**State of South Carolina**
**Department of Revenue**
**301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214**

# SC REVENUE RULING #99-5

| | |
|---|---|
| SUBJECT: | Job Tax Credit Computation<br>(Income Tax) |
| EFFECTIVE DATE: | Applies to all periods open under the statute. |
| SUPERSEDES: | All previous documents and any oral directives in conflict herewith. |
| REFERENCES: | S. C. Code Ann. Section 12-6-3360 (Supp. 1998) |
| AUTHORITY: | S. C. Code Ann. Section 12-4-320 (Supp. 1998)<br>SC Revenue Procedure #97-8 |
| SCOPE: | A Revenue Ruling is the Department of Revenue's official advisory opinion of how laws administered by the Department are to be applied to a specific issue or a specific set of facts, and is provided as guidance for all persons or a particular group. It is valid and remains in effect until superseded or modified by a change in the statute or regulations or a subsequent court decision, Revenue Ruling or Revenue Procedure. |

## INTRODUCTION

South Carolina Code §12-6-3360 provides a tax credit against South Carolina income tax or insurance premium tax for a taxpayer creating new jobs in South Carolina. Corporations, sole proprietorships, partnerships, S corporations, and limited liability companies are eligible for the job tax credit.

To qualify for the job tax credit, a taxpayer must:

1. operate a manufacturing, tourism, processing, warehousing, distribution, research and development, qualifying service related facility, or a corporate office facility in South Carolina, or operate a retail facility or service related industry in a least developed county. Code §12-6-3360(A).

2. create the required monthly average minimum number of new jobs during a tax year. In general, a facility of the taxpayer must increase employment by 10 new full time jobs during a tax year. Code §12-6-3360(C). Exceptions to the 10 new full time job requirement are:

   (a) tourism facilities that consist of hotels and motels must create 20 new jobs. Code §12-6-3360(K)(12).

   (b) qualifying service related facilities must create at least:
      (i) 250 jobs at a single location;
      (ii) 125 jobs at a single location where the average cash compensation for those jobs is 1.5 times the county average;
      (iii) 75 jobs at a single location where the average cash compensation for those jobs is 2 times the county average; or
      (iv) 30 jobs at a single location where the average cash compensation for those jobs is 2.5 times the county average. Code §12-6-3360(K)(13).

   NOTE: A retail facility located in a least developed county, a service related industry located in a least developed county, or a qualifying service related facility classified as a health related facility under Standard Industrial Classification Code 80 located in South Carolina must create only 10 new full time jobs. A qualifying service related facility engaged in legal, accounting, investment services, or a taxpayer engaged in retail sales qualifies for the credit only if located in a least developed county. Code §§12-6-3360(A) and (M)(13).

   A new job is a job created in South Carolina at the time a new facility or an expansion is initially staffed, but generally does not include transferred or shifted employees. Code §12-6-3360(M)(3).

   The per capita income for each county is received annually from the Board of Economic Advisors. The most recent data available is published annually by the Department in a South Carolina Information Letter.

The amount of job tax credit available to a qualifying taxpayer is determined by the following:

❶ the county where the taxpayer's facility is located;
❷ the tax year in which the new jobs are created; and,
❸ the monthly average number of jobs created and maintained in a county. Code §12-6-3360(C).

The Department ranks South Carolina's 46 counties each year for purposes of determining the amount of the job tax credit.[1] For jobs created in **tax years beginning after December 31, 1995** [2] the amount of the credit for each new job is listed below. Code §12-6-3360(B).

| **County Designation** (Location of Taxpayer) | **Minimum New Jobs to Create** | **Credit Per New Job** |
|---|---|---|
| Least Developed | 10 (Note exceptions above) | $4,500 * |
| Under Developed | 10 (Note exceptions above) | $3,500 * |
| Moderately Developed | 10 (Note exceptions above) | $2,500 * |
| Developed | 10 (Note exceptions above) | $1,500 * |

*NOTE: The following are exceptions to the above credit amounts per new job:

1. A taxpayer located in a business or industrial park ("multi-county industrial park") pursuant to Section 13 of Article VIII of the South Carolina Constitution is allowed an additional $1,000 credit per year for 5 years for each new job created. Code §12-6-3360(E).

2. The total credit that may be claimed in any tax year for an employee under the job tax credit and the family independence credit (Code §12-6-3470) is $5,500. However, an employer located in a least developed county who employs a former family independence payment recipient to work full time is allowed an additional $175 family independence credit per qualifying employee for each full month during the 36 months of employment without regard to the $5,500 limitation. Code §§12-6-3360(N) and 12-6-3470(B).

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[1] See Exhibit 1 for a list of county rankings and credit amounts for credits earned in tax years beginning in 1996, 1997, and 1998 under the current law. The most recent rankings are published annually in a South Carolina Information Letter.

[2] **CAUTION**: For **tax years beginning prior to 1996**, South Carolina's county designations and credit amounts are substantially different than those listed. See the discussion in this document on transitional rules and Exhibit 2 for a list of county rankings and credit amounts for 1987 through 1998 for new jobs created before 1995 and increases in such jobs. The most recent rankings are published annually in a South Carolina Information Letter.

The purpose of this ruling is to address some of the common questions that have arisen concerning computation of the job tax credit. The Department is currently working on another ruling concerning other aspects of the job tax credit, including a more detailed analysis of the qualifications required to be eligible for the credit.

For ease of reading, this question and answer document is divided into the following categories:



## IMPORTANT POINTS TO REMEMBER AND ASSUMPTIONS USED IN EXAMPLES

✓ This ruling uses county designations, employment requirements, and credit amounts effective for credits first earned in tax years beginning after 1995, unless otherwise indicated. Be aware that the statute has been amended substantially since 1995 and transitional rules may apply to jobs created before 1995 and increases in such jobs occurring in or after 1995. The term "current law" is used to refer to the statute currently in effect for new jobs and "old law" is used to refer to the statute prior to its substantial amendment in 1995. Examples assume:

1. A taxpayer is a qualifying taxpayer required to create 10 new full time jobs and the taxpayer maintains all jobs in future years.

2. All new jobs are created by the taxpayer at the time the taxpayer's new facility or expansion is initially staffed. For the purpose of this ruling, the word "job" means "new job."

3. **Year 1 is the year of job creation that generates a job tax credit. Year 2 through Year 6 is the 5 year period the credit may be claimed on the income tax return.**

4. The jobs referred to are the total employees subject to withholding in the applicable county per month of the taxable year or per taxable year.

5. "Total employees" is the cumulative total of full time employees in each county for each month (number of employees in January plus the number in February, etc.). It is not the number of new jobs created each month. The term does not include any leased employees, transferred employees, or half time employees that do not qualify for the credit.

6. "Monthly average of full time employees" is the "total employees" divided by 12 months or the actual number of months in operation during the current tax year.

7. The taxpayer is a calendar year taxpayer and is not located in a multi-county park, unless otherwise stated.

## ❶QUALIFYING TAXPAYERS

### Question 1 - Definitions of Types of Taxpayers:

The job tax credit statute requires a taxpayer to operate a "manufacturing facility," "processing facility," "warehousing facility," "distribution facility," "research and development facility," "corporate office facility," "tourism facility," or "qualifying service related facility." Each of these terms is defined in Code §§12-6-3360(M)(5) through (13). In addition, the statute provides that taxpayers that operate retail facilities and service related industries qualify for the job tax credit in least developed counties. Code §12-6-3360(A).

## ❷<u>DETERMINING MONTHLY AVERAGE</u>

**Question 2 - Prior Year:**

Q.  What is the base or “prior” year?

A.  The base year is the year preceding the first year a taxpayer creates the number of new jobs necessary to qualify for the job tax credit, regardless of whether that year was the first year of operation of the facility.

**Question 3 - Number of New Jobs Required to Create:**

Q.  How is the number of new jobs determined?

A.  In addition to the other requirements summarized in the introduction, the law requires that a monthly average increase of 10 jobs or more for the tax year be created and maintained for a taxpayer to qualify for the credit.  Code §§12-6-3360(F)(1) and (M)(3). See exceptions noted in the introduction of this ruling when a monthly average increase of 20, 30, 75, 125, or 250 jobs must be created and maintained as required in Code §§12-6-3360(M)(12) or (13).

NOTE: When computing the increase in full time employees each year, the taxpayer must round down to the lowest whole number of jobs, as illustrated below in Example A.

**EXAMPLE A**

This example is based on the following facts. The taxpayer:
✓is a manufacturer with one location in South Carolina
✓is a calendar year taxpayer
✓is initially staffing a new South Carolina facility and begins Year 1 with 0 employees
✓maintains all jobs in Year 2
* Reminder: "Total employees" refers to the cumulative total of full time employees in each county for each month (number of employees in January plus number in February, etc.). It is not the number of new jobs created in each month.

| | **Case 1** | **Case 2** | **Case 3** |
|---|---|---|---|
| MONTHS IN YEAR 1 | CUMULATIVE TOTAL OF EMPLOYEES | CUMULATIVE TOTAL OF EMPLOYEES | CUMULATIVE TOTAL OF EMPLOYEES |
| January | 10 | 2 | 25 |
| February | 10 | 3 | 25 |
| March | 10 | 4 | 25 |
| April | 10 | 4 | 30 |
| May | 10 | 5 | 35 |
| June | 10 | 5 | 50 |
| July | 10 | 6 | 50 |
| August | 10 | 8 | 15 |
| September | 10 | 9 | 10 |
| October | 10 | 10 | 9 |
| November | 10 | 20 | 8 |
| December | 10 | 30 | 8 |
| TOTAL EMPLOYEES * | 120 | 106 | 290 |
| Divided by Months in Operation | 12 | 12 | 12 |
| Monthly Average of Full Time Employees | 10 | 8.83 | 24.17 |
| Less: Prior Year Monthly Average | 0 | 0 | 0 |
| AVERAGE INCREASE IN FULL TIME EMPLOYEES | 10 | 8 ** | 24 ** |
| QUALIFY FOR CREDIT | Yes | No | Yes |

** NOTE: The increase in new jobs is determined by rounding down to the lowest whole number.

Case 1 illustrates that a monthly average of 10 jobs is required to qualify for the credit.

Case 2 illustrates that creating more than 10 jobs near the end of the year does not result in the creation of a monthly average of 10 jobs for the tax year as required to qualify for the credit.

Case 3 illustrates that a taxpayer with less than 10 jobs at the end of the tax year may qualify for the credit. However, for the credit to be claimed in Year 2 and subsequent years, the monthly average total employment must be 10 or more in Years 2 - 6.

**Question 4 - Periods to Use in Computing Monthly Average:**

Q. What monthly periods are used to compute the monthly average?

A. The periods to compute the monthly average are the months that correspond to the tax year of the taxpayer. A taxpayer may not choose any other 12 month period. (See Question 5 for computing the monthly average when Year 1 is less than 12 months.) The monthly average number of full time employees subject to withholding in the applicable county for the taxable year is compared to the monthly average for the prior taxable year. Code §12-6-3360(F)(1).

**EXAMPLE B**

| **Taxpayer** | **Tax Year** | **Monthly Periods to Reflect on Form TC4** |
|---|---|---|
| Calendar Year Taxpayer A | January 1 to December 31 | January - December |
| Fiscal Year Taxpayer B | July 1 to June 30 | July - June |

This example illustrates that a taxpayer may not choose "any" 12 month period for purposes of computing the job tax credit. For example, a calendar year corporation hiring a majority of new employees in the fall and winter cannot choose to use any 12 month period, such as May to April or September to August to compute the monthly average number of employees.

