SOUTH CAROLINA DEPT. OF COMMERCE

South Carolina Incentives

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State Incentives

Statutory:

- Single Factor Apportionment
- Income Tax Credits
- Sales Tax Exemptions

Discretionary:

- Grants
- Job Development Credits
- Workforce Training

State Discretionary Incentives

- Must be approved by the Coordinating Council for Economic Development (CCED)

- CCED created Enterprise Committee to approve Job Development Credits on behalf of CCED

- Statute provides for 11 members, proviso added Chairman of Senate Finance Committee and Chairman of House Ways and Means Committee (or designee).

- Staff must complete financial analysis and cost/benefit analysis

Grant Funding

- Three Funds:
  - Set-Aside Fund
  - Rural Infrastructure Fund
  - Closing Fund

- Awards not based on formula

- Based on jobs and investment, type of company, eligible expenses, location, etc.

Set-Aside Fund

- Funded by the first $20M received from utility taxes
- Provides funds to assist new or expanding businesses

Set-Aside Eligible Expenditures

- Water/sewer infrastructure
- Road or rail construction/improvements
- Land acquisition
- Fiber-optic cable
- Relocation of new employees
  - Only employees with wages at least 2x the county or state per capita income, whichever is lower
- Pollution control equipment
- Environmental testing & related due diligence
- Acquiring & improving real property
- Site preparation
- Surveying, environmental & geotechnical studies, mitigation, clearing, filling, & grading

Rural Infrastructure Fund (RIF)

- Created in 1996 to promote and encourage economic growth in the state's rural areas
- Funded by the Enterprise Program

RIF Eligible Expenditures

- Training costs and facilities
- Improvements to regionally planned public and private water and sewer systems
- Improvements to Public and Private electricity, natural gas & telecommunications systems
- Fixed transportation facilities including highway, rail, water and air
- Site Preparation
- Acquiring or improving real property
- Relocation of new employees
- Only employees with wages at least 2x the county or state per capita income, whichever is lower

Closing Fund

- Created in 2006 to assist in recruiting and retaining high impact economic development projects

- Annual appropriation

- $21.3M appropriated 2025-26 ($21.3M recurring)

- Although can be used for any expenses, CCED generally follows statutory restrictions for others

Grant Application Process

Step 1	Step2	Step 3	Step 4
Application is submitted by county	Application must be submitted by 1st of the month preceding the meeting	Company must provide financials	CCED meets 1st Thursday of March, June, September & December

Grant Approval Process

County will receive Grant Award Agreement

Company will receive Performance Agreement

Once company signs Performance Agreement, it will be sent to county for signature

No funds may be disbursed until both agreements are signed by applicable parties

Disbursement of Grant Funds

- Council may include special stipulations regarding use of funds or disbursement
- Funds must be disbursed within 24 months of grant approval
- Requests for Payment (RFPs) must include invoices for eligible expenses and proof payment
- CCED staff will review and then send to SCDOC Finance
- SCDOC Finance will review and then send pay request to State Treasurer's Office

Grant Performance Requirements

- Company must meet minimum job & investment requirements within time period (generally 5 years)
- Company is required to provide annual status reports
- If grant is over $100,000 the company will have a maintenance period that will require annual maintenance reports
- At end of performance period and maintenance period, company must submit proof of investment and jobs
- If requirements are not achieved or maintained, company will have to repay a pro-rata portion of grant funds disbursed

Enterprise Incentives

- Quarterly refunds of state payroll tax withholding
  - Job Development Credit
  - Retraining Credit

- Can receive both incentives, but not on same employees

Job Development Credit (JDC)

- Must be a qualifying facility for the jobs tax credit
- Must have eligible expenses
- Must provide health insurance & pay 50% of premiums
- Generally, a company may only claim on jobs with wages at or above average wage for county
- Project cannot have already announced
- Must meet job requirements and investment requirements before first claiming credit

JDC Benefits

- Credit against withholding tax based on employees' wages
- Amount of credit depends on wages paid (2-5% of wages paid) and tier ranking of county in which facility is located
- Company must pay in all withholding and then is "rebated" amount of credit through refund

Job Development Credit Percentages for 2026

JDC %	2026 Hourly Wage
2%	$13.04 to $17.37
3%	$17.38 to $21.71
4%	$21.72 to $32.58
5%	$32.59+

