

House Bill 984 (COMMITTEE SUBSTITUTE)

By: Representatives Purcell of the 122<sup>nd</sup>, Oliver of the 121<sup>st</sup>, Post 2, Keen of the 146<sup>th</sup>, Stephens of the 123<sup>rd</sup>, DeLoach of the 127<sup>th</sup>, and others

A BILL TO BE ENTITLED  
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,  
2 relating to imposition, rate, and computation of income taxes, so as to change certain  
3 provisions regarding the designation of counties as less developed areas for purposes of  
4 certain income tax credits; to provide for such designation with respect to portions of certain  
5 counties; to provide for such designation with respect to tax credits for existing  
6 manufacturing and telecommunications facilities or manufacturing or telecommunications  
7 support facilities; to provide for such designation with respect to optional tax credits for  
8 existing manufacturing or telecommunications facilities or manufacturing or  
9 telecommunications support facilities; to provide for such designation with respect to tax  
10 credits for establishing or relocating headquarters; to provide for such designation with  
11 respect to tax credits for certain business enterprises for leased motor vehicles; to provide an  
12 effective date; to provide for applicability; to repeal conflicting laws; and for other purposes.

13 **BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:**

14 **SECTION 1.**

15 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to  
16 imposition, rate, and computation of income taxes, is amended by striking Code Section  
17 48-7-40, relating to designation of counties as less developed areas, and inserting in its place  
18 a new Code Section 48-7-40 to read as follows:

19 "48-7-40.

20 (a) As used in this Code section, the term 'business enterprise' means any business or the  
21 headquarters of any such business which is engaged in manufacturing, warehousing and  
22 distribution, processing, telecommunications, tourism, and research and development  
23 industries. Such term shall not include retail businesses.

24 (b)(1) Not later than December 31 of each year, using the most current data available  
25 from the Department of Labor and the United States Department of Commerce, the  
26 commissioner of community affairs shall rank and designate as less developed areas all

1 159 counties in this state, or portions thereof, using a combination of the following  
 2 equally weighted factors:

- 3 (A) Highest unemployment rate for the most recent 36 month period;  
 4 (B) Lowest per capita income for the most recent 36 month period; and  
 5 (C) Highest percentage of residents whose incomes are below the poverty level  
 6 according to the most recent data available.

7 Each county in this state shall constitute a single area for purposes of applying the factors  
 8 enumerated in this paragraph, unless a county is comprised of one or more census tracts  
 9 adjacent to a federal military installation where pervasive poverty is evidenced by a 15  
 10 percent poverty rate as reflected in the most recent decennial census. In such case, each  
 11 such area of the county comprised of those census tracts shall constitute a separate area  
 12 for purposes of applying the factors enumerated in this paragraph.

13 (2) Counties or portions thereof ranked and designated as the first through seventy-first  
 14 least developed ~~counties~~ areas shall be classified as tier 1, counties or portions thereof  
 15 ranked and designated as the seventy-second through one hundred sixth least developed  
 16 ~~counties~~ areas shall be classified as tier 2, counties or portions thereof ranked and  
 17 designated as the one hundred seventh through one hundred forty-first least developed  
 18 ~~counties~~ areas shall be classified as tier 3, and ~~counties~~ the remaining counties or portions  
 19 thereof shall be sequentially ranked and designated ~~as the one hundred forty-second~~  
 20 ~~through one hundred fifty-ninth least developed counties~~ and shall be classified as tier 4.

21 (c) The commissioner of community affairs shall be authorized to include in the tier 2  
 22 designation provided for in subsection (b) of this Code section any tier 3 ~~county~~ area  
 23 which, in the opinion of the commissioner of community affairs, undergoes a sudden and  
 24 severe period of economic distress caused by the closing of one or more business  
 25 enterprises located in such ~~county~~ area. No designation made pursuant to this subsection  
 26 shall operate to displace or remove any other ~~county~~ area previously designated as a tier  
 27 2 ~~county~~ area.

