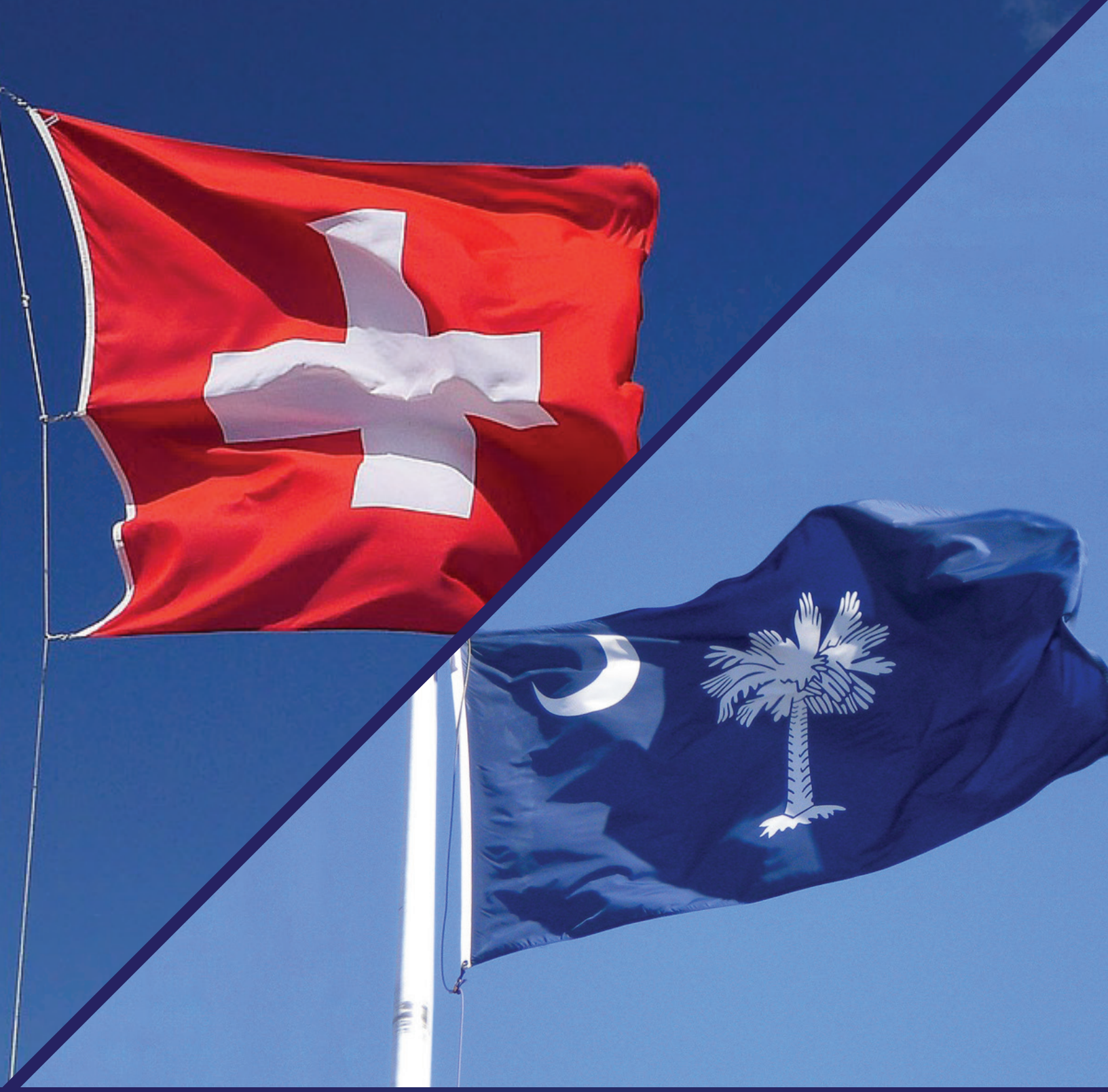

SOUTH CAROLINA TAX INCENTIVES FOR SWISS LIFE SCIENCES MANUFACTURERS IN SOUTH CAROLINA

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INTRODUCTION

South Carolina's business climate is universally regarded as one of the best in the country. It was tied for 5th (with No. 1 being the best) in *Site Selections* 2019 Top State Business Climate Rankings and was No. 2 in their Executive Survey. It was ranked 8th in *Chief Executive's* 2019 Best and Worse States for Business. It placed 3rd in *Area Developments* 2019 Top States for Doing Business, ranking No. 1 in Business Incentives Programs. It ranked 7th in *Business Facilities* 15th Annual Rankings (2019). It has the lowest percentage of labor union participants in the Country. It had 47,000 members of labor unions in 2019, which was a 14.5% drop according to the Federal Bureau of Labor statistics. South Carolina is a right to work state.

There were 4,900 new life sciences jobs announced in South Carolina from 2011 – 2019. More than 400 life sciences related companies call South Carolina home with 22,000 South Carolinians employed in the life sciences field.

