

A close-up photograph of a glass filled with a vibrant green liquid, likely juice. The top surface of the liquid is disturbed, creating a dynamic splash of water droplets and bubbles that catch the light, giving the scene a fresh and energetic feel. The background is a soft, out-of-focus light blue.

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## Credits & Incentives talk with Deloitte

Credits & Incentives talk  
with Deloitte Georgia hiring  
credits

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## Georgia Hiring Credits

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As companies focus on where to locate or expand their businesses, they look at a number of factors, including access to talent, available infrastructure, proximity to businesses and services, community interest, and the state and local tax regime. In recent years, as companies have considered where to invest, they have increasingly focused on southern states.

One state that has continued to see job growth is Georgia. According to *Kiplinger*, Georgia has seen growth in a number of industries, including manufacturing, business services, and leisure and hospitality.<sup>1</sup> *Kiplinger* predicts that Georgia job growth will remain consistent at 2.6 percent, adding an expected 108,100 jobs in 2015 and 111,200 jobs in 2016.<sup>2</sup>

To help drive job growth in the Peach State, Georgia has an active Department of Economic Development (GDEcD). The GDEcD focuses on touting the state's pro-business community, highly skilled workforce, and transportation infrastructure. The efforts of the GDEcD and other organizations have led to a 25 percent increase in jobs in the aerospace sector and a 15 percent increase in jobs in the automotive sector over the past fiscal year.<sup>3</sup> This growth was generated both by expansion of existing businesses (69 percent) and projects from businesses investing in Georgia for the first time (31 percent).<sup>4</sup>

To assist in attracting new jobs, Georgia offers tax credits that companies can use to reduce or potentially eliminate state corporate income tax. Corporate income tax credits may potentially apply to offset as much as 50 percent of a company's state tax liability in a given year, but in some cases they may offset up to 100 percent of corporate income tax as well as payroll withholding tax liability.

While the state of Georgia offers a number of tax credits ranging from the Jobs Tax Credit, to the Research & Development Credit, to the Georgia Film Television and Interactive Entertainment Tax Credit, this article will focus on the state's hiring tax credits.<sup>5</sup> City and county governments in Georgia may also offer local incentives.

## Job Tax Credit

The Job Tax Credit is a corporate income tax credit that in some instances, as discussed below, may also apply to payroll withholding tax. The credit ranges from \$750 to \$4,000 a year, over a five-year period, for each new full-time job created above the minimum number required. The credit is available to manufacturing, distribution, processing, telecommunications, and certain other types of businesses that are creating net new jobs in Georgia.

The benefits and requirements for the Job Tax Credit depend on the county where the jobs are located. Each county in the state is ranked annually in one of four tiers. Tier 1 is the least developed, Tier 2 is moderately developed, Tier 3 is developed, and Tier 4 is the most developed.<sup>6</sup> Businesses creating jobs in the following special zones can receive increased credits (similar to those available under Tier 1): Designated Less Developed Census Tracts (LDCT), Opportunity Zones (OZ), and Military Zones (MZ).<sup>7</sup>

A summary of the benefits, use, carryforward, and minimum net new job requirements for each tier is listed in the accompanying Exhibit 1.<sup>8</sup> An eligible business must continue to satisfy the applicable minimum job threshold throughout the five-year period in order to continue to claim the credit.<sup>9</sup>

## Exhibit 1

### Job Tax Credit Summary

Tier	Annual Job Tax Credit Amounts (for five years)	Minimum Net New Jobs	Use of Credits <sup>1</sup>	Carryforward
1	\$4,000 <sup>2</sup>	2 <sup>3</sup>	100% of income tax liability - excess against payroll withholding tax up to \$3,500	10 years
2	\$3,000 <sup>2</sup>	10	100% of income tax liability	10 years
3	\$1,750 <sup>2</sup>	15	50% of income tax liability	10 years
4	\$1,250 <sup>2</sup>	25	50% of income tax liability	10 years
MZ/OZ	\$3,500	2	100% of income tax liability - excess against payroll withholding tax	10 years
LDCT	\$3,500	5	100% of income tax liability - excess against payroll withholding tax	10 years

1 Ga. Code Ann. § 48-7-40(h).

2 Includes \$500 bonus for participation in a Joint Development Authority (JDA). In Tier 1 through 4 counties, an additional annual credit of \$500 is available if the county is in a JDA. There are currently only four counties in Georgia that do not participate in a JDA: Echols, Pierce, Ware, and Webster. The remaining counties in Georgia offer the \$500 Job Tax Credit bonus.