28 (c.1) The commissioner of community affairs shall be authorized to include in the tier 1  
 29 designation provided for in subsection (b) of this Code section any tier 2 ~~county~~ area  
 30 which, in the opinion of the commissioner of community affairs, undergoes a sudden and  
 31 severe period of economic distress caused by the closing of one or more business  
 32 enterprises located in such ~~county~~ area. No designation made pursuant to this subsection  
 33 shall operate to displace or remove any other ~~county~~ area previously designated as a tier  
 34 1 ~~county~~ area.

35 (d) For business enterprises which plan a significant expansion in their labor forces, the  
 36 commissioner of community affairs shall prescribe redesignation procedures to ensure that

1 the business enterprises can claim credits in future years without regard to whether or not  
2 a particular county or portion thereof is reclassified in a different tier.

3 (e) Business enterprises in counties or portions thereof designated by the commissioner  
4 of community affairs as tier 1 counties areas shall be allowed a tax credit for taxes imposed  
5 under this article equal to \$3,500.00 annually per eligible new full-time employee job for  
6 five years beginning with years two through six after the creation of such job; provided,  
7 however, that where the amount of such credit exceeds a business enterprise's liability for  
8 such taxes in a taxable year, the excess may be taken as a credit against such business  
9 enterprise's quarterly or monthly payment under Code Section 48-7-103 but not to exceed  
10 in any one taxable year \$3,500.00 for each new full-time employee job when aggregated  
11 with the credit applied against taxes under this article. Each employee whose employer  
12 receives credit against such business enterprise's quarterly or monthly payment under Code  
13 Section 48-7-103 shall receive credit against his or her income tax liability under Code  
14 Section 48-7-20 for the corresponding taxable year for the full amount which would be  
15 credited against such liability prior to the application of the credit provided for in this  
16 subsection. Credits against quarterly or monthly payments under Code Section 48-7-103  
17 and credits against liability under Code Section 48-7-20 established by this subsection shall  
18 not constitute income to the taxpayer. Business enterprises in counties or portions thereof  
19 designated by the commissioner of community affairs as tier 2 counties areas shall be  
20 allowed a job tax credit for taxes imposed under this article equal to \$2,500.00 annually,  
21 business enterprises in counties or portions thereof designated by the commissioner of  
22 community affairs as tier 3 counties areas shall be allowed a job tax credit for taxes  
23 imposed under this article equal to \$1,250.00 annually, and business enterprises in counties  
24 or portions thereof designated by the commissioner of community affairs as tier 4 counties  
25 areas shall be allowed a job tax credit for taxes imposed under this article equal to \$750.00  
26 annually for each new full-time employee job for five years beginning with years two  
27 through six after the creation of the job. The number of new full-time jobs shall be  
28 determined by comparing the monthly average number of full-time employees subject to  
29 Georgia income tax withholding for the taxable year with the corresponding period of the  
30 prior taxable year. In tier 1 counties areas, those business enterprises that increase  
31 employment by five or more shall be eligible for the credit. In tier 2 counties areas, only  
32 those business enterprises that increase employment by ten or more shall be eligible for the  
33 credit. In tier 3 counties areas, only those business enterprises that increase employment  
34 by 15 or more shall be eligible for the credit. In tier 4 counties areas, only those business  
35 enterprises that increase employment by 25 or more shall be eligible for the credit. The  
36 average wage of the new jobs created must be above the average wage of the county area  
37 that has the lowest average wage of any county area in the state to qualify as reported in

1 the most recently available annual issue of the Georgia Employment and Wages Averages  
2 Report of the Department of Labor. To qualify for a credit under this subsection, the  
3 employer must make health insurance coverage available to the employee filling the new  
4 full-time job; provided, however, that nothing in this subsection shall be construed to  
5 require the employer to pay for all or any part of health insurance coverage for such an  
6 employee in order to claim the credit provided for in this subsection if such employer does  
7 not pay for all or any part of health insurance coverage for other employees. Credit shall  
8 not be allowed during a year if the net employment increase falls below the number  
9 required in such tier. Any credit received for years prior to the year in which the net  
10 employment increase falls below the number required in such tier shall not be affected. The  
11 state revenue commissioner shall adjust the credit allowed each year for net new  
12 employment fluctuations above the minimum level of the number required in such tier.

