

Hiring Employees in Georgia? You May Qualify for a Tax Credit

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If your organization is hiring or has plans to hire employees in Georgia, there are a number of tax incentive programs related to job creation that you should know about. One such incentive is the Opportunity Zone Tax Credit (OZTC) which incentivizes employers to create jobs in areas of need or "Opportunity Zones" as designated by the Georgia Department of Community Affairs (DCA). This program, separate from the Basic Jobs Tax Credit program, allows certain employers within "Opportunity Zones" to benefit from enhanced state job tax credits if the business creates net new jobs (as further discussed below).

The Georgia Department of Community Affairs (DCA) has designated a number of "Opportunity Zones" throughout Georgia, including several areas within Downtown Atlanta. As such, many employers may be eligible for OZTC benefits simply by being located in, relocating to, or expanding within these areas of Downtown Atlanta.

Contrary to the basic jobs tax credit, the OZTC Program does not limit the type of businesses eligible for the tax credit which means **any** lawful business, including retail, is eligible for the program.

How Much In Tax Credits Can I Receive?

The tax credit associated with the OZTC is a nonrefundable \$3,500 annual income tax credit per eligible net new full-time job. The credit can be taken each year for five successive years - as long as such job is maintained over the five-year compliance period. As such, the total possible state tax credit for each net new qualifying job over five years is \$17,500. If the amount of the tax credit exceeds the business' income tax liability, the excess credit may offset the business' quarterly or monthly withholding payments.

How Does My Business Qualify for the Tax Credit?

In order to qualify for the OZTC, several requirements must be met. The average wage of the new job created must pay above the average wage of the county that has the lowest average wage in the state. As of June 2011, the lowest average wage in Georgia was in Clatscock County at \$435 per week or \$22,620 per year.

Second, the employer must make health insurance coverage *available* to the employee filling the new fulltime job opportunity. Note that the employer is not required to actually pay for either all or part of the insurance coverage rather the employer must simply make health insurance coverage available to the new employee.

Additionally, a business must increase its employee count by two or more full-time positions in any given year to be eligible for the OZTC. There are no requirements or limitations on the type or nature of the positions created, only that the positions be for full-time employment. This differs from the job creation requirement under the Basic Jobs Tax Credit program which requires an increase in employment by five or more full-time positions in order for a business to be eligible for the basic jobs tax credit. Therefore, another advantage of being in an Opportunity Zone is the lower job creation threshold.

Note that the job creation requirement is based on net new jobs to Georgia. As such, any existing business relocating to an Opportunity Zone would have a requirement to create two new full-time jobs in order to qualify for this credit because any existing transferred jobs would be treated as relocated jobs within Georgia and not net new jobs to the state under the OZTC Program.

However, in the case of an out-of-state business entity relocating to Georgia, all of the jobs associated with that business would generally constitute net new jobs to Georgia for purposes of the tax credit. Therefore, an out-of-state business would not need to create additional new full-time positions in the year it relocates to Georgia in order to be eligible for the OZTC.

To determine whether the job creation threshold has been met and how many net new jobs have been created, businesses must complete the Georgia Department of Revenue Form IT-CA which calculates the monthly average of full-time employees for the year preceding the year in which the business plans to claim the tax credit. The form then compares the prior year's monthly average to the current year's monthly average to establish whether the job creation threshold has been met.

Businesses must also apply for a certification from the Department of Community Affairs stating that the business and the jobs created are within a currently designated Opportunity Zone.

Despite the filing requirements and nuances associated with the Opportunity Zone Tax Credit Program, this tax credit can present a lucrative new funding source for businesses considering job creation in Atlanta and other Georgia Opportunity Zones.

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Opportunity Knocks

For information on the Job Tax Credit and related tax forms, visit our website at:

<http://www.dca.ga.gov/economic/TaxCredits/programs/taxcredit.asp>

More forms available from DOR at:

<http://www.etax.dor.ga.gov/inctax/taxcredits.aspx>



To find out how to claim these credits, contact Dawn Sturbaum at DCA:

404-679-1585 or

dawn.sturbaum@dca.ga.gov

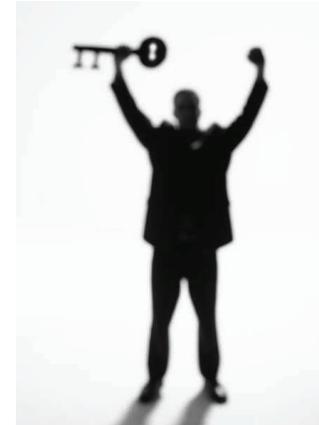


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Community Development and Finance Division



*Opportunity
Zone Tax
Credits —
Information for
Businesses*

*Georgia Department
of Community Affairs*

**Mike Beatty, Commissioner
404-679-4940**

What's the difference?