South Carolina has a rich mix of economic development incentives – one of the best in the United States. Incentives come in several different types – hard dollars (cash or cash equivalent); and soft dollars (non-refundable state tax credits). Examples of hard dollars include Department of Commerce Grants, Job Development Credits, which are an unemployment tax credit, and property tax Special Source Revenue Credits, which are a reduction of property taxes otherwise owing. Examples of soft dollar incentives include Job Tax Credit, the state investment tax credit and numerous sales tax exemptions.

Incentives are also (1) discretionary or (2) non-discretionary. Discretionary incentives include Department of Commerce Grants (awarded by the Coordinating Council for Economic Development upon the recommendation of the Department of Commerce) and Fee-in-Lieu property tax incentive (awarded by County Council). Examples of non-discretionary incentives include Jobs Tax Credit (which is simply claimed on Tax Credit Form the year after the jobs are created and maintained) and numerous sales tax exemptions. (Manufacturers do want to apply for an Exemption Certificate from the Department of Revenue.)

Most of the incentives are limited to certain business types. Manufacturers qualify for virtually every incentive. All legal entities (C Corps, S Corps, LLCs) qualify.

South Carolina has 46 counties and the Department of Revenue annually ranks them in four tiers in terms of county per capita income. Tier I is the wealthiest groups of counties and Tier IV the least wealthy.

There is no average or usual incentive package. Obviously the incentive package will vary depending upon the Capital Investment and job creation commitments and generally the package will include claw backs. Incentive packages for rural counties typically will exceed those given for projects in Tier I counties. Property taxes on manufacturers are quite high in South Carolina so the fee-in-lieu Special Source Revenue Credit is critical. This is exclusively within the jurisdiction of County Council, and the amount of credit given varies significantly across the state.

Below contains a summary of South Carolina taxes and incentives. To better explain the incentives I have included an example. Many projects start with a Code name. I have labeled this Project Saane.

It is very important not to (1) issue any press releases or reply to the press until all incentives have been concluded; and (2) not puff the size of the project in terms of capital investment or new jobs (by, for example, discussing possible Phases 2 or 3 which may be years down the road). Your incentive proposal will contain incentives – and claw backs – based upon the capital investment and jobs you discussed!

Incentives vary greatly for types of businesses. Incentives for manufacturers are significantly different than for warehouse/distribution or corporate office facilities. This document deals only with manufacturers! The state also has specific incentives for the life sciences industry, which are discussed below.

South Carolina like most of the other southeastern states (with the exception of Florida and Tennessee) has three major taxes: income, sales and property taxes. We also have unemployment insurance taxes. Taxes (with the exception of property taxes) are imposed almost exclusively at the state level. Local government (cities and counties) have a very limited ability to impose taxes other than property taxes. Cities and counties may impose local option sales taxes, but they are subject to the same exemptions as state sales taxes. The great majority of the cities and some counties impose Business License Taxes. These are gross receipt (and not net income) taxes. Local governments have broad authority to impose fees. Impact fees on water and sewer are the major example.

COMPARISON OF SWISS AND SOUTH CAROLINA TAXES

Switzerland
Most important forms of business: Aktiengesellschaft (AG), Gesellschaft mit beschränkter Haftung (GmbH)

South Carolina
Corporations and Limited Liability Companies (LLCs)

Switzerland
Legal entity capital requirements: AG: CHF 100,000, GmbH: CHF 20,000

South Carolina
None

Switzerland
Corporate income tax rate: Income taxes are levied at the federal, cantonal, and municipal level. The Profit tax is levied on net profit, not including profit attributed to a permanent establishment or real estate abroad. The federal tax rate is 7.83% of profits before tax. Cantonal rates vary and are often flat. The maximum effective (federal and cantonal) tax burden varies between 11.5% and 24.4% of profits before taxes.

South Carolina
Income taxes are levied at the federal and state level. For Corporations, the federal rate is 21% and the state rate is 5% for a maximum of 26%. South Carolina follows the federal tax treatment of LLCs and Single Member LLCs. If an LLC is treated as a Corporation for federal income tax purposes, it is taxed as a corporation for state tax purposes and is subject to corporate license fees. An LLC taxed as a partnership at the federal level is not subject to income taxes or corporate license fees. With several exceptions, South Carolina requires the withholding of tax on the pass through of income to nonresident shareholders, partners or members at the rate of 5%. The great majority of municipalities and some counties have a local business license tax based upon water's edge gross receipts.

Switzerland
Tax year: Accounting year

South Carolina
Same

Switzerland
Consolidated returns: Consolidated returns are not permitted; each company is required to file a separate return.

South Carolina
Same. Corporations may elect to file a combined state return and petition to file true consolidated returns. A combined return is not the same as a true consolidated return. Each member of the consolidated group computes its own South Carolina income or loss, apportionment ratio, and license fee separately. By

contrast in a true consolidated return, an affiliated group of US 'includible' corporations, consisting of a US partner and its US subsidiaries directly or indirectly 80% owned, generally may offset the profits of one affiliate against the losses of another affiliate within the group by electing to file a consolidated federal income tax return.