13 (f) Tax credits for five years for the taxes imposed under this article shall be awarded for  
14 additional new full-time jobs created by business enterprises qualified under  
15 subsection (b), (c), or (c.1) of this Code section. Additional new full-time jobs shall be  
16 determined by subtracting the highest total employment of the business enterprise during  
17 years two through six, or whatever portion of years two through six which has been  
18 completed, from the total increased employment. The state revenue commissioner shall  
19 adjust the credit allowed in the event of employment fluctuations during the additional five  
20 years of credit.

21 (g) The sale, merger, acquisition, or bankruptcy of any business enterprise shall not create  
22 new eligibility in any succeeding business entity, but any unused job tax credit may be  
23 transferred and continued by any transferee of the business enterprise. The commissioner  
24 of community affairs shall determine whether or not qualifying net increases or decreases  
25 have occurred and may require reports, promulgate regulations, and hold hearings as  
26 needed for substantiation and qualification.

27 (h) Any credit claimed under this Code section but not used in any taxable year may be  
28 carried forward for ten years from the close of the taxable year in which the qualified jobs  
29 were established, but in tiers 3 and 4 the credit established by this Code section taken in  
30 any one taxable year shall be limited to an amount not greater than 50 percent of the  
31 taxpayer's state income tax liability which is attributable to income derived from  
32 operations in this state for that taxable year. In tier 1 and 2 ~~counties~~ areas, the credit  
33 allowed under this Code section against taxes imposed under this article in any taxable year  
34 shall be limited to an amount not greater than 100 percent of the taxpayer's state income  
35 tax liability attributable to income derived from operations in this state for such taxable  
36 year.

1 (i) Notwithstanding any provision of this Code section to the contrary, in counties or  
 2 portions thereof recognized and designated as the first through fortieth least developed  
 3 ~~counties~~ areas in the tier 1 designation, job tax credits shall be allowed as provided in this  
 4 Code section, in addition to business enterprises, to any business of any nature.

5 (j) The commissioner may require such reports, promulgate such regulations, and gather  
 6 such relevant data necessary and advisable for the evaluation of the job tax credits  
 7 established by this Code section."

## 8 SECTION 2.

9 Said article is further amended by striking subsection (c) of Code Section 48-7-40.1, relating  
 10 to additional tax credits in less developed areas, and inserting in its place a new subsection  
 11 (c) to read as follows:

12 "(c) The commissioner of community affairs shall be authorized to include in the  
 13 designation provided for in subsection (b) of this Code section:

14 (1) Any area comprised of ten or more contiguous census tracts which, in the opinion of  
 15 the commissioner of community affairs, undergoes a sudden and severe period of  
 16 economic distress caused by the closing of one or more business enterprises located in  
 17 such area; ~~or~~

18 (2) Any area comprised of one or more census tracts adjacent to a federal military  
 19 installation where pervasive poverty is evidenced by a 15 percent poverty rate as reflected  
 20 in the most recent decennial census; or

21 ~~(2)(3)~~ (3) Any area comprised of one or more contiguous census tracts which, in the opinion  
 22 of the commissioner of community affairs, is or will be adversely impacted by the loss  
 23 of one or more jobs, businesses, or residences as a result of an airport expansion,  
 24 including noise buy-outs, or the closing of a business enterprise which, in the opinion of  
 25 the commissioner of community affairs, results or will result in a sudden and severe  
 26 period of economic distress.

27 No designation made pursuant to this subsection shall operate to displace or remove any  
 28 other area previously designated as a less developed area."