3 For tax years prior to 2012, the minimum job requirement was five net new jobs.

A qualifying new job is defined as having a regular work week of 35 hours or more, is not a job that is or was already located in Georgia, and must have an average wage higher than the average wage of the county with the lowest average wage in the state.<sup>10</sup> An employer must make health insurance coverage available to employees filling the new jobs, but need not pay for any part of the coverage if the employer does not pay for any part of the health insurance provided to existing employees.<sup>11</sup>

Qualified businesses within a Tier 1 county and businesses within an LCDT, MZ, or OZ special zone that have excess job tax credit-after all corporate income tax liability has been exhausted-may claim such excess credit against quarterly or monthly payroll withholding tax.<sup>12</sup> Unused credits available to businesses in all Tiers and to businesses in all special zones may be carried forward for 10 years from the close of the taxable year in which the qualified jobs were established.<sup>13</sup>

The Job Tax Credit is reported on line 4, schedule 3, of the Georgia corporate income tax return, and must be supported by a copy of Georgia Form IT-CA, *Georgia Job Tax Credit*, for each year in which the

credit is claimed.<sup>14</sup> The Job Tax Credit must be claimed within one year of the earlier of the date the original return was filed or the date such return was due, including extensions.<sup>15</sup>

Where applicable, a taxpayer electing to utilize excess credits to offset quarterly or monthly payroll withholding tax must annually notify the Georgia Department of Revenue (Department)-using Form IT-WH-at least 30 days prior to the date such taxpayer's income tax return is filed or due (whichever occurs first).<sup>16</sup> Within 120 days after the taxpayer's income tax return is filed, the Department will notify the taxpayer of the approved amount of the credit and the date when the taxpayer may retain withholding tax payments.<sup>17</sup>

## Quality Jobs Tax Credit

The Quality Jobs Tax Credit is a corporate income tax credit that, as discussed below, may also apply to payroll withholding tax. The credit ranges from \$2,500 to \$5,000 per year for up to five years for businesses that pay at least 110 percent of the average county wages and create at least 50 jobs in a 12-month period.<sup>18</sup>

A qualifying new quality job is defined as having a regular work week of 30 hours or more, is not a job that is or was already located in Georgia, and pays at or above 110 percent of the average wage in the county where the job is located. Wages are the total dollars paid to the employees during the year, including bonuses, incentive pay, and employee contributions to 401(k) or cafeteria plans. However, wages do not include employee contributions to health insurance, retirement, or any other benefit program.<sup>19</sup>

For each new quality job created, the credit may be taken for the first taxable year in which the new job is created and for the four immediately succeeding taxable years, provided the new job is maintained in each year. The credit, however, is not allowed during any tax year, after the initial qualifying tax year, that the average number of quality jobs falls below the 50-jobs threshold. The new quality jobs must be created within seven years from the close of the taxable year that the business first becomes eligible for the credit.<sup>20</sup>

The credit amount per net new job varies each year for five years, depending on the amount by which the average new quality job compensation exceeds the county average wage. The wage and benefit thresholds are shown in the accompanying Exhibit 2.

## Exhibit 2

### Quality Jobs Tax Credit Summary

Average Wage Requirement (percentage of county average)	Annual Tax Credit Per New Quality Job
≥ 110% and < 120%	\$2,500
≥ 120% and < 150%	\$3,000
≥ 150% and < 175%	\$4,000
≥ 175% and < 200%	\$4,500
200% or greater	\$5,000

Businesses that have excess Quality Jobs Tax Credit-after all corporate income tax liability has been exhausted-may claim the excess credit against quarterly or monthly payroll withholding tax. Unused credits may also be carried forward for 10 years from the close of the taxable year in which the qualified jobs were established.<sup>21</sup>

The Quality Jobs Tax Credit must be reported on line 4, schedule 3, of the Georgia corporate income tax return and be supported by a copy of Georgia Form IT-QJ, *Application for Georgia Quality Jobs Tax Credit*, for each year in which the credit is claimed.<sup>22</sup> The taxpayer's signature on Form IT-QJ must be notarized. The Quality Jobs Tax Credit, like the Job Tax Credit, must be claimed within one year of the earlier of the date the original return was filed or the due date of the return, including approved extensions.<sup>23</sup>

To claim the Quality Jobs Tax Credit, a taxpayer must submit a listing of quality jobs employees in new full-time jobs, including the names, social security numbers, wages, and any other information requested by the Commissioner of the Department.<sup>24</sup> A taxpayer that elects to take the excess credit against its quarterly or monthly payroll withholding tax must notify the Department of its election each year at least 30 days prior to the date that such taxpayer's income tax return is filed or due (whichever occurs first), using Form IT-WH.<sup>25</sup> Within 120 days after the taxpayer's income tax return is filed, the Department will

notify the taxpayer of the approved amount of the credit and the date when the taxpayer may retain withholding tax payments.

Taxpayers should note that new jobs that do not qualify for Quality Jobs Tax Credit may still be eligible for the Job Tax Credit if they meet requirements for that credit.