A foreign incorporated subsidiary may not be consolidated into the US group. A partnership may not be included in a consolidated return, even if it is 100% owned by members of an affiliated group, since a partnership is not a corporation. However, a member's earnings that flow through from a partnership are included as part of the consolidated group's taxable income of loss.

Corporations may petition the SC DOR to file a true consolidated return (and the DOR may require a consolidated return, generally referred to as a forced combination.)

Switzerland
Filing requirements: There is combined tax return filing for both federal and cantonal income tax purposes.

South Carolina
Here is no combined federal and state return, but corporations are required to attach their federal return to their state corporate tax return. Business license taxes are filed directly with cities and counties.

Switzerland
VAT: VAT applies to the sale of goods and services on Swiss territory, the acquisition of services from businesses domiciled abroad and to the import of goods.

South Carolina
There is currently no VAT tax at the state or federal level in the United States.

Switzerland
Tax authorities: Federal, Cantonal and Communal Tax Administrations.

South Carolina
Federal and state for income taxes. Sales tax returns are filed with the SC DOR. Manufacturers file property tax returns with the S.C. Department of Revenue but taxes are paid to the county. Business license taxes are filed and paid to cities or counties.

Switzerland
Basis: Resident companies are taxed on their worldwide income.

South Carolina
Resident and non-resident companies are taxed on federal taxable income allocated and apportioned to SC as detailed below. Foreign (non-US) income is not taxed at the state level. (South Carolina annually decouples from BEAT, GILTI and other foreign income tax provisions.)

Switzerland
Taxable income: Corporate income tax is levied on a company's net profits, which consist of business/trading income, passive income and capital gains. Foreign-source income is included in taxable income. Business expenses are deductible in computing taxable income.

South Carolina
South Carolina taxes federal taxable income which is allocated or apportioned to SC as detailed below. Foreign source income is generally not included. Business expenses deductible under the IRC are deductible for SC tax purposes, with several exceptions (bonus depreciation and NOL carrybacks).

Switzerland
Capital gains: There is no specific capital gains tax levied at the federal level.

South Carolina
The corporate tax rate at the federal level on long term capital gains is currently the same as the rate on a corporation's ordinary income. Capital gains are accordingly included in South Carolina income.

Switzerland
Losses: Losses may be carried forward for seven years and may be set off against any income or capital gains. Losses may not be carried back.

South Carolina
South Carolina follows the IRC for NOL carryforwards but does not allow carrybacks.

Switzerland
Alternative minimum tax: No

South Carolina
There is no AMT at either state or federal level.

Switzerland
Foreign tax credit: Foreign-source income is included in taxable income, but relief is granted for dividend income from qualifying participations.

South Carolina
Foreign earnings generally not taxed in South Carolina.

Switzerland
Payroll tax: There is no general payroll tax, but payroll tax is levied on the wages of foreigners without permanent Swiss residence.

South Carolina
There are payroll taxes (withholdings) at both the state and federal level. See below. Employers located in the state or having an employee here are required for state withholding purposes to withhold for any employee who is paid more than $1,000.

Switzerland
Real property tax: Some cantons levy real property tax.

South Carolina
Property taxes are imposed on all real and personal property in South Carolina, with certain exceptions (inventories and pollution control.) Manufacturers file property tax returns with the SC DOR but are billed by the county.

Switzerland
Social security: The employer generally is required to pay 50% of an employee's social security and pension fund contributions.

South Carolina
All payments for employment within the United States for wages are generally subject to (1) federal income tax withholding, (2) Federal Insurance Contributions Act (FICA) taxes (i.e., social security and Medicare), and (3) the Federal Unemployment (FUTA) tax, unless an exception applies. At the state level, there is withholding for wages as well as an unemployment insurance tax. There are no SC requirements for social security contributions.

Switzerland
Stamp duty: A 1% stamp duty is levied on contributions to the equity of a Swiss company.

South Carolina
SC does impose a deed recording tax on deeds filed in this state for real property transfers. No deed tax is imposed on contributions to capital.

Switzerland
Capital tax: The cantonal tax is levied on a company's tax-adjusted net equity at the end of the accounting year concerned.

South Carolina
South Carolina has no net wealth or capital tax but does have a Corporate License Tax based upon capital stock and paid-in or capital surplus. It is explained below.

Switzerland
Transfer pricing: Switzerland has no formal transfer pricing legislation or documentation requirements, although all related party transactions with Swiss entities must be carried out on arm's length terms. In general, Switzerland follows the OECD transfer pricing guidelines.