The Department has determined that a taxpayer must use an appropriate and justifiable day in the month to determine the monthly number of full time employees, such as the last day of each month. A taxpayer may also consider using the 12th day of each month, since this employment total is a number reflected on the South Carolina

Unemployment Tax return, or consider using a regular pay day reflected on the withholding tax return. However, once a day of the month is determined, it **must** be used for all future months and years.

**Question 5 - Computing Monthly Average if First Year in Operation is Less Than 12 Months:**

Q.  How is the monthly average number of jobs computed if a taxpayer’s first year in operation is not a full 12 months?

A.  The taxpayer may elect to compute the monthly average of full time employees in the first year of operation by either of two methods:

1. Divide the total number of full time employees for “Year 1” on Form TC4, New Jobs Credit Form, by 12 months; or

2. Divide the total number of full time employees for “Year 1” on Form TC4 by the actual number of months in operation.  Code §12-6-3360(F)(1).

## EXAMPLE C

This example is based on the following facts. The taxpayer:

✓began operation at a new manufacturing facility on July 25, Year 1 (*i.e.*, in operation for 6 months)

✓is a calendar year taxpayer

| | **Method 1** | **Method 2** | **Data for Year 2** |
|---|---|---|---|
| MONTH | Year 1 | Year 1 | Year 2 |
| January | 0 | 0 | 19 |
| February | 0 | 0 | 19 |
| March | 0 | 0 | 19 |
| April | 0 | 0 | 19 |
| May | 0 | 0 | 19 |
| June | 0 | 0 | 19 |
| July | 8 | 8 | 19 |
| August | 8 | 8 | 19 |
| September | 9 | 9 | 19 |
| October | 9 | 9 | 19 |
| November | 19 | 19 | 19 |
| December | 19 | 19 | 19 |
| TOTAL EMPLOYEES | 72 | 72 | 228 |
| Divided by 12 Months or by Months in Operation | 12 | 6 | 12 |
| Monthly Average for Year 1 | 6 | 12 | |
| Monthly Average for Year 2 | | | 19 |
| Qualify for Credit | No | Yes | |

The taxpayer may elect to compute the monthly average using either Method 1 or Method 2. The relevant lines on Form TC4, New Jobs Credit Form, for the taxpayer in this example for Year 1 and Year 2 are completed as follows.

| | **Method 1** | | | **Method 2** | | |
|---|---|---|---|---|---|---|
| | Prior Year | Year 1 | Year 2 | Prior Year | Year 1 | Year 2 |
| LINE 3: Monthly average of full time employees | 0 | 6 | 19 | 0 | 12 | 19 |
| LINE 4: Previous year average | | 0 | 6 * | | 0 | 12 * |
| LINE 5: Average increase in full time employees (Line 3 less 4) | | 6 | 13 | | 12 | 7 |

<u>Summary of Method 1</u>: In computing the monthly average increase for Year 2, the monthly average of 6*****, the previous year (see Line 4, Year 2) is based on the monthly average for Year 1 using a 12 month year of operation, instead of the actual months in the first year of operation. The taxpayer does not qualify for the credit in Year 1, since a minimum of 10 new jobs was not created, however, in Year 2, the taxpayer is eligible to claim a credit for a 5 year period (Years 3 - 7) for 13 jobs, providing the jobs are maintained.

<u>Summary of Method 2</u>: In computing the monthly average increase for Year 2, the monthly average of 12*****, the previous year (see Line 4, Year 2) is based on the monthly average for Year 1 using a 6 month year of actual operation. The taxpayer would qualify for the credit in Year 1, since more than the minimum of 10 new jobs was created and would be eligible to claim a credit in Years 2 - 6 for the 12 jobs created in Year 1, providing the jobs are maintained. The 7 additional jobs created in Year 2 also qualify for the job tax credit for a 5 year period (Years 3 - 7), providing the jobs are maintained.

NOTE: Although Method 2 is most advantageous in this example, the timing and number of new jobs created in Year 1 could result in advantages in using Method 1.

**Question 6 - Computing Monthly Average for a Seasonal Business:**

Q. How is the monthly average number of new jobs computed if a business is seasonal?

A. If a qualifying taxpayer is in operation for less than 12 months each year (*e.g.*, a seasonal business), the monthly average of full time employees is computed by dividing the total number of full time employees by the actual number of months the business is in operation. Code §12-6-3360(F)(1).

**Question 7 - Creating Minimum Number of New Jobs in Several Years:**

Q. If a taxpayer has an average increase of 8 new full time employees in Year 1 and 12 new full time employees in Year 2 (for a total of 20 jobs), what number of new jobs qualify for the credit?

A. Since a monthly average of 10 new jobs is required in a year to qualify for the credit, the 8 new job increase in Year 1 does not qualify for the credit. The 12 new job increase in Year 2 (not the total increase of 20 new jobs) qualifies for the credit for 5 years beginning in Years 3 - 7. Code §12-6-3360(F)(1).

## ❸TYPES OF QUALIFYING NEW JOBS

**Question 8 - Transferred Jobs:**

Q. Do jobs transferred from another facility or a related party qualify for the credit?

A. No. A "new job" does not include a job created when an employee is shifted from an existing location in South Carolina to a new or expanded facility whether the job is transferred to or from another facility of the taxpayer or to or from a related party's facility. Code §12-6-3360(M)(3).

There is, however, an exception to this provision. Effective for tax years beginning with 1997, a taxpayer may transfer jobs from one facility in South Carolina to another facility of the taxpayer in a county in which an applicable federal facility, as defined in Code §12-6-3450(A)(1)(b), is located. Currently, the only county with an applicable federal facility is Aiken County. Code §12-6-3360(F)(2)(d).

**Question 9 - Leased Employees:**

Q. Do leased employees qualify as a new job for purposes of the credit?

A. Generally, leased employees do not qualify as a new job. Leased employees or other employees of another company who are working for a qualifying taxpayer, such as a manufacturing facility, do **not** qualify for the job tax credit. Only employees of the taxpayer qualify for the credit.

However, a leasing company or temporary agency, *i.e.*, a qualifying service related facility, may qualify for the credit if it is located in a least developed county and it creates and maintains a minimum monthly average of 10 jobs at the time its new facility or expansion is initially staffed. Only employees working exclusively for and at the facility of the leasing company or temporary agency qualify as a "new job" under the job tax credit statute. Persons leased to other taxpayers do not qualify for the credit. Code §§12-6-3360(A) and (F)(1).

**Question 10 - Half Time Jobs:**

Q. Do half time jobs qualify as a new job for purposes of the credit?

A. Effective April 6, 1995, the job tax credit statute was expanded to provide that 2 "half time" jobs are considered 1 "full time" job for purposes of the job tax credit. A half time job requires at least 20 hours of an employee's time a week. Code §12-6-3360(M)(4).

**EXAMPLE D**

This example is based on the following facts. The taxpayer:
✓is a manufacturer beginning operation in South Carolina in 1996
✓has a monthly average of 20 full time employees and 0 half time employees in calendar year 1996
✓employs 50 half time employees beginning in January 1997 and employment figures remain level for subsequent years.
Reminder: Effective April 6, 1995, the statute was expanded to provide that two half time jobs qualify as one full time job.

For the 1997 tax year, what is the average increase in full time employees for job tax credit purposes?

| **Monthly Average of Full Time Jobs in 1996** | **Number of Full Time Jobs** | **Number of Half Time Jobs** | **Total Jobs for Credit Purposes** |
|---|---|---|---|
| | 20 | 0 | 20 |

| **Month in 1997** | **Number of Full Time Jobs** | **Number of Half Time Jobs** | **Total Jobs for Credit Purposes** |
|---|---|---|---|
| January | 20 | 50 | 45 (See Note a) |
| February | 20 | 50 | 45 |
| March | 20 | 50 | 45 |
| April | 20 | 50 | 45 |
| May | 20 | 50 | 45 |
| June | 20 | 50 | 45 |
| July | 20 | 50 | 45 |
| August | 20 | 50 | 45 |
| September | 20 | 50 | 45 |
| October | 20 | 50 | 45 |
| November | 20 | 50 | 45 |
| December | 20 | 50 | 45 |
| Total Employees | | | 540 |

NOTE a: The 50 half time jobs created are equivalent to 25 full time jobs and are added to the 20 full time jobs. This results in a total of 45 “full time” jobs counted for credit purposes.

For the 1997 tax year, the average increase in full time employees, 25, that qualify for the credit is determined as follows:

| | |
|---|---|
| Total employees | 540 |
| Divided by months in operation | 12 |
| Monthly average of full time and equivalent employees | 45 |
| Less: Previous year average | 20 |
| Average increase in full time and equivalent employees | 25 |

**EXAMPLE E**

Same facts as above in Example D. Additional facts are:
✓in 1998, the taxpayer hires 40 of the 50 half time employees as full time employees
✓the other 10 half time employees continue as half time employees
✓employment figures remain level for subsequent years

For the 1998 tax year, what is the average increase in full time employees for job tax credit purposes?

| **Year** | **Monthly Average Number of Jobs** | **Year** | **Monthly Average Number of Jobs** |
|---|---|---|---|
| 1997 | 20 full time<br>25 full time equivalents (50 half time jobs)<br>45 jobs for credit purposes | 1998 | 20 full time<br>40 full time that were former half time<br>5 full time equivalents (10 half time)<br>65 jobs for credit purposes |

In this example, the taxpayer created 20 new jobs in 1998 (monthly average of full time employees of 65 in 1998 less the 1997 monthly average of 45 jobs). If maintained, these 20 jobs will result in a job tax credit in 1999.

**Question 11 - Tourism Facility:**

Q. How is the credit computed for a tourism facility required to create 20 new jobs?

A. The credit is computed in the same way as explained in this document for a taxpayer required to create a monthly average increase of 10 new jobs. All references to 10 new jobs should be substituted with 20 new jobs. Code §§12-6-3360(C), (F)(1), and (M)(13).

**Question 12 - Qualifying Service Related Facility:**

Q. How is the credit computed for a qualifying service related facility required to create 30, 75, 125, or 250 new jobs?

A. The credit is computed in the same way as explained in this document for a taxpayer required to create a monthly average increase of 10 new jobs. All references to 10 new jobs should be substituted with 30, 75, 125, or 250 new jobs at a single location depending on the average cash compensation level for those jobs. Code §§12-6-3360(C), (F)(1), and (M)(13). An Information Letter has been issued providing the per capita income for each county and will be updated annually as information is received from the Board of Economic Advisors.

## ❹<u>COUNTY DESIGNATIONS AND THE CREDIT AMOUNT</u>

**Question 13 - Credit Computed by County:**

Q. Is the credit computed on a county or statewide basis?

A. Generally, the credit is computed on a county by county basis. For administrative ease of computing the credit, it is suggested that a separate Form TC4, New Jobs Credit Form, be filed for each county in which a taxpayer has a facility qualifying for the job tax credit. Code §§12-6-3360(C) and (F)(1). See Question 14 for an exception to the county by county netting rule for jobs created by a taxpayer investing $50 million or more.