## 29 SECTION 3.

30 Said article is further amended by striking subsection (b) of Code Section 48-7-40.2, relating  
 31 to tax credits for existing manufacturing and telecommunications facilities or manufacturing  
 32 or telecommunications support facilities in tier 1 counties, and inserting in its place a new  
 33 subsection (b) to read as follows:

34 "(b) In the case of a taxpayer which has operated for the immediately preceding three years  
 35 an existing manufacturing or telecommunications facility or manufacturing or

1 telecommunications support facility in this state in a tier 1 county area designated pursuant  
 2 to Code Section 48-7-40, there shall be allowed a credit against the tax imposed under this  
 3 article in an amount equal to 5 percent of the cost of all qualified investment property  
 4 purchased or acquired by the taxpayer in such year, subject to the conditions and  
 5 limitations set forth in this Code section. In the event such qualified investment property  
 6 purchased or acquired by the taxpayer in such year consists of recycling machinery or  
 7 equipment, a recycling manufacturing facility, pollution control or prevention machinery  
 8 or equipment, a pollution control or prevention facility, or the conversion from defense to  
 9 domestic production, the amount of such credit shall be equal to 8 percent."

#### 10 **SECTION 4.**

11 Said article is further amended by striking subsection (b) of Code Section 48-7-40.3, relating  
 12 to tax credits for existing manufacturing and telecommunications facilities or manufacturing  
 13 or telecommunications support facilities in tier 2 counties, and inserting in its place a new  
 14 subsection (b) to read as follows:

15 "(b) In the case of a taxpayer which has operated for the immediately preceding three years  
 16 an existing manufacturing or telecommunications facility or manufacturing or  
 17 telecommunications support facility in this state in a tier 2 county area designated pursuant  
 18 to Code Section 48-7-40, there shall be allowed a credit against the tax imposed under this  
 19 article in an amount equal to 3 percent of the cost of all qualified investment property  
 20 purchased or acquired by the taxpayer in such year, subject to the conditions and  
 21 limitations set forth in this Code section. In the event such qualified investment property  
 22 purchased or acquired by the taxpayer in such year consists of recycling machinery or  
 23 equipment, a recycling manufacturing facility, pollution control or prevention machinery  
 24 or equipment, a pollution control or prevention facility, or the conversion from defense to  
 25 domestic production, the amount of such credit shall be equal to 5 percent."

#### 26 **SECTION 5.**

27 Said article is further amended by striking subsection (b) of Code Section 48-7-40.4, relating  
 28 to tax credits for existing manufacturing and telecommunications facilities or manufacturing  
 29 or telecommunications support facilities in tier 3 or 4 counties, and inserting in its place a  
 30 new subsection (b) to read as follows:

31 "(b) In the case of a taxpayer which has operated for the immediately preceding three years  
 32 an existing manufacturing or telecommunications facility or manufacturing or  
 33 telecommunications support facility in this state in a tier 3 or a tier 4 county area  
 34 designated pursuant to Code Section 48-7-40, there shall be allowed a credit against the tax  
 35 imposed under this article in an amount equal to 1 percent of the cost of all qualified

1 investment property purchased or acquired by the taxpayer in such year, subject to the  
 2 conditions and limitations set forth in this Code section. In the event such qualified  
 3 investment property purchased or acquired by the taxpayer in such year consists of  
 4 recycling machinery or equipment, a recycling manufacturing facility, pollution control or  
 5 prevention machinery or equipment, a pollution control or prevention facility, or the  
 6 conversion from defense to domestic production, the amount of such credit shall be equal  
 7 to 3 percent."