Opportunity Zone versus Traditional Job Tax Credit

If you are making a location or expansion decision for your business, check out what locating in an Opportunity Zone can mean for you. By locating in a local redevelopment area designated as an Opportunity Zone (OZ), a business can take advantage of the state's highest Job Tax Credit (JTC).

Traditionally, job tax credits in Georgia are based on County Tier levels 1-4. Tier 1 counties are considered the most distressed in the State and receive the highest credit amount of \$3,500. Tier 2 credit is \$2,500, Tier 3 \$1,250 and Tier 4 \$750 per job.

By locating in an Opportunity Zone and creating 2 jobs, a business can maximize job tax credits to the State's highest benefits. The following example shows the difference between OZ benefits and Tier 2 benefits.

To claim OZ tax credits, your business must be within a State designated Opportunity Zone. Please contact your city or county to see if they have a designated Opportunity Zone, or encourage them to apply.

Opportunity Zone Example

Job Creation = minimum of two (2) jobs (not limited to a Business Enterprise).

Tax Credit = \$3,500 per job, may be claimed up to five years as long as the jobs are maintained.

Claimed against 100% of the business's Georgia Income Tax liability, with excess credit claimed against withholding taxes.

	Jobs Created	Credit	Tax Liability	Withholding
Year 1	2	\$ 0		
Year 2	3	\$7,000	\$1,200	\$5,800
Year 3	3	\$10,500	\$1,000	\$9,500
Year 4	4	\$10,500	\$1,500	\$9,000
Year 5	4	\$14,000	\$1,700	\$12,300
Year 6	5	\$14,000	\$2,100	\$11,900
Year 7	5	\$10,500	\$2,050	\$8,450
Year 8	6	\$7,000	\$1,800	\$5,200
Year 9	6	\$7,000	\$1,750	\$5,250
Year 10	6	\$3,500	\$1,450	\$2,050
Year 11	7	\$3,500	\$1,600	\$1,900
<u>Year 12</u>	<u>7</u>	<u>\$ 0</u>		<u>\$ 0</u>
TOTALS		\$87,500	\$16,150	\$71,350

\$87,500 Job Tax Credit generated and \$87,500 Job Tax Credit utilized.

The benefit of an Opportunity Zone in a Tier 1 county is that the businesses locating within an Opportunity Zone are not bound by the definition of "Business Enterprise" but may be any lawful business. Therefore, a retail business locating within a Opportunity Zone would be eligible for the Job Tax Credit even though it would not otherwise be entitled to the Job Tax Credit in a Tier 1 county.

Tier Two Example

Job Creation = minimum of ten (10) jobs defined as any business "which is engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, and research and development industries."

Tax Credit = \$2,500 per job, may be claimed up to five years as long as the jobs are maintained.

Claimed against 100% of the business's Georgia Income Tax liability, with excess credit carried forward for 10 years.

	Jobs Created	Credit	Tax liability	Carry Forward
Year 1	10	\$0		
Year 2	11	\$25,000	\$1,200	\$23,800
Year 3	11	\$27,500	\$1,000	\$50,300
Year 4	12	\$27,500	\$1,500	\$76,300
Year 5	12	\$30,000	\$1,700	\$104,600
Year 6	13	\$30,000	\$2,100	\$132,500
Year 7	13	\$7,500	\$2,050	\$137,950
Year 8	14	\$5,000	\$1,800	\$141,150
Year 9	14	\$5,000	\$1,750	\$144,400
Year 10	14	\$2,500	\$1,450	\$145,450
Year 11	15	\$2,500	\$1,600	\$137,500
<u>Year 12</u>	<u>15</u>	<u>\$0</u>	<u>\$1,800</u>	<u>\$110,000</u>
TOTALS		\$162,500	\$17,950	

\$162,500 Job Tax Credit generated; \$17,950 Job Tax Credit utilized; \$34,550 Job Tax Credit expired; additional Job Tax Credit will expire over the next few years (\$20,000+ per year over the next three years)

BOTTOM LINE

In 10 years, the Opportunity Zone business used \$87,500 in tax credit while the Tier 2 business used only \$17,950.