**EXAMPLE F**

| | Case 1 | | Case 2 | | Case 3 | |
|---|---|---|---|---|---|---|
| Counties in operation<br><br>County rankings:<br>ABC - Least developed<br>DEF - Developed | ABC County | DEF County | ABC County | DEF County | ABC County | DEF County |
| Average increase or (decrease) in full time employees | 5 | 5 | 20 | (15) | 20 | (50) |
| Jobs qualify for credit | No | No | Yes | No | Yes | No |

Case 1 illustrates that a taxpayer may not aggregate new jobs in more than one county to show a net increase of 10 jobs statewide.

Case 2 illustrates that a taxpayer may qualify for a job tax credit in one county with an average increase in employment of 10 or more new jobs even if the taxpayer reduced employment in another county that resulted in a statewide aggregate job increase of less than 10 jobs.

Case 3 illustrates that a taxpayer may qualify for a job tax credit in one county with an average increase in employment of 10 or more new jobs even if the taxpayer reduced employment in another county that resulted in a statewide aggregate job decrease.

NOTE: A taxpayer may **not** transfer employees from one county to another county to create a qualifying job increase.

**Question 14 - Computing Monthly Average for Large Investors**

Q. How is the monthly average number of jobs computed if a taxpayer invests $50 million at a single site within 3 years?

A. Effective for tax years beginning with 1997, a taxpayer investing at least $50 million at a single site within a 3 year period may elect to determine the number of new jobs created by using the monthly average number of jobs created at that one site. The term “single site” is defined as a stand-alone building whether or not several stand alone buildings are located in one geographical location. Accordingly, a qualifying taxpayer is **not** required to net job increases and job decreases occurring in the same county. Code §§12-6-3360(F)(2)(a), (b), and (c).

**Question 15 - County Ranking List:**

Q. Where are the rankings of each county listed?

A. Each year, the Department issues an Information Letter ranking South Carolina's 46 counties for purposes of the job tax credit. The rankings published reflect the final county rankings for the year after making all adjustments to county designations required by the statute. The rankings are done in December for the next tax year. The ranking of counties for tax years beginning in 1987 through 1998 are in Exhibits 1 and 2. Code §12-6-3360(B).

**Question 16 - Locking-In County Designation:**

Q. If a taxpayer is planning to locate or expand its labor force in South Carolina in future years, what county designation is used to calculate the credit upon creation of the new jobs?

A. In general, the job tax credit amount is based upon the designation of the county during the year in which the new jobs are actually created. A taxpayer may, however, "lock in" the county designation at the time of its planned expansion or location into South Carolina. By filing Form SC616, the taxpayer notifies the Department of the county in which the new facility or expansion is planned, the number of new jobs expected to be created, and when the new facility or expansion is planned. The Department will then "lock in" the county designation for the year or years indicated on Form SC616, regardless of whether the county designation changes during the year in which the jobs are actually created.

Form SC616 is valid for all new jobs created during the original 5 year job tax credit period. Additionally, any increases in new jobs occurring during this original 5 year credit period are automatically included in the "lock in" period. A subsequent Form SC616 may be filed to "lock in" the county designation for other planned facilities or expansions.

Form SC616 must be filed **before** the initial staffing of the new facility or expansion begins. Also, a copy of Form SC616 should be included with the taxpayer's South Carolina income tax return each year the job tax credit is claimed. Code §12-6-3360(J).

To notify the Department of the planned expansion, a taxpayer should mail Form SC616 to the following address:

South Carolina Department of Revenue
Office Services Division/Research and Review
Columbia, SC 29214-0019

**EXAMPLE G**

| | **Case 1** | **Case 2** | **Case 3** | **Case 4** |
|---|---|---|---|---|
| County designation at time of planned expansion | least developed | moderately developed | moderately developed | least developed |
| Credit per job at this designation | $4,500 | $2,500 | $2,500 | $4,500 |
| County designation at time of job creation (Year 1) | moderately developed | least developed | least developed | moderately developed |
| Credit per job at this designation | $2,500 | $4,500 | $4,500 | $2,500 |
| Form SC616 filed | yes | yes | no | no |
| County designation used to determine credit<br><br>Credit amount to be claimed by taxpayer | least developed<br><br>$4,500 | least developed<br><br>$4,500 | least developed<br><br>$4,500 | moderately developed<br><br>$2,500 |

This example illustrates the beneficial use of Form SC616 to the taxpayer. Case 2 illustrates that the "lock in" of a county designation is not detrimental to a taxpayer (*i.e.*, the "lock in" period is ignored if the credit amount increases from the time Form SC616 is filed to the year in which the jobs are actually created.) However, not filing a Form SC616 to establish a "lock in" period may result in a lower credit amount in future years when the new jobs are created, as illustrated in Case 4.

**Question 17 - County Designation Changes in Year 2:**

Q. What credit amount is a taxpayer eligible to claim in Year 2 (the first year of claiming the credit on the tax return) if the county designation changes from Year 1 (the year of new job creation)?

A. The credit is based on the following:

1. If a Form SC616 is filed, then the credit is based on the county designation below that results in the highest dollar credit amount:
   (a) the county designation at the time Form SC616 is filed, or
   (b) the county designation at the time the new jobs are created in Year 1. Code §12-6-3360(J).

2. If a Form SC616 is not filed, then the credit amount is based on the county designation at the time the new jobs are created in Year 1. Code §12-6-3360(C).

In either instance, the credit created in Year 1 that is claimed in Years 2 through 6 is **not** affected by any future redesignation of the county in which the taxpayer is located for the jobs created in Year 1.

**EXAMPLE H**

This example assumes a Form SC616 is **not** filed and the taxpayer maintains all jobs in future years.

| | **Case 1** - ABC County | **Case 2** - XYZ County |
|---|---|---|
| County designation at time of job creation in Year 1 | moderately developed | under developed |
| Credit per job at this designation | $2,500 | $3,500 |
| New jobs created in Year 1 | 10 | 25 |
| County designation in Year 2 | developed | least developed |
| Credit per job at this designation | $1,500 | $4,500 |
| Credit amount to be claimed in Years 2 - 6 | $2,500 | $3,500 |

Case 1 illustrates that the job tax credit of $2,500 for each of the 10 new jobs is allowed based on the designation of the county at the time the new jobs were created in Year 1, although the credit amount for the county designation decreased to $1,500 the following year when the credit is claimed on the income tax return.

Likewise, Case 2 illustrates that the job tax credit of $3,500 for each of the 25 new jobs is allowed based on the county designation at the time the new jobs were created in Year 1, even though the credit amount increased to $4,500 the following year when the credit is claimed on the income tax return.

**Question 18 - County Designation Change from Year 1 and Credit Amount for Additional New Jobs:**

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

A. The credit amount for any number of additional new jobs created is based on the following:

1. If Form SC616 is filed, then the credit is based on the county designation below that results in the highest dollar credit amount:
   (a) the county designation at the time Form SC616 is filed, or
   (b) the county designation for the year the additional new jobs are created. Code §12-6-3360(J); or

2. If Form SC616 is not filed, the county designation for the year the additional new jobs are created. Code §12-6-3360(D).

For administrative ease of computing the credit, it is suggested that a separate Form TC4, New Jobs Credit Form, be filed for each county designation when claiming the credit for years in which the county designation has changed.

## EXAMPLE I

| | **Case 1** - ABC County | **Case 2** - XYZ County |
|---|---|---|
| County designation at time of job creation (Year 1) | moderately developed | under developed |
| Credit per job at this designation | $2,500 | $3,500 |
| Number of new jobs created in Year 1 | 10 | 25 |
| County designation in Years 2 - 6 | developed | least developed |
| Credit per job at this designation | $1,500 | $4,500 |
| Number of new jobs created in Year 4 | 12 | 7 |
| Credit to be claimed for each new job created in Year 4 **if Form SC616 is not filed** prior to creation of any jobs | $1,500 | $4,500 |
| Credit to be claimed for each new job created in Year 4 if **Form SC616 is filed** prior to creation of any jobs | $2,500 | $4,500 |

Case 1 illustrates that the additional 12 new jobs created are eligible for the credit at $1,500 per job because Form SC616 is not filed, while the initial 10 new jobs are eligible for the credit at $2,500 per job. Since the credit amount is based on two different county designations, two Form TC4's should be filed. NOTE: If Form SC616 was timely filed, the higher credit amount of $2,500 is claimed and only one Form TC4 should be filed.

Case 2 illustrates that although less than 10 additional new jobs were created in a subsequent year after qualifying for the credit and during the existing 5 year credit period, credit may be claimed for the 7 additional new jobs. A credit for the 7 new jobs is allowed at $4,500 per job, even though the initial 25 new jobs are allowed a credit of $3,500. The result is the same if Form SC616 is filed or not.

**Question 19 - Relocation During Credit Period:**

Q. If a taxpayer relocates its permanent location from one county to another county with a different county ranking for purposes of the job tax credit, what dollar amount per new job may be claimed?

A. A taxpayer relocating it's permanent location must claim the job tax credit for existing jobs created at the former location based upon the designation of the county at the new location. For the year of the relocation, the credit is based upon the county designation for that year and not the previous year the jobs were created. Any number of additional new jobs created at the new county location are allowed the credit based on the county designation for the new county for the year the additional new jobs are created. A Form SC616 previously filed for the former county is **disregarded** upon permanent relocation of the taxpayer. Code §12-6-3360(C).

**EXAMPLE J**

This example assumes the taxpayer relocates to another county in Year 4 of the credit and maintains all jobs.

| | **Case 1** - ABC County | **Case 2** - XYZ County |
|---|---|---|
| County designation at time of job creation at former location (Years 1-3) | moderately developed | under developed |
| Credit per job at this designation | $2,500 | $3,500 |
| Number of new jobs created in Year 1 | 10 | 25 |
| County designation at new location in Years 4 - 5 | developed | least developed |
| Credit per job at this designation | $1,500 | $4,500 |
| Number of new jobs created in Year 4 | 12 | 7 |
| Credit to be claimed in Years 2 and 3 for each of the 10 new jobs created in Year 1 | $2,500 | $3,500 |
| Credit to be claimed in Years 4, 5, and 6 for each of the 10 new jobs created in Year 1 | $1,500 | $4,500 |
| Credit to be claimed in Years 5 - 9 for each of the 12 new jobs created in Year 4 | $1,500 | $4,500 |

Case 1 illustrates that a taxpayer choosing to relocate must claim a lower credit amount for the year of the relocation and the remaining years of the original job tax credit for jobs created in the former county.

Case 2 illustrates that a taxpayer choosing to relocate may claim a higher credit amount for the year of the relocation and the remaining years of the original job tax credit for jobs created in the former county.

## ❺DETERMINING AND CLAIMING THE CREDIT

**Question 20 - Credit Form to File:**

Q.  What form is used to compute and claim the job tax credit?

A.  South Carolina Form TC4 is used to compute and claim the job tax credit. Computer designed forms or spreadsheets are acceptable in lieu of Form TC4, providing all information on Form TC4 is reflected on the substitute form.  Several versions of Form TC4 exist in order to reflect changes in the job tax credit statute over the years.  Each version of the form shows the date revised. Use caution to ensure the appropriate form is being used.

**Question 21 - Year Credit is Claimed:**

Q.  When is the credit claimed?

A.  The credit is claimed on the taxpayer's tax return for 5 years (Years 2 - 6) beginning in the year following the creation of the new jobs (Year 1), provided the jobs are maintained.  The credit is **not** claimed in the year the new jobs are created. For example, qualifying new jobs created in the 1998 tax year generate a credit available for first use on the 1999 tax return.  (See Question 27 for determining when the credit is claimed for additional new jobs created.)