Job Development Credit County Percentages

County Tier	Allowable JDC%
Tier IV	100%
Tier III	85%
Tier II	70%
Tier I	55%

Eligible Expenditures

- Acquisition & improvement of real estate
- Lease payments if special requirements are met
- Improvements to public & private utilities
- Transportation infrastructure (roads & rail)
- Pollution control equipment

Special Requirements for Lease Payments

- Build-to-suit lease – Cost of construction is eligible, not total lease payments

- Operating lease – only available if:
    - Lease term of at least 7 years
    - At least 100 new jobs
    - Wages above county per capita
    - County must provide incentives
    - Company must pay at 3 years before claiming

Special Provisions

- Employee can include remote or hybrid employees living in SC, NC and GA who are subject to SC withholding

- New provision to incentivize companies with high-wage jobs but low investment:
  - Must have at least 25 jobs
  - Wages 2.5x county per capita
  - Start collecting on a tiered basis and get annual reimbursement

JDC Application Process

Company is applicant and may include up to two related entities

Enterprise Committee meets 1st Thursday of every month

Applications must be submitted by 1st of month before meeting

Application must include historical information of the company as well financials

JDC Approval Process

Company will receive approval letter that must be signed and returned

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Company will have one year to complete Revitalization Agreement (RVA)

→

At time of RVA, can increase or decrease jobs and/or investment by 10% from numbers in application

→

Company must submit annual status reports until it meets investment and job creation requirements

Participation Requirements

- Company will have 5 years (or longer for significant projects) to reach investment and job creation requirements
- At time of certification, can increase/decrease jobs and/or investment by 10% from numbers in RVA
- Company must submit proof of investment and job creation by end of performance period
- Once approved, DOR will be notified, and the company may begin to claim JDCs in the next quarter
- Once certified, company must maintain investment and jobs 100%
- Will collect for 10 years (or 15 years if significant project) or until total of eligible expenses, whichever comes first

Quarterly and Annual Reports

- Once a company begins claiming JDCs, annual status reports are no longer required
- Company must file quarterly reports with CCED in addition to claims to DOR
- Quarterly reports are due 30 days after end of each quarter
- Annual reports are due annually on June 30th
- Reports can be emailed to CCEDreports@sccommerce.com
- Invoices for annual renewal fee of $500 are sent June 30th and are due July 30th

Retraining Credit

- Production, warehouse, distribution and technology employees
- Necessary to remain competitive &/or introduce new technologies or for management development, upskilling and recertification of production workers
- $1,000 per year per employee for 5 years, not to exceed $5,000 per employee
- Approved by the SC Technical Board
- Company must match $1.00 per $1.00
- Employee must have been on payroll for at least 1 year.

Other State Discretionary Incentives

- Port Volume Increase Tax Credit based on increased use of SC port. Requires base use of 10 TEUs and 5% increase

- Port Credit for New Distribution Facilities investing $40M, creating 100 new jobs and having a base port cargo of 5,000 TEUs

- Port Transportation Tax Credit based on transportation costs.

- Tax Credit for Increase in Purchases of SC Agricultural Products. Requires base of $100,000 and 15% increase

Local Incentives

- Property Tax Relief
  - Abatement
    - The original Incentive
  - Fee-in-Lieu (FILOT)
  - Special Source Revenue Credit (SSRC)
  - Multi-County Industrial Park (MCIP)