## Mega Project Tax Credit

Companies that plan to hire at least 1,800 net new employees, and either invest a minimum of \$450 million or have a minimum annual payroll of \$150 million, may be eligible to claim a tax credit of \$5,250 per job, per year for the first five years of each net new job position.<sup>26</sup> A maximum of 4,500 new jobs created by any one project may be eligible to receive the credit.<sup>27</sup> If the required jobs are not maintained, a taxpayer may be subject to recapture.<sup>28</sup>

Similar to the Quality Jobs Tax Credit, after all corporate income tax liability has been exhausted, a taxpayer may elect to claim any excess credit against quarterly or monthly payroll withholding tax, and any unused credits may be carried forward for 10 years.<sup>29</sup> If a qualifying taxpayer makes an election to claim the credit against withholding tax, the taxpayer must annually notify the Department at least 30 days prior to the date that such taxpayer's income tax return is filed or due (whichever occurs first), using Form IT-WH.<sup>30</sup> Within 120 days after the taxpayer's income tax return is filed, the Department will notify the taxpayer of the approved amount of the credit and the date when the taxpayer may retain withholding tax payments.<sup>31</sup>

## Summary

As companies consider where to expand existing facilities or establish new operations, they should review the various hiring credits available in Georgia. The credits range from \$750 to \$5,250 depending on location, salary, and the number of people hired. Two factors that can enhance the value of the tax credits are the ability to potentially claim the credits against payroll withholding tax, and the ability to potentially assign the credit to another member of the federal consolidated group.<sup>32</sup> The amount of the hiring credits, along with the various methods for a business to utilize those credits, make Georgia a strong contender for job growth.

<sup>1</sup> <http://www.kiplinger.com/slideshow/business/T019-S010-states-with-the-fastest-job-growth/index.html#pKstKFU0SWp2G2B4.99>.

<sup>2</sup> *Id.*

<sup>3</sup> FY14 GDEcD Annual Report, <http://www.myvirtualpaper.com/doc/georgia-brochures/year-in-review-2014/2014121001/#4>.

<sup>4</sup> *Id.*

<sup>5</sup> Note that federal consolidated group members may potentially assign the credit to another member of the group. See Ga. Code Ann. § 48-7-42.

<sup>6</sup> Ga. Code Ann. § 48-7-40(b); Ga. Comp. R. & Regs. 560-7-8-.36(4).

<sup>7</sup> Ga. Code Ann. § 48-7-40.1.

<sup>8</sup> Ga. Comp. R. & Regs. 560-7-8-.36(9)(a).

<sup>9</sup> *Id.*

<sup>10</sup> Ga. Code Ann. § 48-7-40(a)(5).

<sup>11</sup> Ga. Code Ann. § 48-7-40(e); Ga. Comp. R. & Regs. 560-7-8-.36(9).

<sup>12</sup> Ga. Code Ann. § 48-7-40(e); Ga. Comp. R. & Regs. 560-7-8-.36(6).

<sup>13</sup> Ga. Code Ann. § 48-7-40(h); Ga. Comp. R. & Regs. 560-7-8-.36(11).

<sup>14</sup> Ga. Comp. R. & Regs. 560-7-8-.36(10); Instructions, Form 600, Georgia Corporation Tax Return.

<sup>15</sup> Ga. Comp. R. & Regs. 560-7-8.36(10).

<sup>16</sup> Ga. Comp. R. & Regs. 560-7-8-.51(7)(b).

<sup>17</sup> Ga. Comp. R. & Regs. 560-7-8-.36(10).

<sup>18</sup> Ga. Code Ann. § 48-7-40.17(b); Ga. Comp. R. & Regs. 560-7-8-.51(4).

<sup>19</sup> Ga. Comp. R. & Regs. 560-7-8-.51(2)(a).

<sup>20</sup> Ga. Code Ann. § 48-7-40.17(b).

<sup>21</sup> Ga. Code Ann. § 48-7-40.17(d).

<sup>22</sup> Ga. Comp. R. & Regs. 560-7-8-.51(7)(a); Instructions, Form 600, Georgia Corporation Tax Return.

<sup>23</sup> Ga. Code Ann. §§ 48-7-40.17(e), 48-7-40(j).

<sup>24</sup> Ga. Comp. R. & Regs. 560-7-8-.51(7)(a).

<sup>25</sup> Ga. Comp. R. & Regs. 560-7-8-.51(7)(b).

<sup>26</sup> Ga. Code Ann. § 48-7-40.24(d).

<sup>27</sup> Ga. Code Ann. § 48-7-40.24(g).

<sup>28</sup> Ga. Code Ann. § 48-7-40.24(a)(12).

<sup>29</sup> Ga. Code Ann. § 48-7-40.24.

<sup>30</sup> Ga. Comp. R. & Regs. 560-7-8-.51(7)(b).

<sup>31</sup> Ga. Comp. R. & Regs. 560-7-8-.36(10).

<sup>32</sup> Ga. Code Ann. § 48-7-42.