8 **SECTION 6.**

9 Said article is further amended by striking subsection (b) of Code Section 48-7-40.7, relating  
 10 to optional tax credits for existing manufacturing or telecommunications facilities or  
 11 manufacturing or telecommunications support facilities in tier 1 counties, and inserting in its  
 12 place a new subsection (b) to read as follows:

13 "(b) In the case of a taxpayer which has operated for the immediately preceding three years  
 14 an existing manufacturing or telecommunications facility or manufacturing or  
 15 telecommunications support facility and which first places in service during a taxable year  
 16 qualified investment property in this state in a tier 1 ~~county~~ area designated pursuant to  
 17 Code Section 48-7-40, there shall be allowed an optional credit against the tax imposed  
 18 under this article for the ensuing ten taxable years following the taxable year the qualified  
 19 investment property was first placed in service, provided that such qualified investment  
 20 property remains in service. Such optional credit shall be at the irrevocable election of the  
 21 taxpayer and shall be in lieu of the credit under Code Section 48-7-40.2. No taxpayer who  
 22 claims the credit under Code Section 48-7-40.2 for any taxable year for a given project  
 23 shall be eligible to receive the credit under this Code section with respect to the same  
 24 project for any taxable year. The aggregate amount of the credit allowed under this Code  
 25 section shall equal 10 percent of the cost of all qualified investment property purchased or  
 26 acquired by the taxpayer and first placed in service during a taxable year. The annual  
 27 amount of such credit shall be computed as follows:

28 (1) The taxable year in which such qualified investment property is first placed in service  
 29 shall be the base year for purposes of calculating the credit provided for by this Code  
 30 section;

31 (2) The amount of tax owed by the taxpayer for the base year and for each of the two  
 32 immediately preceding taxable years shall be determined without regard to any credits  
 33 and shall be added together and divided by three. The resulting figure shall be the base  
 34 year average; and

1 (3) The credit available to the taxpayer to apply against the tax liability of any year  
 2 following the base year but no later than the tenth year shall be the lesser of the following  
 3 amounts:

4 (A) Ninety percent of the excess of the tax of the applicable year determined without  
 5 regard to any credits over the base year average; or

6 (B) The excess of the aggregate amount of the credit allowed for the qualified  
 7 investment property over the sum of the amounts of credit already used in the years  
 8 following the base year."

#### 9 SECTION 7.

10 Said article is further amended by striking subsection (b) of Code Section 48-7-40.8, relating  
 11 to optional tax credits for existing manufacturing or telecommunications facilities or  
 12 manufacturing or telecommunications support facilities in tier 2 counties, and inserting in its  
 13 place a new subsection (b) to read as follows:

14 "(b) In the case of a taxpayer which has operated for the immediately preceding three years  
 15 an existing manufacturing or telecommunications facility or manufacturing or  
 16 telecommunications support facility and which first places in service during a taxable year  
 17 qualified investment property in this state in a tier 2 ~~county~~ area designated pursuant to  
 18 Code Section 48-7-40, there shall be allowed an optional credit against the tax imposed  
 19 under this article for the ensuing ten taxable years following the taxable year the qualified  
 20 investment property was first placed in service, provided that such qualified investment  
 21 property remains in service. Such optional credit shall be at the irrevocable election of the  
 22 taxpayer and shall be in lieu of the credit under Code Section 48-7-40.3. No taxpayer who  
 23 claims the credit under Code Section 48-7-40.3 for any taxable year for a given project  
 24 shall be eligible to receive the credit under this Code section with respect to the same  
 25 project for any taxable year. The aggregate amount of the credit allowed under this Code  
 26 section shall equal 8 percent of the cost of all qualified investment property purchased or  
 27 acquired by the taxpayer and first placed in service during a taxable year. The annual  
 28 amount of such credit shall be computed as follows:

29 (1) The taxable year in which such qualified investment property is first placed in service  
 30 shall be the base year for purposes of calculating the credit provided for by this Code  
 31 section;

32 (2) The amount of tax owed by the taxpayer for the base year and for each of the two  
 33 immediately preceding taxable years shall be determined without regard to any credits  
 34 and shall be added together and divided by three. The resulting figure shall be the base  
 35 year average; and

1 (3) The credit available to the taxpayer to apply against the tax liability of any year  
 2 following the base year but no later than the tenth year shall be the lesser of the following  
 3 amounts:

4 (A) Ninety percent of the excess of the tax of the applicable year determined without  
 5 regard to any credits over the base year average; or

6 (B) The excess of the aggregate amount of the credit allowed for the qualified  
 7 investment property over the sum of the amounts of credit already used in the years  
 8 following the base year."

