

GEORGIA TAX CREDITS FOR BUSINESS

Many businesses are not aware of the potential and available tax credits afforded them in Georgia. Learn here of the opportunities more likely to be applied, and contact Mac Smith for more information.



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Mac's experience includes primarily assisting startups, small companies and entrepreneurs in the technology, real estate, and financial services industries. He has counseled numerous companies about tax credits available at both the state and federal levels. He serves in the tax leader role with GH&I's technology industry group.

Why a Credit?

- A tax credit is a dollar for dollar reduction of tax.
- A deduction is a reduction of taxable income.
- In Georgia, a \$6,000 credit is the equivalent of a \$100,000 deduction.

Georgia Credits

- Employer's Credit for App. Employee Retraining
- Employer's Jobs Tax Credit
- Manufacturer's Investment Tax Credit
- Research Tax Credit
- Tele-Working Credit
- Land Conservation Credit
- Green Credits
- Cost Segregation Study

Employer's Credit for Approved Employee Retraining

- Allows employers to claim certain costs of retraining employees to use
 - New Equipment
 - New Technology
 - New Operating Systems
- 50% of the direct costs of retraining full-time employees
- Up to \$500 per employee per approved retraining program per year
- Unused credits can be carried forward 10 yrs

Employer's Job Tax Credit

- Credit for any business or headquarter of any such business engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or R&D for the creation of new jobs (all businesses in counties designated as the 40 least developed)

Tier Designation	County Rankings	New Jobs Created	Credit Amount
Tier 1	1 through 71	5 or more	\$ 3,500
Tier 2	72 through 106	10 or more	\$ 2,500
Tier 3	107 through 141	15 or more	\$1,250
Tier 4	142 through 159	25 or more	\$ 750

Manufacturer's Investment Tax Credit

- Credit for a taxpayer that has operated an existing manufacturing or telecommunications facility in the state for the previous 3 years.
- Must invest a minimum of \$50,000 pre project/location during the tax year to claim the credit

Tier Location	Tax Credit	Credit for R, PC, or DCA
Tier 1	5%	8%
Tier 2	3%	5%
Tier 3 or 4	1%	3%

Must receive approval before claiming credit.

Research Tax Credit

- Credit for research expenses for research conducted within Georgia for any business engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, broadcasting or R&D industries
- 10% of the additional research expense over the “base amount”. Must claim the research credit under section 41 of the IRC. (Must have positive GA taxable income for all years) – *Requirement recently removed*

Research Tax Credit

- May not exceed 50% of the business's GA net income tax liability after all other credits in any one year
- Unused amount is carried forward for 10 years

Teleworking Credit

- Employers who permit their employees to telework will be allowed an income tax credit for expenses incurred up to \$1,200 per participating employee.
- The percentage of the credit allowed can be 100%, 75% and 25%, depending on several factors.
- This credit requires preapproval from the state.

Land Conservation Credit

- Credit of up to 25% of the fair value of the property donated and amount paid for the property
- Maximum credit of \$250,000 per individual or \$500,000 per corporation and \$1,000,000 per partnership
- Amount of credit may not exceed the taxpayer's income tax liability for the year
- Any unused credit is carried forward for 5 years.
- Must be certified by the department of natural resources



2008 Entertainment Industry Investment Act

- Credit of 20% of in-state spending (plus an additional 10% if the final product includes a GA peach logo)
- At least \$500,000 per year must be spent on production items (salary, materials, etc...)
- Includes production of video games, movies, commercials, music videos and T.V. shows

Clean Energy Property Credit

- Tax credit for the construction, purchase, or lease of clean energy property placed in service between 7/1/2008 and 12/31/2012
- Pre-approval is required to claim this credit.

Energy Policy Act of 2005

- Provided incentives to install energy efficient lighting, HVAC and Building Envelope improvements
- Available for –
 - New Construction (1/1/2006 – 12/31/2013)
 - Leasehold Improvements
 - Existing Buildings

Energy Policy Act of 2005 (cont.)

- Possible maximum deduction of \$1.80/sq foot
 - On a 100,000 sq. foot space maximum potential deduction of \$180,000
- Deduction limited to lesser of total cost of project or \$1.80/sq. foot (for the whole building)
- Converts a 39-year deduction to a current year deduction

Cost Segregation Study

- Engineering study that separates 5,7, and 15 year depreciation property from 39 year depreciation property
- Opportunity to claim refund for excess taxes paid for prior years

Year-end Tax Planning Thoughts

- Asset Acquisition Planning
- Retirement Plan Funding
- Year-End Bonus Payment
- Credits Consideration