South Carolina
South Carolina has no specific transfer pricing or IRC section 482 type statute, although it does have a statute identical to UDITPA section 18. Transfer pricing is, however, a frequent audit issue with the SC DOR. The SC DOR generally deals with transfer pricing issues it disagrees with by requiring (1) forced combination, i.e. requiring the recipient of the transfer pricing to file on income tax return in South Carolina (even where it has no nexus); or (2) invoking the matching principal to disallow the deduction, particularly with regards to interest expense and royalties paid to foreign affiliates. Contemporaneous transfer pricing studies are important but are not binding on the SC DOR.

SUMMARY OF POTENTIAL INCENTIVES

This incentive package is offered to Project Saane as it considers establishing a manufacturing facility in Tier II County, South Carolina.

The possible incentives and established values provided below are based on key assumptions are as follows:

- Project Saane, an S Corporation taxed as a partnership, will establish a supplement manufacturing facility in Tier II County, South Carolina.
- Project Saane will invest $20 million in the project, of which $10 million will be in real property (land and building) and $10 million will be in new tangible personal property (machinery and equipment).
- Project Saane will create 225 net new jobs over 3 years.

Summary of Potential Incentives
Project Saane
Tier II County

Incentive Type	Availability	Incentive Value
STATE INCENTIVES		
Cash Grant		
State Grant	One Time	$750,000
Withholding Tax Rebates		
Job Development Credit	10 Years	$1,987,662
Income Tax Credits		
Income Tax		
Job Tax Credits	5 Years	$4,218,750
Investment Tax Credit	One Time	$150,000
Exemptions		
Sales Tax	Ongoing	$800,000
In-Kind Services		
readySC™	Variable	$306,000
LOCAL INCENTIVES		
Property Tax Incentives		
Fee-In-Lieu of PropertyTax	30 Years	$4,354,170
Other		
Special Source Revenue Credit	15 Years	$2,474,326
Total Value of All Incentives		**$15,040,908**

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INCOME TAXES

Income tax in South Carolina is based primarily on federal taxable income. Businesses engaged in multi-state activities will only pay taxes on the income derived from business activity conducted in South Carolina. South Carolina income tax laws conform substantially to the federal income tax laws. Generally each year, South Carolina's income tax laws are amended to conform to the Internal Revenue Code of 1986 as amended through the immediately preceding December 31st, with the exception of certain Internal Revenue Code Section provisions that are specifically not adopted (decoupled) by South Carolina. South Carolina has a pro-taxpayer conformity statute but does decouple from several pro-taxpayer federal provisions, meaning these deductions must be added back. These include (1) bonus depreciation; and (2) net operating loss (NOL) carrybacks. Pro-taxpayer decoupling includes (1) interest limitations under IRC 163(j); (2) foreign earnings, including BEAT and GILTI; and (3) taxation of grants and other economic development incentives which may be taxable at the federal level. (Email me for a lengthy paper I wrote on the federal taxation of economic development incentives.) This conformity simplifies the filing of returns by adopting federal taxable income as a starting point for South Carolina income tax purposes. Subject to certain modifications, the South Carolina gross income and taxable income of a business is the business's gross income and taxable income as determined under the Internal Revenue Code. Once a business has determined its South Carolina taxable income, it must apply the South Carolina corporate income tax rate to determine the amount of South Carolina corporate income tax due. South Carolina has a 5% corporate income tax rate.

A taxpayer that transacts or conducts its business partly within and partly outside of South Carolina is subject to income tax based on the portion of its business carried on in South Carolina. This portion is determined through allocation and apportionment of income. The sum of these amounts is South Carolina taxable income. Like most southeastern states, South Carolina is a separate entity state, meaning only companies with nexus in South Carolina are required to file income tax returns. Western and northeastern states, by contrast, require all entities in a control group to file a consolidated return. South Carolina also has a 100% sales factor for purposes of apportioning income. The South Carolina sales factor definition is very pro-taxpayer and it only apportions income to South Carolina if the customer is in South Carolina after all transportation has been completed. By contrast, some states with a 100% sales factor apportion income to that state if title to the product being sold passes at the local factory prior to shipment out of state. South Carolina also has no throwback rule.

Calculating South Carolina Income — The First Step in Lowering Tax Liability

The first step to maintaining low income tax liabilities is the state's formula for calculating income allocated and apportioned to South Carolina. Project Saane's annual income is based on the following:

- *Income allocated to South Carolina operations.* Certain corporate income not connected with the business is allocated to (or from) South Carolina for tax purposes. This income includes interest, dividends, royalties, rents, property sale gains and losses, and personal services income associated with the South Carolina facility. Allocation can have a pro or anti-taxpayer impact. If real property in South Carolina is sold, 100% of the gain is allocated to South Carolina. If real property is sold in another state, none of the gain is allocated or apportioned to South Carolina.

- *Income apportioned to South Carolina.* South Carolina offers a single factor sales apportionment formula for companies engaged in business in multiple states. A company's net income subject to apportionment will be apportioned to South Carolina by multiplying the net income by a fraction, the numerator of which is the value of sales made in South Carolina and the denominator is the total value of sales of the taxpayer. This formula is advantageous for a manufacturer whose majority of sales occurs outside the State of South Carolina. As stated above, the definition of sales made in South Carolina is very pro taxpayer.