**Question 22 - Multi-County Industrial Park:**

Q. How does the location of a taxpayer in a multi-county industrial park affect the job tax credit?

A. A taxpayer located in a multi-county industrial park is allowed an additional $1,000 credit for each new full time job created for 5 years beginning in the year following the creation of the new job, provided the new jobs are maintained.

To calculate the total credit, first determine the amount of credit a taxpayer is entitled based on the actual county of location. Then, increase this amount by $1,000 for each new job created. The rankings of other counties in the multi-county industrial park do **not** affect the amount of the credit. Code §12-6-3360(E).

NOTE: If a multi-county industrial park is designated as such during the taxpayer's tax year, then all qualifying new jobs created during that year are allowed the additional $1,000 credit. Jobs created in tax years prior to the multi-county park designation do not qualify for the additional $1,000 credit. Code §12-6-3360(M)(3).

**EXAMPLE K**

| **Counties in Park** | **County Ranking** | **Credit per County** |
|---|---|---|
| A | Least Developed | $4,500 |
| B | Under Developed | $3,500 |
| C | Moderately Developed | $2,500 |
| County of taxpayer location - C | | |
| Credit - Regular credit based on taxpayer county location $2,500 | | |
| Additional credit for locating in a park $1,000 | | |
| TOTAL CREDIT per new job created in Year 1 $3,500 | | |

**Question 23 - Income Tax Limitations of Credit:**

Q. Does the credit have any income tax limitations based upon the taxpayer's taxable income?

A. Yes. The job tax credit may not exceed 50% of the taxpayer's income tax liability each year. Code §12-6-3360(A). See Questions 33 and 34 for income tax limitations of the credit earned by pass through entities.

**Question 24 - Claiming Credit When $0 Tax Liability:**

Q. If a taxpayer has a loss or no South Carolina taxable income for the year, should the credit be computed and Form TC4 be filed with the tax return?

A. Yes. The taxpayer is required to file an income tax return even if there is no South Carolina tax liability. Form TC4 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. Code §12-6-3360(H).

## ❻CHANGE IN BUSINESS OPERATIONS

**Question 25 - Short Tax Year:**

Q. How does a short tax year affect the computation of the credit?

A. A short tax year counts as one of the 5 credit years for purposes of claiming the job tax credit. In determining the monthly average for a short tax year, the taxpayer should divide by the number of months in the short tax year. Code §12-6-3360(F)(1).

## EXAMPLE L

This example is based on the following facts.
✓The taxpayer is a manufacturer beginning operation on February 1, 1996
✓The taxpayer is a South Carolina subsidiary of a group of corporations filing a combined return with a year end of 1/30
✓The subsidiary leaves the group on June 30, 1998 creating a short tax year and maintains all jobs

| | Year End 1/31/97 | Year End 1/31/98 | Short Year End 6/30/98 |
|---|---|---|---|
| **MONTH** | **Number of full time employees** | **Number of full time employees** | **Number of full time employees** |
| February | 50 | 50 | 55 |
| March | 50 | 50 | 55 |
| April | 50 | 50 | 55 |
| May | 50 | 50 | 55 |
| June | 50 | 50 | 55 **Return filed** |
| July | 50 | 50 | |
| August | 50 | 50 | |
| September | 50 | 50 | |
| October | 50 | 50 | |
| November | 50 | 50 | |
| December | 50 | 50 | |
| January | 50 | 50 | |
| TOTAL EMPLOYEES | 600 | 600 | 275 |
| Divided by months in operation | 12 | 12 | 5 |
| Monthly average of full time employees | 50 | 50 | 55 |
| AVERAGE INCREASE IN FULL TIME EMPLOYEES | 50 | 0 | 5 |

This example illustrates that the taxpayer may claim credit for the 50 new jobs created in the fiscal year ending January 31, 1997 (Year 1) the following year on its tax return filed for the year ended January 31, 1998 (Year 2). The next year of the 5 year credit period for the 50 jobs maintained is claimed on its tax return for the short period ended June 30, 1998 (Year 3). The taxpayer claims the entire credit amount, not a prorated amount, during the short period. NOTE: The short period constitutes a “year” of the 5 year credit period. The additional new jobs created in the short period ended June 30, 1998 and maintained are claimed on the tax return for the following year.

**Question 26 - Business Reorganization or Sale of Assets:**

Q. If a taxpayer buys the assets of an existing business, how is the credit of the existing taxpayer affected?

A. 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. 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. Code §12-6-3360(I).

## ❼COMPUTING THE CREDIT AND CARRYOVERS

**Question 27 - Credit for Additional New Jobs:**

Q. If a taxpayer currently qualifies for the credit and creates additional new jobs during the 5 year credit period, is a credit allowed for these additional new jobs?

A. Yes. Once a taxpayer is eligible to claim the job tax credit, there is no requirement to increase the number of jobs during the existing 5 year credit period beyond the initial average increase of 10. During the 5 year credit period, a credit is also allowed for additional new jobs created for 5 years beginning in the year following the year in which the qualifying additional new jobs were created. Code §12-6-3360(D).

**EXAMPLE M**

| | **Year 1** | **Year 2** | **Year 3** | **Year 4** |
|---|---|---|---|---|
| Line 1: Average increase in employees | 12 | 2 | 1 | 11 * |
| Line 2: Jobs qualify for credit | yes | yes | yes | yes |
| Line 3: Total number of new jobs | 12 | 14 | 15 | 26 |
| Line 4: Years to claim credit for the new jobs created in Line 1 for the stated year | 2 - 6 | 3 - 7 | 4 - 8 | 5 - 9 |

This example illustrates that when a taxpayer qualifies for the credit by creating 10 or more new jobs in Year 1 and maintaining these new jobs in future years, and then creates additional new jobs in future years in the credit period, the taxpayer is allowed a credit for increases in new jobs created during the initial 5 year credit period, even for increases less than 10.

* In Year 4 of this example, if the taxpayer adds a second facility in the county that results in the creation of 11 new jobs during the initial 5 year credit period, the taxpayer may choose to treat these new jobs at the second new facility as additional increases of the existing credit or choose to start a new 5 year credit period.

The following illustrates the proper computation of the number of new jobs on SC Form TC4 assuming all jobs are part of the original credit.

| | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** | **Year 8** | **Year 9** |
|---|---|---|---|---|---|---|---|---|
| Year 1 Increase | 12 | 12 | 12 | 12 | 12 | | | |
| Year 2 Increase | | 2 | 2 | 2 | 2 | 2 | | |
| Year 3 Increase | | | 1 | 1 | 1 | 1 | 1 | |
| Year 4 Increase | | | | 11 | 11 | 11 | 11 | 11 |
| Year 5 Increase | | | | | 0 | 0 | 0 | 0 |
| Number of New Jobs Credit | 12 | 14 | 15 | 26 | 26 | 14 | 12 | 11 |

**Question 28 - Credit Not Allowed if Employment Falls Below Minimum:**

Q. Is a credit allowed in the current year or any subsequent year that the average job increase falls below the minimum monthly average of 10?

A. No. The initial minimum monthly average job increase of 10 new jobs must be maintained to claim the credit. For example, if a monthly average of 10 jobs are created in the current year (1998) and only a monthly average of 8 jobs are maintained in 1999 (Year 2), no job tax credit is allowed for the 1999 tax year. Code §12-6-3360(G).

**Question 29 - Carryforward Period:**

Q. Does the credit have a carryforward period?

A. Yes. Any unused credit may be carried forward for 15 years from the taxable year in which the credit is earned. Code §12-6-3360(H).

**Question 30 - Failure to Claim Credit:**

Q. If a taxpayer failed to claim the job tax credit in a year now closed under the statute of limitations, can any of the credit be carried forward from the closed year to an open year?

A. Yes. A taxpayer may file an amended return and claim the "unused credit" for the periods that are open under the statute of limitations as set forth below.

In determining the available carryforward from a closed year, the taxpayer is treated as if the credit had been properly claimed in the closed year. Only the amount of credit which would have been a carryforward if the credit had been properly claimed in that closed year is eligible for carryforward. Code §§12-6-3360(C) and (H). See also Revenue Ruling 82-49, 1982-1 C.B. 5.

**EXAMPLE N**

This example is based on the following facts. The taxpayer:
✓is a calendar year corporate taxpayer
✓filed all tax returns timely on the due date
✓amended the 1994, 1995, and 1996 South Carolina tax returns on March 15, 1998 to claim the $4,000, $2,000, and $2,000 unused job tax credit, respectively
✓created the required number of new jobs in 1992 and maintains the jobs in all years

| Tax Year | Original Credit Earned | Tax Liability | Credit Limited to 50% of Tax | Credit Available to Carryforward on Amended Return |
|---|---|---|---|---|
| 1993 | $15,000 | $10,000 | $5,000 | $10,000* |
| 1994 | $0 | $ 8,000 | $4,000 | $ 6,000 |
| 1995 | $0 | $ 4,000 | $2,000 | $ 4,000 |
| 1996 | $0 | $ 4,000 | $2,000 | $ 2,000 |
| 1997 | $0 | $ 4,000 | $2,000 | $ 0 |

This example illustrates that although a $15,000 credit was originally earned in 1993, only $10,000***** is available to carryforward since the 1993 period is now closed under the statute of limitations; the $5,000 credit that should have been claimed on the 1993 tax return is lost and not available for carryforward. On the amended returns, the taxpayer is able to claim a $4,000 credit in 1994, a $2,000 credit in 1995, and a $2,000 credit in 1996. NOTE: This example illustrates the use of the carryforward of the original credit earned in 1993 and does **not** include any additional credits earned during 1994 through 1997.

**Question 31 - Carryforward of Credit When Maintaining Less Than 10 New Jobs:**

Q. If the minimum level falls below 10 jobs, can a credit earned in a prior year be carried forward?

A. Yes. Once the credit is earned it may be carried forward. For example, in Year 1 a taxpayer in a least developed county creates 10 new jobs and qualifies for a $4,500 per new job credit. During Year 2, the 10 new jobs are maintained and a $45,000 credit is generated. In Year 3, the taxpayer falls below the minimum number of 10. The taxpayer has no tax liability in Years 2 or 3. The taxpayer has a credit carryforward from Year 2 of $45,000 even though the jobs are not maintained in Years 3 through 6. NOTE: (1) The jobs must be maintained in Year 2 to qualify for the credit and (2) no credit is earned in Years 3, 4, and 5 (see Question 28.) Code §§12-6-3360(G) and (H).

## ❽EXAMPLES OF CREDIT COMPUTATION - CURRENT LAW

The following 2 examples show the proper completion of SC Form TC4.