Why Local Incentives are Needed

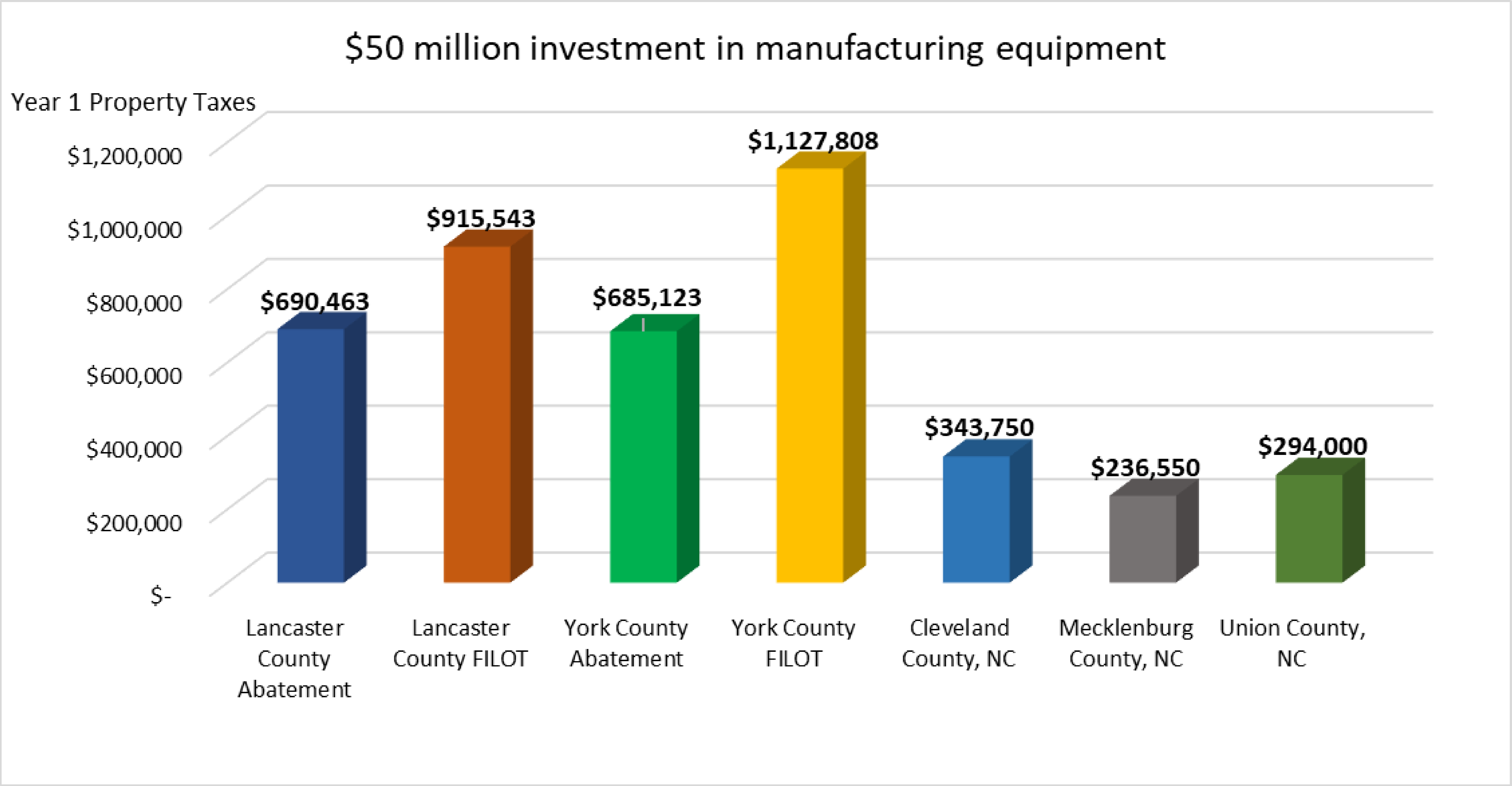
- South Carolina property tax rates are higher than most competing states

- Commercial personal property is assessed at 10.5%

Manufacturing Exemption

- Only applies to manufacturing property that is assessed at 10½%
- Doesn't apply to utilities, R&D or office
- Exemption is equal to 42.8571% of property tax value of real and personal manufacturing property
- Not a change in the assessment ratio

Property Tax Comparisons



Abatement

- Statutory Incentive
- Available to manufacturer or R&D facility that invests $50,000 or to distribution facility or corporate HQ that invests $50,000 and creates 75 new jobs
- Abates county portion of the millage rate for 5 years
- City portion of the millage rate can be abated with City approval

Multi-County Industrial Park (MCIP)

- Develop with contiguous county
- Property owners pay fee
- Counties share revenues
- Must get consent of city within park

Economic Development Benefits of an MCIP

- Adds an extra $1,000 per job-to-job Tax Credits
- Allows a county to offer a Special Source Revenue Credit

Fee-in-Lieu of Property Tax (FILOT)

- Offered at the discretion of local governments
- Valuable Savings
  - Assessment rate to as low as 6% (4% for Super or Enhanced Fee)
- Greater Financial Control
  - Negotiate locked-in millage rate for up to 30 years or 5-year adjustable millage rate

Investment Requirements for FILOT

- $2.5 million in 5 years
- For Brownfield Site or Extremely High Unemployment County (only Marlboro for 2025)-$1 million in 5 years
- $400 million or $150 million and 125 new jobs in 8 years for Super or Enhanced Fee

Property Eligible to be Included in FILOT

- New Property – never on tax rolls
- Existing property – only if additional $45 million invested
- Replacement property