- South Carolina provides special rules that allow a taxpayer establishing a life sciences facility to request the Department enter into an agreement for up to 15 years to establish an alternative allocation or apportionment method. South Carolina Code defines a "life sciences facility" as a business engaged in pharmaceutical, medicine, and related laboratory instrument manufacturing, process, or research and development, including a business under North American Industry Classification System Manual Code 3254 (Pharmaceutical and Medical Manufacturing) or 334516 (Analytical Laboratory Instrument Manufacturing.) We drafted this provision when I was Director of Revenue but it was enacted when South Carolina had a double-weighted sales apportionment provision and it allowed Life Sciences Facilities to request 100% sales factor. Since 100% sales factor is now the law, this provision is little used. It can be used in the rare circumstance a manufacturer wants to file a true consolidated return.

As a general rule, an S Corporation's income or loss flows through to the shareholders and they will report this income or loss on their South Carolina income tax returns and will be taxed at a rate between 2%-7% based on their South Carolina income. Individual shareholders may be permitted to use an optional income tax rate to compute the tax on active trade or business income as defined by the statute in lieu of the standard income tax rate. If eligible, the optional tax rate is 3%.

Corporate License Tax

All companies must pay an annual corporate license tax. The rate is $15.00 plus $1.00 for each $1,000 of capital stock and paid-in or capital surplus. For multi-state corporations, the license tax is determined by apportionment in the same manner employed in computing apportioned corporate income. Corporate license tax can be a surprise, particularly to those with a heavy capital stock and little income in the startup year. Very few of our income tax incentives apply to the corporate license tax, although there is an incentive for certain companies investing over $100 million. The tax rate is low.

After reviewing the information that Project Saane provided to the county and Department of Commerce, the following incentives may be applicable to Project Saane should it decide to locate in Tier II County.

STATE GRANT

The Coordinating Council for Economic Development ("Coordinating Council") administers the State discretionary grant funds and evaluates each project on a case-by-case basis. Based on Project Saane's commitment to create 225 net new jobs and invest $20 million in Tier II County, the Chairman of the Coordinating Council, will recommend approval of a grant in the amount of $750,000 to assist Project Saane with the costs of infrastructure improvements and site preparation. This recommendation is contingent on the company submitting financials to demonstrate to the satisfaction of the Coordinating Council that Project Saane has the financial wherewithal to support and maintain this project.

In order to receive a grant, an application must be completed by Tier II County and submitted to the Coordinating Council. Based on the assumption that the Coordinating Council approves the grant award, Project Saane will be required to enter into a performance agreement with the Coordinating Council and Tier II County. Such performance agreement will set forth a minimum job requirement and a minimum capital investment that must be satisfied within a designated time period and then maintained for an additional five years. If the requirements are not satisfied within the designated time period or maintained as required, Project Saane will be required to repay a pro rata portion of the grant funds that have been disbursed.

Grant amounts may be expended on both public and private infrastructure. The Grant runs through the county. Economic development incentive grants to corporations (and LLCs) may now be subject to federal income taxes and so the grant should be properly structured. (Email me for a lengthy paper on this subject.)

JOB DEVELOPMENT CREDITS

South Carolina has the Job Development Credit, a discretionary incentive that is a withholding tax credit. As such it is far more valuable than the various income tax credits, as many manufacturers pay relatively little in state income taxes. Note that only employees who are paid at or above the county per capita wage qualify for the credit tax base. This makes the incentive problematic in Tier I counties as wages for manufacturing employees are typically below the county per capita. (The SC DOR annually publishes the per capita per county.) While the credit is based upon employees' wages, the entire credit goes to the manufacturer. The credit amount depends upon the employee's wages and the county in which the project is located. The credit amounts are as follows:

- A business located or to be located in a Tier IV county at the time the application is received by the Council may retain 100% of the allowable job development credit as provided in the revitalization agreement.

- A business located or to be located in a Tier III county may retain 85% of the allowable job development credit.

- A business located or to be located in a Tier II county may retain 70% of the allowable job development credit.

- A business located or to be located in a Tier I county may retain 55% of the allowable job development credit.

The Council may waive a portion of these limits and allow a qualifying business to retain up to 95% of the job development credits it collects if it qualifies as a significant business making a significant capital investment (generally an investment of at least $150 million and the creation of at least 125 new full-times jobs or a $400 million investment).

The credit is given as a withholding tax refund on a quarterly basis. The manufacturer fills out a lengthy application which contains both a capital investment and new jobs commitment. The manufacturer does not start taking the credit until it has hit both numbers. (It has three years to hit the numbers after it has been approved.) It then certifies on a quarterly basis that it has maintained the requisite number of employees. The credit is suspended during quarters with layoffs. For the above reasons there are no claw backs – the manufacturer does not receive the credit until it qualifies and stays qualified.