## EXAMPLE 0

**SC NEW JOB TAX CREDIT**

| | Prior Year | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LINE 1: TOTAL EMPLOYEES[3] | 0 | 144 | 168 | 180 | 156 | 270 | 288 | 300 | 324 | 348 | 312 | 336 |
| LINE 2: DIVIDED BY: NUMBER OF MONTHS IN OPERATION | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| LINE 3: MONTHLY AVERAGE OF FULL TIME EMPLOYEES | 0 | 12 | 14 | 15 | 13 | 22 | 24 | 25 | 27 | 29 | 26 | 28 |
| LINE 4: LESS: PREVIOUS YEAR AVERAGE | | 0 | 12 | 14 | 15 | 13 | 22 | 24 | 25 | 27 | 29 | 26 |
| LINE 5: AVERAGE INCREASE IN FULL TIME EMPLOYEES | | 12 | 2 | 1 | (2) a | 9 | 2 | 1 b | 2 | 2 | (3) | 2 |

**COMPUTATION OF EMPLOYEES ELIGIBLE FOR CREDIT**

| | 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 | Year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LINE 6: YEAR 1 INCREASE | | 12 | 12 | 12 | 12 | 12 | | | | | |
| LINE 7: YEAR 2 INCREASE | | | 2 | 2 | 2 | 2 | 2 | | | | |
| LINE 8: YEAR 3 INCREASE | | | | (1) a | (1) | (1) | (1) | (1) | | | |
| LINE 9: YEAR 4 INCREASE | | | | | 0 a | 0 | 0 | 0 | 0 | | |
| LINE 10: YEAR 5 INCREASE | | | | | | 9 | 9 | 9 | 9 | 9 | |
| LINE 11: YEAR 6 INCREASE | | | | | | | 2 | 2 | 2 | 2 | 2 |
| YEAR 7 INCREASE | | | | | | | | 0 | 0 | 0 | 0 |
| YEAR 8 INCREASE | | | | | | | | | 0 | 0 | 0 |
| YEAR 9 INCREASE | | | | | | | | | | 0 | 0 |
| YEAR 10 INCREASE | | | | | | | | | | | 0 |
| LINE 12: NUMBER OF NEW JOBS CREDIT (Add Lines 6 through 11) | | 12 | 14 | 13 | 13 | 22 | 12 | 10 | 11 | 11 | 2 |

NOTE a: The average decrease of 2 jobs in Year 4 (Line 5) must be considered in determining the Line 8 Year 3 amount, *i.e.*, the taxpayer does not get credit for the 1 job created in Year 3. The Line 9 Year 4 amount is zero since Year 4 (Line 5) has a job decrease.

NOTE b: The new jobs created in Years 7 through 11 (Line 5) do **not** qualify for the credit since the 5 year credit for the initial 12 job increase in Year 1 (claimed in Years 2 through 6) has expired.

[3] Total employees is the cumulative total of full time employees in each county for each month (number of employees in January plus number in February, etc.). It is not the number of new jobs created each month.

## EXAMPLE P

**SC NEW JOB TAX CREDIT**

| | 1996 | 1997 | 1998 **Prior Year** | 1999 **Year 1** | 2000 **Year 2** | 2001 **Year 3** | 2002 **Year 4** | 2003 **Year 5** | 2004 **Year 6** | 2005 **Year 7** |
|---|---|---|---|---|---|---|---|---|---|---|
| LINE 1: TOTAL EMPLOYEES[4] | 36 | 144 | 252 | 396 | 420 | 432 | 432 | 456 | 468 | 600 |
| LINE 2: DIVIDED BY: NUMBER OF MONTHS IN OPERATION | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| LINE 3: MONTHLY AVERAGE OF FULL TIME EMPLOYEES | 3 | 12 | 21 | 33 | 35 | 36 | 36 | 38 | 39 | 50 |
| LINE 4: LESS: PREVIOUS YEAR AVERAGE | | 3 | 12 | 21 | 33 | 35 | 36 | 36 | 38 | 39 |
| LINE 5: AVERAGE INCREASE IN FULL TIME EMPLOYEES | | 9 | 9 a | 12 | 2 | 1 | 0 | 2 | 1 | 11 b |

**COMPUTATION OF EMPLOYEES ELIGIBLE FOR CREDIT**

| | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** | **Year 8** | **Year 9** | **Year 10** | **Year 11** |
|---|---|---|---|---|---|---|---|---|---|---|
| LINE 6: YEAR 1 INCREASE | 12 | 12 | 12 | 12 | 12 | | | | | |
| LINE 7: YEAR 2 INCREASE | | 2 | 2 | 2 | 2 | 2 | | | | |
| LINE 8: YEAR 3 INCREASE | | | 1 | 1 | 1 | 1 | 1 | | | |
| LINE 9: YEAR 4 INCREASE | | | | 0 | 0 | 0 | 0 | 0 | | |
| LINE 10: YEAR 5 INCREASE | | | | | 2 | 2 | 2 | 2 | 2 | |
| LINE 11: YEAR 6 INCREASE | | | | | | 1 | 1 | 1 | 1 | 1 |
| LINE 12: NUMBER OF NEW JOBS CREDIT (Add Lines 6 through 11) | 12 | 14 | 15 | 15 | 17 | 6 | 4 | 3 | 3 | 1 |

NOTE a: The taxpayer begins operation in South Carolina in 1996. There is no qualifying job increase in 1996 or 1997 since the minimum average job increase of 10 is not met. The base or prior year is 1998 since it is the year preceding the year in which the taxpayer qualifies for the credit. See Question 2 for an explanation of the base or prior year.

NOTE b: The new jobs created in Year 7 do not qualify for the credit since the 5 year credit period for the initial 12 job increase in Year 1 has expired. However, since the Year 7 (Line 5) increase of 11 new jobs is the result of a new expansion, it will create a new credit period. In that case, the taxpayer will treat the additional new jobs as a new credit with a new 5 year period (new Year 2 through 6) and will compute it on a second Form TC4, not illustrated in this example. See Question 27.

[4] Total employees is the cumulative total of full time employees in each county for each month (number of employees in January plus number in February, etc.). It is not the number of new jobs created each month.

## ❾PASS THROUGH ENTITY RULES

**Question 32 - Pass Through of Credit & Effective Date:**

Q. Does the job tax credit pass from an S-corporation, partnership, or limited liability company (LLC) taxed as a partnership or S-corporation to its shareholders, partners, or members?

A. Yes. Effective July 1, 1995, the job tax credit statute was amended to allow the pass through of the credit by a qualifying S-corporation, partnership, or LLC taxed as a partnership or S-corporation to a shareholder, partner, or member, respectively. The credit passes through as a nonrefundable credit against taxes imposed under Code §12-6-510 (income of individuals, estates, and trusts). The pass through of the job tax credit is allowed for all new jobs created during the 1995 taxable year (*i.e.*, credits claimed in 1996) and thereafter. Code §12-6-3360(K)(1). NOTE: Since the statute allows a credit against taxes imposed under Code §12-6-510 and corporations are taxed under Code §12-6-530, the credit does **not** pass through to partners or members subject to corporate tax. See Question 38 for a discussion of the transitional rules pertaining to the pass through of the job tax credit.

**Question 33 - Computing Credit to Pass Through:**

Q. How is the amount of the pass through credit by the S-corporation, partnership, or LLC taxed as a partnership or S-corporation determined?

A. The credit is determined and computed in the same manner as a qualifying C-corporation, except the credit computation is not affected by the entity’s income or loss. In order to qualify for the credit, the entity (1) must be a qualifying taxpayer, *e.g.*, it must operate a manufacturing, tourism, processing, warehousing, distribution, research and development, qualifying service related facility, or a corporate office facility, or a qualified service related industry or retail facility in a least developed county, and (2) must create and maintain the required minimum number of new jobs. Code §12-6-3360(K)(2).

**EXAMPLE Q**

This example is based on the following facts. The taxpayer creating the new jobs:
✓is a partnership engaged in manufacturing in a developed county
✓has three, equal, individual partners
✓creates and maintains 10 jobs in the 1996 tax year

| | |
|---|---|
| Partnership income<br>Partnership deductions<br>South Carolina tax liability | \$500,000<br>\$150,000<br>\$0 |
| Job tax credit earned | \$15,000 (\$1,500 x 10 new jobs) |
| Job tax credit passed through | \$5,000 per equal partner |

This example illustrates that the credit is computed in the same manner as a C-corporation. NOTE: The credit computation is **not** affected by the partnership's income and is not limited to 50% of the partnership's income tax. The answer would be the same if the partnership had a \$500,000 South Carolina loss.

**Question 34 - Use of Credit by Partner, Shareholder, or Member:**

Q. What income of the partner, shareholder or member does the credit offset?

A. The credit may be used against all South Carolina income tax reported by the partner, shareholder, or member that is subject to tax imposed by Code §12-6-510. It is not limited to use only against the partnership, S-corporation, or limited liability company income that passed through the credit. Further, if the partner, shareholder, or member files a joint income tax return, the credit may be used to offset the income of both spouses, even if only one spouse is the partner, shareholder, or member. <u>The credit is limited to 50% of the partner's, shareholder's, or member's income tax liability or married couple's income tax liability</u>. Code §12-6-3360(K)(3).

NOTE: South Carolina has adopted the provisions of Internal Revenue Code §465 (deductions limited to amount at risk), however, Internal Revenue Code §465 does not apply in this instance to limit the South Carolina job tax credit to an individual in a passive activity.

**EXAMPLE R**

This example is based on the following facts. The taxpayer creating the new jobs:
✓is an S-corporation engaged in manufacturing in a developed county
✓has one individual shareholder
✓created 10 new jobs in the 1996 tax year, maintains all jobs, and earned a $15,000 job tax credit
✓has a South Carolina corporate tax liability due to the built in gains tax (IRC §1374 and Code §12-6-590) and is subject to tax under Code §12-6-530

| | | |
|---|---|---|
| South Carolina income tax liability on SC Form 1120S | | $10,000 |
| Job tax credit earned by S-corporation | $15,000 | |
| Job tax credit used by S-corporation (50% tax liability) | | $5,000 |
| Job tax credit balance passed through to shareholder | $10,000 | |
| South Carolina individual tax liability on SC Form 1040 | | $6,000 |
| Credit limited to use by shareholder (50% tax liability) | | $3,000 |
| Credit carryforward by shareholder | $7,000 | |

This example illustrates that an S-corporation must first use the job tax credit against the entity income tax after computing the entity's 50% income tax limitation and then must pass through the remaining credit to the shareholder who will also apply his 50% income tax limitation at the shareholder level. Once the credit is passed through to the shareholder, it may not be later used by the S-corporation.

If the S-corporation had a $10,000 loss and no South Carolina income tax liability, the answer would change. The loss would pass through to the shareholder and the entire $15,000 job tax credit would pass through to the shareholder and be limited to 50% of the shareholder's income tax liability or joint income tax liability.

**EXAMPLE S**

This example is based on the following facts.  The taxpayer:
✓is an individual shareholder in an S-corporation that passed through a job tax credit
✓files a joint South Carolina tax return for 1998

| | | |
|---|---|---|
| Shareholder's joint South Carolina tax liability on SC Form 1040 | | $6,000 |
| Job tax credit passed through from S-corporation | $5,000 | |
| Credit limited to use by shareholder (50% tax liability) | | $3,000 |
| Shareholder's tax liability after credits | | $3,000 |
| Credit carryforward by shareholder | $2,000 | |

This example also illustrates that once a job tax credit has been passed through to the shareholder, it may not be later used by the S-corporation.