Time Periods of FILOT

- 5 years to make required investment (8 years for Super or Enhanced Fee)
- May be given and additional 5 years to complete project
- Up to 30 Years for fee (40 years for Super or Enhanced Fee)
- Can be extended an additional 10 years

Mileage Rate for FILOT

- Fixed for life of fee – may use mileage rate effective in June of prior year

- Adjustable every 5 years

Valuation of Property under FILOT

- Personal Property – cost + depreciation

- Real Property – locked at original cost (or county can agree to re-appraise every 5 years)

Special Source Revenue Credit (SSRC)

- Available against “fee”
- Safest when used against percentage of fee stream
- If bonded, gives company $$ upfront

Illustration of Fee-in-Lieu of Property Tax

Illustration of Fee-In-Lieu of Property Tax

Project XXX

County ABC

6%, 20-Year Fee, Locked Millage, Normal Fee Schedule

Year	Taxes with Abatement	Fee Payment Yr 1 Invest. 50,000,000	Savings with Fee	SSRC 20%	Total Payment After SSRC
2024	$697,681	$957,600	($259,919)	$191,520	$766,080
2025	$639,816	$865,200	($225,384)	$173,040	$692,160
2026	$580,058	$772,800	($192,742)	$154,560	$618,240
2027	$518,364	$680,400	($162,036)	$136,080	$544,320
2028	$454,688	$588,000	($133,312)	$117,600	$470,400
2029	$533,902	$495,600	$38,302	$99,120	$396,480
2030	$440,877	$403,200	$37,677	$80,640	$322,560
2031	$344,940	$310,800	$34,140	$62,160	$248,640
2032	$331,189	$294,000	$37,189	$58,800	$235,200
2033	$336,157	$294,000	$42,157	$58,800	$235,200
2034	$341,199	$294,000	$47,199	$0	$294,000
2035	$346,317	$294,000	$52,317	$0	$294,000
2036	$351,512	$294,000	$57,512	$0	$294,000
2037	$356,785	$294,000	$62,785	$0	$294,000
2038	$362,136	$294,000	$68,136	$0	$294,000
2039	$367,569	$294,000	$73,569	$0	$294,000
2040	$373,082	$294,000	$79,082	$0	$294,000
2041	$378,678	$294,000	$84,678	$0	$294,000
2042	$384,358	$294,000	$90,358	$0	$294,000
2043	$390,124	$294,000	$96,124	$0	$294,000
TOTALS	**$8,529,433**	**$8,601,600**	**($72,167)**	**$1,132,320**	**$7,469,280**

Assumptions	
$ 40,000,000	Taxable M&E
$ 10,000,000	Land/Bldg*
0.3500	Millage Rate
0.0950	County Abatable
1.50%	Millage Growth Rate
11%	Annual Deprec.
90%	Max Total Deprec.
6.00%	Fixed Assess. Rate

Illustration of MCIP with SSRC

Five-Year Abatement With 10-Year SSRC

County ABC

<u>Project XXX</u>

Year	Taxes without Abatement	**Taxes with Abatement**	Savings from Abatement	SSRC 20%	Payments after SSRC
2024	$34,440	**$25,092**	$9,348	$5,018	$20,074
2025	$32,612	**$23,760**	$8,852	$4,752	$19,008
2026	$30,721	**$22,383**	$8,339	$4,477	$17,906
2027	$28,767	**$20,959**	$7,808	$4,192	$16,767
2028	$26,746	**$19,487**	$7,260	$3,897	$15,589
2029	$24,659	**$24,659**	$0	$4,932	$19,727
2030	$22,503	**$22,503**	$0	$4,501	$18,002
2031	$20,277	**$20,277**	$0	$4,055	$16,222
2032	$20,108	**$20,108**	$0	$4,022	$16,086
2033	$20,410	**$20,410**	$0	$4,082	$16,328
Total	**$261,243**	**$219,636**	**$41,606**	**$43,927**	**$175,709**

Assumptions

Taxable L&B*	$750,000
Taxable M&E	$1,000,000
Millage Rate	0.3500
Abatable Millage	0.0950
Millage Growth	2%
Depreciation	11%
Max. Depr.	90%

*This assumes the value of real property (land and building) remains stable at $750,000 for 10 years.

Frequently Asked Questions

- When is enough, enough?
  - When the project is no longer a good deal for the community
- Do communities lose when they use incentives?
  - No. Communities should always see a net gain from a project.
- Can we win without incentives?
  - Sometimes, but not often.

THANKS FOR LISTENING!

ANY QUESTIONS?

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