Care should be taken when stating in the application and the revitalization agreement the number of jobs to be created! For example, if the business creates the 100 new jobs but later reduces employment, then the credit is generally not allowed during the time the 100 jobs are not maintained and the typically ten year time period approved for claiming benefits continues to run. Further, if the number of jobs created exceeds the 100 new jobs specified in the revitalization agreement, the credit is limited to the 100 jobs and you have left money on the table. There are several opportunities to increase or decrease the commitments by 10%.

The credit is a unique incentive that can potentially reduce, or in some cases completely offset, certain approved capital expenditures. Unlike tax credits or exemptions, this incentive is credited quarterly as a direct cash contribution. Project Saane can only expect to collect Job Development Credits from employees earning an hourly wage (before benefits) that is equal to or more than that of Tier II County's average hourly wage of $20.47 per hour. Such minimum wage requirement will be adjusted every five years to equal Tier II County's average hourly wage as of the date of the adjustment as determined by the most current available data.

The company's eligibility for the Job Development Credit will be assessed on a case-by-case basis.
To be eligible to apply for Job Development Credits, Project Saane must create at least 10 net new full-time jobs (typically Commerce requires 30 new employees) and must provide a benefits package that

includes a comprehensive health plan. Project Saane must pay at least 50% of an eligible employee's cost of health plan premiums to qualify for Job Development Credit benefits. Project Saane must submit an Application for Qualification for Enterprise Program Incentives to the South Carolina Coordinating Council for Economic Development. The application process includes a $4,000 non-refundable application fee, and the program has a $500 annual renewal fee. As a general rule, a company has 30 days from the date of approval to commit to the project in South Carolina or the approval for Job Development Credits will be rescinded. It is very important that the manufacturer not issue a press release announcing the project or reply to press inquiries – until the application has been approved! For this reason, many fee-in-lieus are done in a code name.

Only qualifying capital investments made within five years after the application has been approved (and any similar investments made sixty days prior to approval) can be considered. This 60 day rule requires that the application be submitted timely! Project Saane may be reimbursed for portions of the following types of expenditures:

- Land acquisition, building construction, site/building improvements including some tenant improvements to leased property, and in certain instances, lease costs;
- Public and private utility system upgrades (water, wastewater, electricity, natural gas, and telecommunications);
- Transportation facilities;
- Purchase/acquisition of "pollution control equipment" (equipment required to meet federal and state environmental requirements);
- Approved training costs not covered by readySC™, training facilities, export training, and apprenticeship programs.

Project Saane will be required to enter into a Revitalization Agreement with the Coordinating Council that establishes Project Saane's investment and employment commitments and completion dates used to claim the credit and identifies eligible expenditures. Project Saane must meet the investment and employment commitments before the completion date and certify to the Coordinating Council. Once Project Saane meets the investment and job creation targets outlined in the agreement, the earning window for collecting Job Development Credits begins. Companies may collect Job Development Credits for 10 years. (The very largest projects may get 15 years.) Project Saane must maintain the investment and employment commitments 100% during the 10- year period in order to continue claiming Job Development Credits. The amount of the Job Development Credit depends on the development status of the county in which Project Saane is located at the time the application is received, the number of jobs created, and the average wage rate. Job Development Credits will be capped at $3,250 annually per employee.

The Job Development Credit calculation is based on these criteria:

- The hourly wage rate paid to individual employees (shown in Table 1), and
- The development designation of the county (shown in Table 2).

Table 1: Enterprise Program Wage Guidelines

Average Hourly Wage (or Equivalent)[1]	Maximum Rebate (As % of Gross Wages)
$13.25 - $16.55	3%
$16.56 - $24.84	4%
$24.85 and greater	5%

[1] These values are adjusted annually.

Table 2: Enterprise Program
Classification & Credit Guidelines

County Classification	Maximum Credit (% Retained by Co.)
Tier I	55%
Tier II	70%
Tier III	85%
Tier IV	100%

The County is currently a Tier II county so Project Saane would be able to retain 70% of its calculated Job Development Credits.

As currently anticipated by Project Saane, the project will only create 38 new jobs with wage rates greater than the average hourly wage rate of $20.47 in Tier II County. Based on Project Saane's commitment to create 225 net new jobs and invest $20 million in Tier II County, the Coordinating Council, in its sole discretion, may allow Project Saane to collect Job Development Credits on all new jobs with wage rates greater than or equal to $15.00 per hour. This illustrates an example of where the Coordinating Council waived (or lowered) the county per capita rule and allowed wages of $15.00 per hour (versus the County average of $20.47). This typically greatly expands the number of employees who qualify for the tax base. This is rare and is only granted for the largest projects, or those who go into rural, high unemployment areas. The following illustration outlines an estimated value of Job Development Credits for Project Saane based on 167 new jobs, all of which have an hourly wage rate greater than $15.00, and based on the assumption that the Coordinating Council approves the reduced wage requirement.