## ❿TRANSITIONAL RULES

**Question 35 - Credit Requirements Before 1996:**

Q. What is the amount of credit for new jobs created in tax years beginning prior to 1996?

A. The credit available to a qualifying taxpayer for new jobs created in tax years beginning prior to January 1, 1996, and increases **not** resulting in eligibility for a new 5 year credit prior to January 1, 1996, is:

| **County Designation** (Location of Taxpayer) | **Minimum New Jobs to Create** | **Credit Per New Job** |
|---|---|---|
| Less Developed | 10 | $1,000 |
| Moderately Developed | 18 | $ 600 |
| Developed | 50 | $ 300 |

In comparison, jobs created under the **current law** qualify for the credit for each new job as listed below. Code §12-6-3360(B).

| **County Designation** (Location of Taxpayer) | **Minimum New Jobs to Create** | **Credit Per New Job** |
|---|---|---|
| Least Developed | 10 * | $4,500 * |
| Under Developed | 10 * | $3,500 * |
| Moderately Developed | 10 * | $2,500 * |
| Developed | 10 * | $1,500 * |

***** NOTE: See exceptions to the minimum new jobs to create and increased credit amounts in the introduction of this document.

**Question 36 - Credit for New Jobs Created Before 1996 and Credit for New Jobs Created in 1996 and Thereafter:**

Q. Do the $300 to $1,000 credit amounts (*i.e.* old law) apply to all new jobs created prior to 1996 and all new job increases after 1995 that occur during a 5 year credit period beginning before 1996?

A. The old law (*i.e.* three county designations and $300 to $1,000 credit amounts) applies to all new jobs created prior to January 1, 1996 and all increases, thereafter, that do not result in eligibility for a new 5 year credit period. However, increases in an existing 5 year credit period that began before 1996 that result in an increase of 10 new jobs or more for tax years beginning after December 31, 1995 as a result of another expansion of the facility or a second new facility can result in a new credit with a new 5 year period, if the taxpayer chooses, and can qualify for the $1,500 to $4,500 credit amounts under the current law. See Question 27.

## EXAMPLE T

This example is based on the following facts. The taxpayer
✓began operations in 1994 with 0 employees
✓is a calendar year taxpayer
✓maintains all jobs created, unless otherwise noted

| | **Case 1** | **Case 2** | **Case 3** |
|---|---|---|---|
| County designation at time of creating new jobs in 1994 (Year 1) | Developed | Moderately developed | Moderately developed |
| Credit per job at this designation | $300 | $600 | $600 |
| Jobs created in 1994 | 50 | 18 | 18 |
| Job increase (decrease) in 1995 (Year 2) | 1 | (8) | 7 |
| Job increase in 1996 (Year 3) | 2 | 1 | 10 * |
| Job increase in 1997 (Year 4) | 5 | 3 | 0 |
| Credit amount to be claimed in Year 2 (1995) | $15,000<br>50 jobs x $300 | $0 | $10,800<br>18 jobs x $600 |
| Credit amount to be claimed in Year 3 (1996) | $15,300<br>51 jobs x $300 | $0 | $15,000<br>25 jobs x $600 |
| Credit amount to be claimed in Year 4 (1997) | $15,900<br>53 jobs x $300 | $0 | $50,000<br>25 jobs x $600<br>10 jobs x $3,500 ** |
| Credit amount to be claimed in Year 5 (1998) | $17,400<br>58 jobs x $300 | $0 | $50,000<br>25 jobs x $600<br>10 jobs x $3,500 ** |

Case 1 illustrates that new job increases during a credit period beginning under the old law are allowed a credit based on the old law county designation at the time the new jobs are created, even if the new jobs are created in 1996 or thereafter.

Case 2 illustrates that a taxpayer that falls below the minimum number of new jobs required to be created (18 new jobs in this example under the old law) and maintains 10 jobs (as required under the current law) does not qualify for the credit. The credit is not allowed since the job level of 18 required under the old law is not maintained.

* Case 3, based on the additional fact that the taxpayer has another expansion in 1996 resulting in a new job increase of 10, illustrates that 10 or more new jobs created in tax years beginning after 1995 create a new 5 year credit period based on the current law county designation at the time the new jobs are created.

**NOTE: For purposes of Case 3, the county designation at the time of creating the new jobs in 1996 under the current law is under developed. An under developed county is allowed a $3,500 credit per new job.

**Question 37 - Part Time Jobs Created Before 1996:**

Q. Do part time jobs created prior to April 6, 1995 qualify for the job tax credit?

A. Part time jobs created prior to tax years beginning before 1995 do not qualify for the credit. Effective April 6, 1995, the definition of "full time" job was amended to provide that two half time jobs are considered one full time job. Code §12-6-3360(M)(3).

**EXAMPLE U**

This example is based on the following facts. The taxpayer:
✓is a manufacturer beginning operation in South Carolina in January 1993
✓initially staffs the facility in 1993, 1994, and 1995 and the employment figures remain level in 1996 and subsequent years
✓is located in a county designated as less developed under old law ($1,000 per new job credit) and least developed under current law ($4,500 per new job credit).
Reminder: Effective April 6, 1995, the job tax credit statute was expanded to provide that two half time jobs are considered one full time job.

The average increase in full time employees is calculated below for 1993 and 1994.

| | 1993 | | 1994 | |
|---|---|---|---|---|
| **Month** | **Full Time** | **Half Time** | **Full Time** | **Half Time** |
| January | 10 | 0 | 20 | 16 |
| February | 10 | 0 | 20 | 16 |
| March | 20 | 10 | 20 | 16 |
| April | 20 | 10 | 20 | 16 |
| May | 20 | 10 | 20 | 16 |
| June | 20 | 10 | 20 | 16 |
| July | 20 | 10 | 20 | 16 |
| August | 20 | 10 | 20 | 16 |
| September | 20 | 10 | 20 | 16 |
| October | 20 | 10 | 20 | 16 |
| November | 20 | 10 | 20 | 16 |
| December | 20 | 10 | 20 | 16 |
| Total employees | 220 | 100 | 240 | 192 |
| Divide by months in operation | 12 | 12 | 12 | 12 |
| Monthly average of full time employees | 18 | 0 - N/A | 20 | 0 - N/A |
| Previous year average | 0 | 0 - N/A | 18 | 0 - N/A |
| Average increase in full time employees | 18 | 0 - N/A | 2 | 0 - N/A |

Prior to 1995, the taxpayer must compute the number of new jobs by using only full time employees since no credit is allowed for half time employees. Beginning in 1994 (Year 2), the taxpayer may claim a credit for 5 years (1994 through 1998) for the 18 new jobs created in 1993 and maintained in subsequent years. Beginning in 1995 (Year 3), the taxpayer may claim a credit for 5 years (1995 through 1999) for the additional 2 new jobs created in 1994 and maintained.

The following illustrates the proper computation of the number of new full time jobs on the first SC Form TC4 under old law.

| | 1994<br>**Year 2** | 1995<br>**Year 3** | 1996<br>**Year 4** | 1997<br>**Year 5** | 1998<br>**Year 6** | 1999<br>**Year 7** |
|---|---|---|---|---|---|---|
| Year 1 (1993) Increase | 18 | 18 | 18 | 18 | 18 | |
| Year 2 (1994) Increase | | 2 | 2 | 2 | 2 | 2 |
| Number of New Jobs Credit | 18 | 20 | 20 | 20 | 20 | 2 |
| Credit per job (old law) | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| Eligible Credit | $18,000 | $20,000 | $20,000 | $20,000 | $20,000 | $2,000 |

Effective April 6, 1995, two new half time jobs also qualify as one new full time job. In 1995, the taxpayer maintains the 20 full time employees and in July 1995, hires 34 half time employees and maintains the 16 half time employees (for a total of 50 half time employees).

The average increase in full time employees is calculated below for 1995 and illustrates the restatement of 1994 to determine the 1995 qualifying job increase.

| | **1994 (RESTATED)** | | **1995** | |
|---|---|---|---|---|
| **Month** | **Full Time** | **Half Time** | **Full Time** | **Half Time** |
| January | 20 | 16 | 20 | 16 |
| February | 20 | 16 | 20 | 16 |
| March | 20 | 16 | 20 | 16 |
| April | 20 | 16 | 20 | 16 |
| May | 20 | 16 | 20 | 16 |
| June | 20 | 16 | 20 | 16 |
| July | 20 | 16 | 20 | 50 |
| August | 20 | 16 | 20 | 50 |
| September | 20 | 16 | 20 | 50 |
| October | 20 | 16 | 20 | 50 |
| November | 20 | 16 | 20 | 50 |
| December | 20 | 16 | 20 | 50 |
| Total employees | 240 | 192 | 240 | 396 |
| Divide by months in operation | 12 | 12 | 12 | 12 |
| Monthly average of full time employees | 20 | 16 half time = 8 full time equivalents | 20 | 33 half time = 16 full time equivalents |
| Monthly average of full time employees and full time equivalents | 28 (20 + 8 from line above) | | 36 (20 + 16 from line above) | |
| Previous year average (restated) | | | 28 | |
| Average increase in full time employees | | | 8 | |

Since the taxpayer is currently claiming the job tax credit in 1996 for new jobs created in 1993 and 1994 under the old law, the taxpayer must determine the qualifying 1995 job increase by restating the 1994 average increase of employees using the current law. The taxpayer should file two SC Form TC4's - one for the credits claimed for new job increases under the old law as illustrated above and one for the credits claimed for new job increases under the current law as illustrated below.

The following illustrates the proper computation of the number of new full time jobs and equivalents on the second SC Form TC4 under new law.

| | 1996<br>**Year 4** | 1997<br>**Year 5** | 1998<br>**Year 6** | 1999<br>**Year 7** | 2000<br>**Year 8** |
|---|---|---|---|---|---|
| Year 3 (1995) Increase | 8 | 8 | 8 | 8 | 8 |
| Number of New Jobs Credit | 8 | 8 | 8 | 8 | 8 |
| Credit per job (old law*) | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| Eligible Credit | $8,000 | $8,000 | $8,000 | $8,000 | $8,000 |

*NOTE: The credit amount remains at $1,000 under the old law.

The eligible credit amounts from the two SC Form TC4's are combined for the applicable year and the 50% income tax liability limitation (see Question 23) is applied to the combined job tax credit.

**Question 38 - Pass Through of Credit for New Jobs Created Before 1996 and Credit for New Jobs Created in 1996 and Thereafter:**

Q. How is the amount of the pass through credit at the S-corporation, partnership, or LLC (taxed as a partnership or S-corporation) level determined for new jobs created before 1995 which generate a 5 year credit?

A. Effective July 1, 1995, the statute was amended to allow a corporation, partnership, or LLC that qualifies for the job tax credit as an S-corporation, partnership, or LLC taxed as a partnership or S-corporation to pass through the credit to each shareholder, partner, or member subject to taxes imposed under Code §12-6-510 . The pass through of the credit does not apply to jobs created prior to the 1995 taxable year. Code §12-6-3360(K)(1).

**EXAMPLE V**

This example is based on the following facts. The taxpayer:
✓is a partnership engaged in manufacturing
✓has one location in a less developed county under the old law
✓maintains the jobs in future years

The following illustrates the increase in employees in the year of new job creation:

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Total employees | 144 | 168 | 216 | 240 |
| Divided by months in operation | 12 | 12 | 12 | 12 |
| Monthly average of full time employees | 12 | 14 | 18 | 20 |
| Less: Previous year average | 0 | 12 | 14 | 18 |
| Average increase in full time employees | 12 | 2 | 4 | 2 |

The following illustrates the credit amount the partnership may pass through in the stated tax years:

| | 1994 and 1995 | 1996 | 1997 |
|---|---|---|---|
| Number of new jobs eligible to pass through | 0 | 4 | 6<br>(4+2) |
| Amount of credit per employee | $300 | $300 | $300 |
| Eligible credit to pass through | $0 | $1,200 | $1,800 |

This example illustrates that none of the jobs created in 1993 or 1994 that generate a credit may be passed through to the partners since the jobs were created prior to the amendment of the statute. The credit resulting from the job increases in 1995 and 1996 may be first passed through to the partners in 1996 and 1997, respectively, since the creation of a new job in one year results in a taxpayer first being eligible to claim the credit in the following year.

