Economic Development*

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Institute of Government for
County Officials
Level II
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State Incentives

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

Discretionary
- Grants
- Job Development Credits
- Workforce training

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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

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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.

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Set-Aside Fund

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

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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

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Rural Infrastructure Fund (RIF)

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

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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)

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Closing Fund

- Created in 2006 to assist in recruiting and retaining high impact economic development projects
- Annual appropriation
- $25M appropriated 2023-24 ($21.3M recurring, $3.7M nonrecurring).
- Although can be used for any expenses, CCED generally follows statutory restrictions for others

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Grant Application Process

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

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Grant Approval Process

- Council may include special stipulations regarding use of funds or disbursement
- 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 all applicable parties

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Disbursement of Grant Funds

- Funds must be disbursed within 18 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

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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

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Enterprise Incentives

- Quarterly refunds of state payroll tax withholding
  - Job Development Credit
  - Retraining Credit
- Can receive both incentives, but not on same employees

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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

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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

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Job Development Credit Percentages for 2023 and 2024

JDC %	2023 Hourly Wage	2024 Hourly Wage
2%	\$11.67 to \$15.55	\$12.31 to \$16.40
3%	\$15.56 to \$19.44	\$16.41 to \$20.49
4%	\$19.45 to \$29.18	\$20.50 to \$30.76
5%	\$29.19 +	\$30.77 +

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Job Development Credit County Percentages

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

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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

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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 has to provide incentives
  - Company has to pay at 3 years before claiming

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JDC Application Process

- Company is applicant and may include up to 2 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 as financials

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JDC Approval Process

- Company will receive approval letter that must be signed and returned
- Company will have 1 year to complete Revitalization Agreement (RVA)
- At time of RVA, can increase/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.

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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

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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

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Retraining Credit

- Production and technology employees
- Necessary to remain competitive &/or introduce new technologies
- $1,000 per year per employee for 5 years, not to exceed $5,000 per employee
- Approved by the local Technical College
- Company must match $1.50 per $1.00

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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

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Local Incentives

Property Tax Relief

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

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Why Local Incentives Are Needed

- South Carolina property tax rates are higher than most competing states
- Commercial personal property is assessed at 10.5%

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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
- No more phase-in – in effect now
- Capped at $170 million reimbursement which likely will be met in next few years resulting in reduction in exemption amount
- Not a change in the assessment ratio

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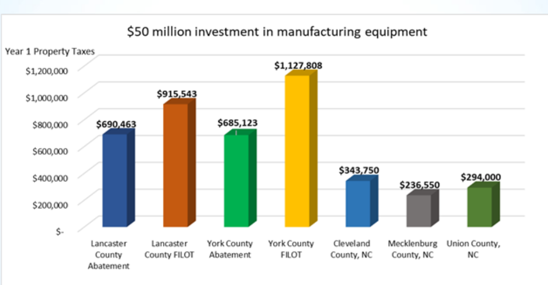
Property Tax Comparisons



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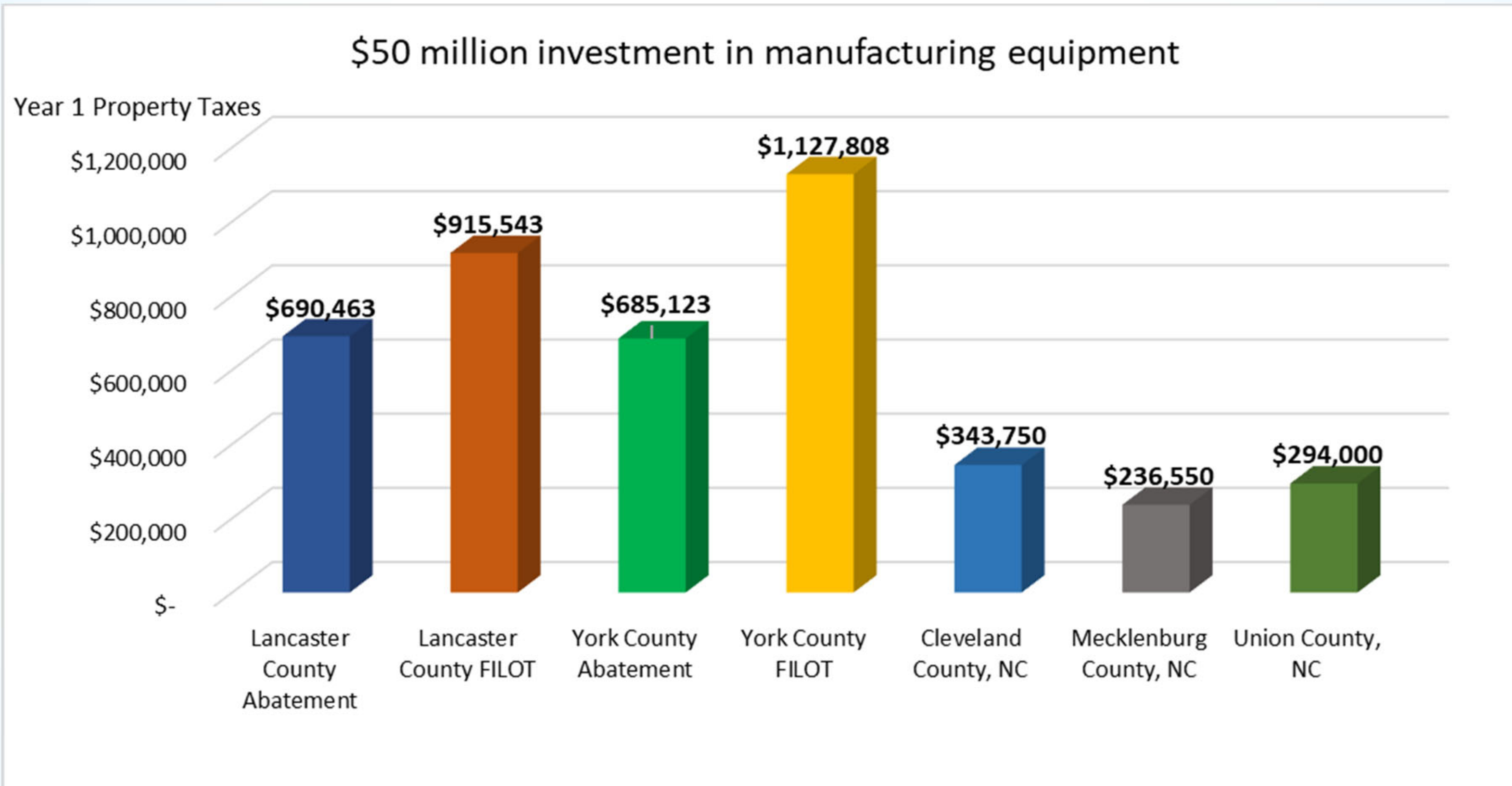

Abatement

- 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

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Multi-County Industrial Park (MCIP)

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

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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

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Fee-in-Lieu of Property Tax (FILOT)

- Offered at the discretion of local governments
- Valuable Savings
  - Property tax reduction -- 30% - 45%
  - 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

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Investment Requirements for FILOT

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

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Property Eligible to be Included in FILOT

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

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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

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Millage Rate for FILOT

- Fixed for life of fee – may use millage rate effective in June of prior year
- Adjustable every 5 years

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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)

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Special Source Revenue Credit (SSRC)

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

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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

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Illustration of MCIP with SSRC

Five-Year Abatement With 10-Year SSRC
County ABC
Project XXX

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.

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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.

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