Estimated Job Development Credit
Project Saane
Tier II County

County Average Wage												**$20.47**
Number of Employees	63	14	42	10	4	2	2	9	2	5	12	2
x Estimated Hourly Wage	$15.45	$16.48	$17.00	$19.57	$20.60	$24.72	$25.75	$30.90	$36.05	$50.90	$59.41	$61.90
x 2000 hours/year	$1,946,700	$461,440	$1,428,000	$391,400	$164,800	$98,880	$103,000	$556,200	$144,200	$509,000	$1,425,840	$247,600
x JDC Rebate (%)	3%	3%	4%	4%	4%	4%	5%	5%	5%	5%	5%	5%
Net JDC	$58,401	$13,843	$57,120	$15,656	$6,592	$3,955	$5,150	$27,810	$7,210	$25,450	$71,292	$12,380
x County Classification	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Annual JDC (as adjusted for annual cap)	$40,881	$9,690	$39,984	$10,959	$4,614	$2,769	$3,605	$19,467	$5,047	$16,250	$39,000	$6,500
x Maximum Years	10	10	10	10	10	10	10	10	10	10	10	10
	$408,807	$96,902	$399,840	$109,592	$46,144	$27,686	$36,050	$194,670	$50,470	$162,500	$390,000	$65,000
Total Value												**$1,987,662**

The amount of Job Development Credits cannot exceed the amount of eligible expenditures approved by the South Carolina Coordinating Council for Economic Development. This is never a problem for new manufacturing facilities, whose real property costs greatly exceed the amount of the credit.

INCOME TAX CREDITS

Job Tax Credits

The job tax credit is an income tax credit. Manufacturers qualify for it, and all legal entities (C corporations, LLCs, S Corporations) qualify. The amount of the credit as stated below depends on the tier of the county in which the project is located. The job tax credit in Tiers III and IV counties is the highest – by far – in the United States. The credit also has a 15 year carry forward – also the longest in the country. The credit is

not refundable and cannot be sold or syndicated. Jobs must be created or maintained for a year before the credit is claimed. Calculation of new jobs is complex. The credit is non-discretionary – the manufacturer simply files a Tax Credit form with its income tax return.

While every manufacturer should claim it, few actually get any substantial credit relief as a result of South Carolina's very pro-taxpayer 100% sales factor, which lowers the income subject to taxation in South Carolina.

The credit amount per employee is as follows:

Tier I - $ 1,500

Tier II - $ 2,750

Tier III -$20,250

Tier IV -$25,000

By creating and maintaining at least ten new jobs in South Carolina, Project Saane is eligible for an income tax credit. (An employer with 99 or fewer jobs worldwide only has to create and maintain two new jobs.) The value of these credits is determined by the development tier of the county and the number of jobs created. Tier II County is currently a Tier II county, providing an annual credit of $2,750 per job. The counties are re-ranked every year based on unemployment rates and per capita income, and the ranking of a county may change from year to year.

Companies planning significant expansions may lock-in the current county designation without regard to whether the ranking of the particular county in which the company is planning its project changes by filing a Form SC616 with the South Carolina Department of Revenue ("DOR"). In order to ensure qualification for a planned expansion of jobs, companies should file Form SC616 before the initial staffing of the new facility or expansion begins. Although this form is not required, it will ensure the company that DOR is aware of the planned expansion and that the company will be entitled to the designated credits in future years without regard to whether a particular county's designation changes in a later year. Manufacturers locating in a Tier III or Tier IV County should always file this form.

In addition, Tier II County has agreed to designate the site as a "multi-county industrial park." This designation allows Project Saane to take advantage of an additional $1,000 per net new job — meaning, Job Tax Credits of $3,750 per job are available to Project Saane.

The credit is available for a five-year period provided that the jobs are maintained. The credit is first claimed on the income tax return for Year 2 (the year following the creation of the new jobs). The credit will be adjusted for job increases or decreases each year. For pass through entities, the credit passes through to the shareholder, partner, or member based on their ownership interests and may be used to offset up to 50% of that person's South Carolina taxable income. This is important as the shareholder or member may have substantial South Carolina tax liabilities even though the manufacturing LLC may have a little. Unused credits can be carried forward for up to 15 years. To be eligible for Job Tax Credits, Project Saane must create a monthly average of 10 net new jobs at the facility in a single taxable year.

The number of "new jobs" is determined at the end of each tax year, as the net difference between the following:

- the monthly average number of full-time employees subject to South Carolina income tax withholding, in the applicable county for the current tax year; and

- the monthly average number of full-time employees in the applicable county for the prior tax year. The net increase equals the number of net new jobs created.

The calculation of new jobs can be very complex. The longest policy document that I signed in my two

terms as Director of Revenue dealt with how to calculate new jobs for the JTC! The following table illustrates the value of Job Tax Credits assuming the creation of 225 net new jobs over 3 years.