**Question 39 - Carryforward Period:**

Q.  How does the carryforward increase from 10 to 15 years affect the credit?

A.  The 10 year carryforward allowed under the old law was amended to a 15 year carryforward effective for tax years beginning after 1995.  Any credit that has not been used and has not expired by the tax year beginning after 1995 is entitled to a 15 year carryforward from the date it was earned. Code §§12-7-1220(G) and 12-6-3360(H).

**Question 40 - Multi-County Industrial Park:**

Q.  How does the taxpayer's location in a multi-county industrial park affect the credit computation under old law?

A.  Under the old law in Code §12-7-1220(I), a taxpayer located in a multi-county industrial park is allowed an additional $500 credit for each new full time job created for 5 years beginning in the year following the creation of the new jobs, provided the new jobs are maintained.  Further, the rankings of other counties in the multi-county industrial park **do** affect the computation of the credit (*i.e.*, the taxpayer is deemed to be located in the participating county which would qualify for the greatest dollar amount whether or not it is actually located in another participating county.)

Under the current law, however, the rankings of other counties in the multi-county industrial park do **not** affect the computation of the credit.  Further, a taxpayer is allowed the job tax credit amount based on the county where the facility is actually located and an additional $1,000 credit per year for 5 years for being located in a multi-county industrial park. Code §12-6-3360(E).

Accordingly, a taxpayer claiming a job tax credit under the old law will receive an additional $500 credit per new job and a taxpayer claiming a job tax credit under the new law will receive an additional $1,000 credit per new job.

**Question 41 -Maintaining 10 or Less Jobs in Certain Counties:**

Q. May a taxpayer claim a credit for 10 or fewer jobs maintained based on the current law if the jobs were created during 1994 or 1995 in a county ranked moderately developed or developed under the old law?

A. No. The 10 new job requirement pertains only to new jobs created in tax years beginning after December 31, 1995, except for the old “less developed” county designation. If a taxpayer in a moderately developed or developed county did not maintain a monthly average of 18 or 50 jobs, respectively (as required under the old law at that time), it does not qualify for the credit based on the current law 10 new job minimum requirement in 1996 and thereafter.

**Question 42 - Change in County Designation from Year 1 - Additional New Jobs:**

Q. In 1994, a taxpayer creates 50 new jobs in a moderately developed county which generates a $30,000 job tax credit (50 jobs x $600) under the old law. In 1997, 8 new jobs are added in the same county which is a developed county under the old law (*i.e.*, the three county ranking system) at the time the jobs are created. In 1997, the county is an under developed county under the current law. How much is the credit?

A. The credit amount for additional new jobs created during a 5 year credit period that arose under the old law is based on the following:

1. If a Form SC616 is filed, then the credit is based on the county designation below that results in the highest dollar credit amount:
   (a) the county designation under the old law at the time Form SC616 is filed, or
   (b) the county designation under the old law for the year the additional new jobs are created; or,

2. If Form SC616 is not filed, then the credit is based on the county designation under the old law for the year the new jobs are created.

The Department will continue to rank counties under the old law for the next several years. See Exhibit 2 for the 3 county rankings for 1987 through 1998. Future years will be published annually in a South Carolina Information Letter.

**EXAMPLE W**

| | **Case 1** | **Case 2** |
|---|---|---|
| County designation at time of creating new jobs in Year 1 (1994) | moderately developed | developed |
| Credit per job at this designation | $600 | $300 |
| Number of new jobs created in Year 1 | 18 | 50 |
| County designation in Years 2 - 6 (1995 - 1999) | developed | moderately developed |
| Credit per job at this designation | $300 | $600 |
| Number of new jobs created in Year 3 | 8 | 7 |
| Credit to be claimed for jobs created in Year 3 **if a Form SC616 is not filed** prior to creation of any jobs | $300 | $600 |
| Credit to be claimed for jobs created in Year 3 if a **Form SC616 is filed** | $600 | $600 |

Case 1 illustrates that the additional 8 jobs created are eligible for the credit at $300 per job because a Form SC616 is not filed, while the initial 18 jobs are eligible for the credit at $600 per job. Since the credit amount is based on different county designations, two Form TC4's should be filed. NOTE: If a Form SC616 was timely filed, the higher credit amount of $600 is claimed for all 26 new jobs.

Case 2 illustrates that a credit for the 7 additional new jobs created is allowed at $600 per job, even though the initial 50 jobs are allowed a credit of $300 per job. The result is the same if a Form SC616 is filed or not.

## ❶❶EXAMPLES OF CREDIT COMPUTATION FOR TRANSITIONAL RULES

The following 2 examples show the proper completion of Form TC4 for the years indicated. The examples are intended to show the effect of the transitional rules and do not show the entire 5 year credit period.

## EXAMPLE X

This example is based on the following facts. The taxpayer:
✓is engaged in manufacturing in X County
✓has only one location in South Carolina
✓begins 1994 with 0 employees and hires all employees during the initial staffing of the new facility
✓maintains the jobs created in all subsequent years
✓X County is ranked a developed county in 1994 and thereafter under the old law
✓X County is ranked an under developed county under the current law

**SC NEW JOB TAX CREDIT**

| | Prior Year | Year 1 1994 | Year 2 1995 | Year 3 1996 | Year 4 1997 | Year 5 1998 |
|---|---|---|---|---|---|---|
| LINE 1: TOTAL EMPLOYEES[5] | 0 | 600 | 720 | 804 | 912 | |
| LINE 2: DIVIDED BY: NUMBER OF MONTHS IN OPERATION | | 12 | 12 | 12 | 12 | |
| LINE 3: MONTHLY AVERAGE OF FULL TIME EMPLOYEES | | 50 | 60 | 67 | 76 | |
| LINE 4: LESS: PREVIOUS YEAR AVERAGE | | 0 | 50 | 60 | 67 | |
| LINE 5: AVERAGE INCREASE IN FULL TIME EMPLOYEES | | 50 | 10 | 7 | 9 | |

**COMPUTATION OF EMPLOYEES ELIGIBLE FOR CREDIT**

| | Year 2 1995 | Year 3 1996 | Year 4 1997 | Year 5 1998 | Year 6 1999 |
|---|---|---|---|---|---|
| LINE 6: YEAR 1 INCREASE | 50 | 50 | 50 | 50 | |
| LINE 7: YEAR 2 INCREASE | | 10 | 10 | 10 | |
| LINE 8: YEAR 3 INCREASE | | | 7 | 7 | |
| LINE 9: YEAR 4 INCREASE | | | | 9 | |
| LINE 10: YEAR 5 INCREASE | | | | | |
| LINE 11: YEAR 6 INCREASE | | | | | |
| LINE 12: NUMBER OF NEW JOBS CREDIT (Add Lines 6 through 11) | 50 | 60 | 67 | 76 | |

**COMPUTATION OF ELIGIBLE CREDIT AMOUNT**

| | Year 2 (1995) | Year 3 (1996) | Year 4 (1997) | Year 5 (1998) |
|---|---|---|---|---|
| LINE 14: ELIGIBLE CREDIT | $15,000 | $18,000 | $20,100 | $22,800 |
| | 50 jobs x $300 | 60 jobs x $300 | 67 jobs x $300 | 76 jobs x $300 |

[5] Total employees is the cumulative total of full time employees for each month (number of employees in January plus number in February, etc.). It is not the number of new jobs created each month.

**EXAMPLE Y**

This example is based on the following facts. The taxpayer:
✓is engaged in manufacturing in X County
✓has only one location in South Carolina
✓begins 1994 with 0 employees and initial staffing of the new facility is in 1994 and 1995
✓creates additional new jobs in 1996 as a result of another expansion
✓maintains the jobs created in all subsequent years
✓X County is ranked a developed county in 1994 and thereafter under the old law
✓X County is ranked an under developed county under the current law

**SC NEW JOB TAX CREDIT**

| | Prior Year | Year 1 1994 | Year 2 1995 | Year 3 1996 | Year 4 1997 | Year 5 1998 |
|---|---|---|---|---|---|---|
| LINE 1: TOTAL EMPLOYEES[6] | 0 | 600 | 720 | 840 | 852 | |
| LINE 2: DIVIDED BY: NUMBER O F MONTHS IN OPERATION | | 12 | 12 | 12 | 12 | |
| LINE 3: MONTHLY AVERAGE OF FULL TIME EMPLOYEES | | 50 | 60 | 70 | 71 | |
| LINE 4: LESS: PREVIOUS YEAR AVERAGE | | 0 | 50 | 60 | 70 | |
| LINE 5: AVERAGE INCREASE IN FULL TIME EMPLOYEES | | 50 | 10 | 10 * | 1 | |

**COMPUTATION OF EMPLOYEES ELIGIBLE FOR CREDIT**

| | Year 2 1995 | Year 3 1996 | Year 4 1997 | Year 5 1998 | Year 6 1999 |
|---|---|---|---|---|---|
| LINE 6: YEAR 1 INCREASE | 50 | 50 | 50 | 50 | |
| LINE 7: YEAR 2 INCREASE | | 10 | 10 | 10 | |
| LINE 8: YEAR 3 INCREASE | | | 10 | 10 | |
| LINE 9: YEAR 4 INCREASE | | | | 1 | |
| LINE 10: YEAR 5 INCREASE | | | | | |
| LINE 11: YEAR 6 INCREASE | | | | | |
| LINE 12: NUMBER OF NEW JOBS CREDIT (Add Lines 6 through 11) | 50 | 60 | 70 | 71 | |

**COMPUTATION OF ELIGIBLE CREDIT AMOUNT**

| | Year 2 (1995) | Year 3 (1996) | Year 4 (1997) | Year 5 (1998) |
|---|---|---|---|---|
| LINE 14: ELIGIBLE CREDIT | $15,000<br>50 jobs x $300 | $18,000<br>60 jobs x $300 | $53,000<br>60 jobs x $300<br>*10 jobs x $3,500 | $56,500<br>60 jobs x $300<br>11 jobs x $3,500 |

*The additional new jobs created in 1996 are the result of another expansion. Since the credit amount is based on different county designations, two Form TC4's should be filed. For illustrative purposes, however, only one Form TC4 has been completed in order to show the total eligible credit.

[6] Total employees is the cumulative total of full time employees in each county for each month (number of employees in January plus the number in February, etc.). It is not the number of new jobs created each month.

**QUESTIONS**

For questions concerning the computation of the job tax credit, call CC Burgess at 803-898-5856 or John Swearingen at 803-898-5617.