9 **SECTION 8.**

10 Said article is further amended by striking subsection (b) of Code Section 48-7-40.9, relating  
 11 to optional tax credits for existing manufacturing or telecommunications facilities or  
 12 manufacturing or telecommunications support facilities in tier 3 or 4 counties, and inserting  
 13 in its place a new subsection (b) to read as follows:

14 "(b) In the case of a taxpayer which has operated for the immediately preceding three years  
 15 an existing manufacturing or telecommunications facility or manufacturing or  
 16 telecommunications support facility and which first places in service during a taxable year  
 17 qualified investment property in this state in a tier 3 or a tier 4 ~~county~~ area designated  
 18 pursuant to Code Section 48-7-40, there shall be allowed an optional credit against the tax  
 19 imposed under this article for the ensuing ten taxable years following the taxable year the  
 20 qualified investment property was first placed in service, provided that such qualified  
 21 investment property remains in service. Such optional credit shall be at the irrevocable  
 22 election of the taxpayer and shall be in lieu of the credit under Code Section 48-7-40.4. No  
 23 taxpayer who claims the credit under Code Section 48-7-40.4 for any taxable year for a  
 24 given project shall be eligible to receive the credit under this Code section with respect to  
 25 the same project for any taxable year. The aggregate amount of the credit allowed under  
 26 this Code section shall equal 6 percent of the cost of all qualified investment property  
 27 purchased or acquired by the taxpayer and first placed in service during a taxable year. The  
 28 annual amount of such credit shall be computed as follows:

29 (1) The taxable year in which such qualified investment property is first placed in service  
 30 shall be the base year for purposes of calculating the credit provided for by this Code  
 31 section;

32 (2) The amount of tax owed by the taxpayer for the base year and for each of the two  
 33 immediately preceding taxable years shall be determined without regard to any credits  
 34 and shall be added together and divided by three. The resulting figure shall be the base  
 35 year average; and

(3) The credit available to the taxpayer to apply against the tax liability of any year following the base year but no later than the tenth year shall be the lesser of the following amounts:

- (A) Ninety percent of the excess of the tax of the applicable year determined without regard to any credits over the base year average; or
- (B) The excess of the aggregate amount of the credit allowed for the qualified investment property over the sum of the amounts of credit already used in the years following the base year."

**SECTION 9.**

Said article is further amended by striking paragraph (2) of subsection (a) of Code Section 48-7-40.17, relating to tax credits for establishing or relocating headquarters, and inserting in its place a new paragraph (2) to read as follows:

"(2) 'Full-time job' means employment for an individual which:

- (A) Is located at a headquarters;
- (B) Has a regular work week of 30 hours or more;
- (C) Pays at or above:
  - (i) In tier 1 ~~counties~~ areas, the average wage of the ~~county~~ area in which it is located;
  - (ii) In tier 2 ~~counties~~ areas, 105 percent of the average wage of the ~~county~~ area in which it is located;
  - (iii) In tier 3 ~~counties~~ areas, 110 percent of the average wage of the ~~county~~ area in which it is located; and
  - (iv) In tier 4 ~~counties~~ areas, 115 percent of the average wage of the ~~county~~ area in which it is located; and
- (D) Has no predetermined end date."

**SECTION 10.**

Said article is further amended by striking subsection (b) of Code Section 48-7-40.22, relating to tax credits for business enterprises for leased motor vehicles, and inserting in its place a new subsection (b) to read as follows:

"(b) A business enterprise which is located in a tier 1 or tier 2 ~~county~~ area which purchases or leases a new motor vehicle as defined in paragraph (34) of Code Section 40-1-1 in this state which is used for the exclusive purpose of providing transportation for its employees shall be allowed a credit for taxes imposed under this article as follows:

<u>Tier</u>	<u>Credit amount per vehicle</u>
1 .....	\$ 3,000.00

