In year one (year of jobs increase) the number of new full time jobs is determined by comparing the monthly average number of full time employees subject to withholding for the current taxable year (year one) with the corresponding period of the prior taxable year. In years two through six the monthly average number of full time jobs subject to withholding is computed. The credit allowed in year two is the number of those new jobs created in year one that are maintained in year two. This is determined by comparing the monthly average number of full time jobs in year one to the monthly average number of full time jobs in year two. The credit in year three is based on the average monthly jobs in year two provided they are maintained in year three. The credits for years four through six are computed in the same manner. The credits allowed in years two through six are adjusted for fluctuation. An increase of new jobs of the minimum level or more for each category of counties will result in a new five year period. If the increase falls below the minimum increase required, no credit is allowed for that year or any subsequent year two through six unless the minimum increase is met again.

Additional credits are allowed for increases in full time jobs below the minimum level qualifying for the initial credit for each category of counties, if the company already qualifies for the initial credit allowable in years two through six. Additional new full time jobs must be determined by subtracting the highest number of jobs during years two through six, or any portion completed, from the total increased employment. This additional credit is earned only for jobs created in years two through six of a qualified credit period. These additional job credits are allowed for a five year period provided they are maintained.

The credit allowed in any one year is limited to fifty per cent of the taxpayer's state income tax liability. Any unused credit may be carried forward for a period of ten years from the close of the taxable year in which the qualified jobs were established.

The two attached examples show the computation of the credit and how fluctuations affect the credit. Note that in example two, the company's plant operates only nine months per year.

NOTE: Due to the number of inquiries concerning the meaning of service related industries and full-time jobs a ruling will be issued in the near future on these two issues.