See the Department's home page for more information or to download tax forms. Our Internet address is: http://www.dor.state.sc.us

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/______________________________________________
Burnet R. Maybank, III, Director

Columbia, South Carolina

January 11________, 19 99

## ❶❷ EXHIBIT 1 - COUNTY RANKINGS FROM 1996 TO 1999 CURRENT LAW

**CAUTION : See Introduction for new job requirements and exceptions.**

# 1998

| LEAST DEVELOPED | UNDER DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|---|
| $4500/new job | $3500/new job | $2500/new job | $1500/new job |
| Abbeville | Charleston | Beaufort | Anderson |
| Aiken | Cherokee | Florence | Greenville |
| Allendale | Chesterfield | Greenwood | Horry |
| Bamberg | Darlington | Kershaw | Pickens |
| Barnwell | Dorchester | Lancaster | Richland |
| Berkeley | Georgetown | Laurens | Spartanburg |
| Calhoun | Saluda | Lexington | York |
| Chester | Sumter | Newberry | |
| Clarendon | | Oconee | |
| Colleton | | | |
| Dillon | | | |
| Edgefield | | | |
| Fairfield | | | |
| Hampton | | | |
| Jasper | | | |
| Lee | | | |
| Marion | | | |
| Marlboro | | | |
| McCormick | | | |
| Orangeburg | | | |
| Union | | | |
| Williamsburg | | | |

# 1997

| LEAST DEVELOPED | UNDER DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|---|
| $4500/new job | $3500/new job | $2500/new job | $1500/new job |
| Abbeville | Charleston | Beaufort | Anderson |
| Aiken | Cherokee | Florence | Greenville |
| Allendale | Chesterfield | Greenwood | Oconee |
| Bamberg | Darlington | Horry | Richland |
| Barnwell | Dorchester | Kershaw | Spartanburg |
| Berkeley | Georgetown | Lancaster | York |
| Calhoun | Saluda | Laurens | |
| Chester | Sumter | Lexington | |
| Clarendon | | Newberry | |
| Colleton | | Pickens | |
| Dillon | | | |
| Edgefield | | | |
| Fairfield | | | |
| Hampton | | | |
| Jasper | | | |
| Lee | | | |
| Marion | | | |
| Marlboro | | | |
| McCormick | | | |
| Orangeburg | | | |
| Union | | | |
| Williamsburg | | | |

# 1996

| LEAST DEVELOPED | UNDER DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|---|
| $4500/new job | $3500/new job | $2500/new job | $1500/new job |
| Allendale | Abbeville | Beaufort | Anderson |
| Bamberg | Aiken | Florence | Greenville |
| Barnwell | Berkeley | Greenwood | Pickens |
| Chester | Calhoun | Horry | Richland |
| Clarendon | Charleston | Laurens | Spartanburg |
| Colleton | Cherokee | Lexington | York |
| Dillon | Chesterfield | Newberry | |
| Edgefield | Darlington | Oconee | |
| Hampton | Dorchester | | |
| Jasper | Fairfield | | |
| Lee | Georgetown | | |
| Marion | Kershaw | | |
| Marlboro | Lancaster | | |
| McCormick | Saluda | | |
| Orangeburg | Sumter | | |
| Union | | | |
| Williamsburg | | | |

## EXHIBIT 2 - COUNTY RANKINGS FROM 1987 TO 1998 - OLD LAW

**CAUTION: See Question 35 for full time new job requirements.**

# 1998

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Berkeley | Anderson |
| Barnwell | Cherokee | Beaufort |
| Calhoun | Chesterfield | Charleston |
| Chester | Darlington | Dorchester |
| Clarendon | Florence | Greenville |
| Colleton | Georgetown | Greenwood |
| Dillon | Kershaw | Horry |
| Edgefield | Lancaster | Laurens |
| Fairfield | Newberry | Lexington |
| Hampton | Sumter | Oconee |
| Jasper | | Pickens |
| Lee | | Richland |
| Marion | | Spartanburg |
| Marlboro | | York |
| McCormick | | |
| Orangeburg | | |
| Saluda | | |
| Union | | |
| Williamsburg | | |

# 1997

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Berkeley | Anderson |
| Barnwell | Cherokee | Beaufort |
| Calhoun | Chesterfield | Charleston |
| Chester | Darlington | Dorchester |
| Clarendon | Florence | Greenville |
| Colleton | Georgetown | Greenwood |
| Dillon | Kershaw | Horry |
| Edgefield | Lancaster | Laurens |
| Fairfield | Newberry | Lexington |
| Hampton | Sumter | Oconee |
| Jasper | | Pickens |
| Lee | | Richland |
| Marion | | Spartanburg |
| Marlboro | | York |
| McCormick | | |
| Orangeburg | | |
| Saluda | | |
| Union | | |
| Williamsburg | | |

# 1996

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Berkeley | Anderson |
| Barnwell | Cherokee | Beaufort |
| Calhoun | Chesterfield | Charleston |
| Chester | Darlington | Dorchester |
| Clarendon | Florence | Greenville |
| Colleton | Georgetown | Greenwood |
| Dillon | Kershaw | Horry |
| Edgefield | Lancaster | Laurens |
| Fairfield | Newberry | Lexington |
| Hampton | Sumter | Oconee |
| Jasper | | Pickens |
| Lee | | Richland |
| Marion | | Spartanburg |
| Marlboro | | York |
| McCormick | | |
| Orangeburg | | |
| Saluda | | |
| Union | | |
| Williamsburg | | |

# 1995

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Berkeley | Anderson |
| Barnwell | Cherokee | Beaufort |
| Calhoun | Chesterfield | Charleston |
| Chester | Darlington | Dorchester |
| Clarendon | Georgetown | Florence |
| Colleton | Horry | Greenville |
| Dillon | Kershaw | Greenwood |
| Edgefield | Lancaster | Laurens |
| Fairfield | Newberry | Lexington |
| Hampton | Sumter | Oconee |
| Jasper | | Pickens |
| Lee | | Richland |
| Marion | | Spartanburg |
| Marlboro | | York |
| McCormick | | |
| Orangeburg | | |
| Saluda | | |
| Union | | |
| Williamsburg | | |

## 1994

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Abbeville | Berkeley | Aiken |
| Allendale | Chesterfield | Anderson |
| Bamberg | Colleton | Beaufort |
| Barnwell | Darlington | Charleston |
| Calhoun | Georgetown | Cherokee |
| Chester | Horry | Dorchester |
| Clarendon | Kershaw | Florence |
| Dillon | Lancaster | Greenville |
| Edgefield | Laurens | Greenwood |
| Fairfield | Newberry | Lexington |
| Hampton | Orangeburg | Oconee |
| Jasper | | Pickens |
| Lee | | Richland |
| Marion | | Spartanburg |
| Marlboro | | York |
| McCormick | | |
| Saluda | | |
| Sumter | | |
| Union | | |
| Williamsburg | | |

## 1993

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| 1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Berkeley | Anderson |
| Barnwell | Chesterfield | Beaufort |
| Calhoun | Darlington | Charleston |
| Chester | Edgefield | Cherokee |
| Clarendon | Georgetown | Dorchester |
| Colleton | Hampton | Florence |
| Dillon | Horry | Greenville |
| Fairfield | Jasper | Greenwood |
| Lee | Kershaw | Lexington |
| Marion | Lancaster | Oconee |
| Marlboro | Laurens | Pickens |
| McCormick | Newberry | Richland |
| Sumter | Orangeburg | Spartanburg |
| Union | Saluda | York |
| Williamsburg | | |

## 1992

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Berkeley | Anderson |
| Barnwell | Calhoun | Beaufort |
| Chester | Chesterfield | Charleston |
| Clarendon | Colleton | Cherokee |
| Dillon | Darlington | Dorchester |
| Fairfield | Edgefield | Florence |
| Georgetown | Greenwood | Greenville |
| Lee | Hampton | Laurens |
| Marion | Horry | Lexington |
| Marlboro | Jasper | Oconee |
| McCormick | Kershaw | Pickens |
| Orangeburg | Lancaster | Richland |
| Sumter | Newberry | Spartanburg |
| Union | Saluda | York |
| Williamsburg | | |

## 1991

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Berkeley | Anderson |
| Barnwell | Calhoun | Beaufort |
| Chester | Chesterfield | Charleston |
| Clarendon | Colleton | Cherokee |
| Darlington | Edgefield | Dorchester |
| Dillon | Florence | Greenville |
| Fairfield | Greenwood | Lexington |
| Georgetown | Horry | Oconee |
| Hampton | Jasper | Pickens |
| Lee | Kershaw | Richland |
| Marion | Lancaster | Spartanburg |
| Marlboro | Laurens | York |
| McCormick | Newberry | |
| Orangeburg | Saluda | |
| Sumter | | |
| Union | | |
| Williamsburg | | |

## 1990

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Allendale | Abbeville | Aiken |
| Bamberg | Calhoun | Anderson |
| Barnwell | Chesterfield | Beaufort |
| Chester | Edgefield | Berkeley |
| Clarendon | Fairfield | Charleston |
| Colleton | Florence | Cherokee |
| Darlington | Greenwood | Dorchester |
| Dillon | Horry | Greenville |
| Georgetown | Jasper | Lexington |
| Hampton | Kershaw | Oconee |
| Lee | Lancaster | Pickens |
| Marion | Laurens | Richland |
| Marlboro | Newberry | Spartanburg |
| McCormick | Saluda | York |
| Orangeburg | Union | |
| Sumter | | |
| Williamsburg | | |

## 1989

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Abbeville | Anderson | Aiken |
| Allendale | Barnwell | Beaufort |
| Bamberg | Calhoun | Berkeley |
| Chester | Chesterfield | Charleston |
| Clarendon | Colleton | Cherokee |
| Darlington | Edgefield | Dorchester |
| Dillon | Fairfield | Greenville |
| Georgetown | Florence | Kershaw |
| Hampton | Greenwood | Lexington |
| Lee | Horry | Newberry |
| Marion | Jasper | Oconee |
| Marlboro | Lancaster | Pickens |
| McCormick | Laurens | Richland |
| Orangeburg | Saluda | Spartanburg |
| Union | Sumter | York |
| Williamsburg | | |

## 1988

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Abbeville | Anderson | Aiken |
| Allendale | Barnwell | Beaufort |
| Bamberg | Calhoun | Berkeley |
| Clarendon | Chester | Charleston |
| Darlington | Chesterfield | Cherokee |
| Dillon | Colleton | Dorchester |
| Fairfield | Edgefield | Greenville |
| Georgetown | Florence | Kershaw |
| Hampton | Greenwood | Lexington |
| Lee | Horry | Newberry |
| Marion | Jasper | Oconee |
| Marlboro | Lancaster | Pickens |
| McCormick | Laurens | Richland |
| Orangeburg | Saluda | Spartanburg |
| Union | Sumter | York |
| Williamsburg | | |

## 1987

| LESS DEVELOPED | MODERATELY DEVELOPED | DEVELOPED |
|---|---|---|
| $1000/new job | $600/new job | $300/new job |
| Abbeville | Anderson | Aiken |
| Allendale | Barnwell | Beaufort |
| Bamberg | Calhoun | Berkeley |
| Chester | Chesterfield | Charleston |
| Clarendon | Colleton | Cherokee |
| Darlington | Edgefield | Dorchester |
| Dillon | Fairfield | Greenville |
| Georgetown | Florence | Horry |
| Hampton | Greenwood | Kershaw |
| Lee | Jasper | Lexington |
| Marion | Lancaster | Newberry |
| Marlboro | Laurens | Pickens |
| McCormick | Oconee | Richland |
| Orangeburg | Saluda | Spartanburg |
| Union | Sumter | York |
| Williamsburg | | |