



Tax & Business Incentives Overview

York County & South Carolina

South Carolina's philosophy is to offer a fair, stable and reasonable tax structure that allows businesses to grow and prosper. Conservative fiscal management and taxation policies create a climate that encourages growth while maintaining a balanced budget. York County and South Carolina have various incentive programs that add to the positive business climate. These incentives are designed mainly to limit tax liability in the most significant state and local applications such as corporate and personal income tax, sales tax and local property tax.

- In South Carolina, only local government levies property taxes.
- There is no tax, state or local, on inventories or intangibles in South Carolina.
- *York County has the ability to negotiate local property taxes from a 10.5% down to a 6% assessment or a 43% reduction.*

Corporate & Personal Income Tax

Corporate Income Tax

South Carolina has the lowest corporate income tax rate in the Southeast and one of the lowest in the nation. South Carolina income tax is imposed upon South Carolina taxable income of domestic and foreign corporations. South Carolina collects at a 5% corporate income tax rate.

- Partnerships are not subject to South Carolina corporate income taxes.
- **Corporate Income Tax Exemptions - insurance companies, certain non-profit corporations organized for the purpose of providing water supply and/or sewage disposal, banks, building and loan associations and certain electric cooperatives**
- **“S” corporations are exempt to the extent it is exempt from federal corporate income tax.**

South Carolina Jobs Tax Credits - Corporate Income Tax application

Corporate Income Tax levied in South Carolina is 5% and is based on a tripartite formula of sales, payroll and asset with sales in SC double-weighted. Compared to North Carolina's 7% corporate income tax rate, there is an immediate savings when compared to SC. In addition, SC allows qualified and eligible companies a Jobs Tax Credit in the amount of \$1,500 per job in York County and \$2,500 per job in a Multi-County Industrial Park. The minimum number of jobs created is 10 net new jobs in one year. The credit is per job, per year for five years and is applied towards the corporate income tax in SC and cannot equal more than 50% of any one year's liability although there is a 15 year carry forward for unused credits.



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Enterprise Program (Jobs Development Credits) - Personal Income Tax application

Personal income is tiered in SC based on earned income however most employees at the \$30,000 annual salary range would be subject to a 7% assessment. For qualified companies, upon successful application and approval, the SC Coordinating Council for Economic Development establishes a Revitalization Agreement for Jobs Development Credits. This program allows eligible companies to retain a portion of the personal withholding amount between 2 to 5 percent of wages to the employees and use these accrued funds for fixed capital investments, e.g. land and building, leasehold improvements, expansions and other non-personal investment. Machinery and equipment (FF&E) purchases are specifically excluded from eligible expenditures. The program allows an eligible company to accrue JDC's for a period of 10 years and also is qualified based on the development status of the particular county.

Corporate Headquarters Credits

A corporation establishing a corporate headquarters in South Carolina, or adding to an existing corporate headquarters, is entitled to a credit against corporate income and license taxes.

The credit is equal to 20% of the (a) qualifying real property costs incurred in the design, preparation and development of either establishing or expanding a corporate headquarters, and (b) direct construction or direct lease costs for the first five years of operations for the headquarters. In order to qualify for the credit, the headquarters or expansion must result in the creation of forty (40) new headquarters function jobs or research and development related functions and services, twenty (20) of which are executive, administrative or professional jobs. The qualifying real property costs involved must be at least \$50,000.

Local Property Tax

Real and personal property used in business are subject to property tax levied by local governments. Although property tax is collected locally, the South Carolina Department of Revenue (DOR) generally oversees property tax collections to ensure equitable and uniform assessment throughout the state. The Department of Revenue appraises manufacturing and distribution facilities. There is no state or local tax on intangibles or inventories.

The calculation of property taxes involves the following three elements:

1. Valuation

2. Assessment Ratio: The assessment ratio, established in the State Constitution to ensure stability, is 10.5% for manufacturing property (in the absence of a fee-in-lieu agreement) and 6% for commercial real property. Commercial personal property is assessed at 10.5%. The valuation is multiplied by this ratio to produce the "assessed value" of a particular piece of property. Taxes are levied based upon this assessed value.



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Local Property Taxes:

- 3. Millage:** Each taxing jurisdiction determines on an annual basis the number of mills required to apply to the total assessed value of property subject to taxation within its jurisdiction in order to raise the money it needs to operate for the next year. (Each jurisdiction also takes other sources of revenue into account in making this determination.) The 2005 average York County millage rate is 271 mills.
- 4. Exemptions:** Inventories and intangible property are exempt from property taxation.

Tax Incentives

Incentive programs for local property tax reduce property liability by tax abatement or Fee-in-lieu of property tax.

Tax Abatement

Any manufacturing company that invests in land, building, and machinery and equipment, with a sum of \$50,000 or greater, is eligible to abate the county operating tax for York County, currently at 57.9 mills. A distribution company may be eligible for abatement if the project creates 75 or more new jobs. The abatement stands for five (5) years and does not affect the depreciation value of the property. The abatement must be filed, in the same tax year as the purchase was made, to the Department of Revenue.

Fee-in-Lieu of Taxes

For eligible and qualified companies, York County is potentially able to provide as much as a 43% property tax reduction for a 20-year period through the Fee-in-Lieu of Taxes program. Assuming a minimum net-taxable investment of \$10 million, York County may be willing to reduce applicable real and personal tax assessment rates from 10.5% (for manufacturing) to 6% for a twenty year period. Another benefit to this program is the elimination of any annual property tax increases since rates would be locked for five year increments during the 20-year agreement.

Sales & Use Tax

Sales Tax - Manufacturer's Exemption

South Carolina imposes a sales and use tax of 5%, the proceeds of which are used exclusively to fund the public school system. The sales tax applies to all retail sale, lease and rental of tangible personal property. SC exempts any applicable sales tax for purchases that are an integral part of the manufacturing process including raw materials, machinery and equipment for manufacturing, electricity used for manufacturing, packaging materials and other products as allowed by law. York County has leveraged a 1% additional tax, recently renewed by county voters, to improve roads throughout the county. York County's sales tax rate is 6%.