Illustration of Estimated Job Tax Credits

Project Saane

Tier II County

Year	Credit	Number of Job Credits	Annual Total
1	Establish Qualification for Credit		
2	$3,750	110	$412,500
3	$3,750	183	$686,250
4	$3,750	225	$843,750
5	$3,750	225	$843,750
6	$3,750	225	$843,750
7	$3,750	115	$431,250
8	$3,750	42	$157,500
	Total Value		**$4,218,750**

Please note, the number of new jobs is calculated as the increase in average monthly employment from one year to the next. Should the number of jobs created also increase or decrease, the total credit will likewise vary. We have calculated these amounts assuming that Tier II County remains a Tier II county.

Investment Tax Credit

South Carolina allows manufacturers locating in South Carolina a one-time credit against income tax of up to 2.5% of a company's investment in new production equipment.

The actual value of the credit depends on the applicable recovery period for property under MACRS of the Internal Revenue Code. The following table illustrates the credit value for the various years outlined in the code.

Recovery Period	Credit Value
3 years	0.5%
5 years	1%
7 years	1.5%
10 years	2%
15 years or more	2.5%

For pass through entities, the credit passes through to the shareholder, partner, or member based on their ownership interests. Unused credits may be carried forward for up to ten years.

The table below illustrates the potential value of the Investment Tax Credit for Project Saane. This example assumes a total investment of $10 million in eligible new production machinery, with a useful life of 7-9 years, which allows for a 1.5% credit.

Illustration of Estimated Investment Tax Credits
Project Saane
Tier II County

Total New Production Equipment Investment	$10,000,000
x Credit Value	1.5%
Total Value	**$150,000**

Research and Development Tax Credit

In order to reward companies for increasing research and development activities in a taxable year, South Carolina offers a credit equal to 5% of the taxpayer's qualified research expenses in the state. The term "qualified research expenses" is defined in Section 41 of the Internal Revenue Code.

The credit taken in any one taxable year may not exceed 50% of the company's remaining tax liability after all other credits have been applied. Any unused portion of the credit can be carried forward for 10 years from the date of the qualified expenditure.

Port Volume Increase Credit

South Carolina provides a possible income tax credit or withholding tax credit to distributors that use South Carolina port facilities and increase base port cargo volume by 5% over base-year totals. To qualify, Project Saane must have 75 net tons of noncontainerized cargo, 385 cubic meters or 10 loaded TEUs transported through a South Carolina port for their base year. The base year port cargo volume will be re-calculated every year after the initial base year.

The South Carolina Coordinating Council for Economic Development has the sole discretion in determining eligibility for the credit and the amount of credit that Project Saane may receive. The total amount of tax credits allowed to all qualifying companies is limited to $12 million per calendar year. Project Saane must submit an application to the Coordinating Council to determine its qualification for, and the amount of, any tax credit it will receive. Any unused credits may be carried forward for 5 years. In virtually every incident, the manufacturer should request the withholding tax credit.

SALES & USE TAX AND EXEMPTIONS

South Carolina's sales and use tax rate is 6%. Counties (by approval of a majority of county voters) may assess a variety of additional local option sales taxes. Proceeds go toward infrastructure improvements or rollback of property taxes. South Carolina has a relatively high sales tax rate (34th highest in the country according to The Tax Foundation with 1 being the lowest). Other states can have very high local option sales tax rates, so the total sales tax rate is critical when examining sites in other states. While the sales tax rate is high, manufacturers enjoy numerous sales tax exemptions.

Sales and Use Tax Exemptions

South Carolina offers a number of sales and use tax exemptions for manufacturers including:

- Manufacturing production machinery and applicable repair parts;
- Manufacturing materials that become an integral part of the finished product;
- Industrial electricity and other fuels used in manufacturing tangible personal property;
- Research and development equipment;
- Manufacturers' air, water and noise pollution control equipment;
- Packaging materials; and
- Clothing or other attire required for working in a Class 100 or better clean room environment, as defined in Federal Standard 209E. (Class 100 has been redesignated by ISO, but the new standard applies.)

South Carolina's sales tax exemptions for manufacturers are typical of the other Southeastern states. There are few disputes with the SC Department of Revenue for manufacturing materials or manufacturing M&E used directly in the manufacturing process. There are disputes, however, as to when the manufacturing process starts and ends. Material handling equipment which move the raw ingredients, parts and supplies into the start of manufacturing process and take the finished products to the loading dock are subject to sales taxes. Projects with a capital investment of $35 million or more qualify for a material handling sales tax exemption but a notice must be filed with the DOR in a timely manner!

Construction materials used to build a manufacturing facility (concrete, steel, rebar, roofing, etc.) are subject to sales tax. These, of course, can be very substantial. Contractors are liable for the sales tax, so sales taxes are included in every construction bid, either bundled into the fixed price or itemized. Manufacturing facilities with a capital investment of $100 million or more are entitled to a very valuable sales tax exemption for construction materials. The manufacturer has to (1) timely file a notice with the DOR; and (2) require the contractor to back sales taxes out of the bid.

Illustration of Sales and Use Tax Exemption
Project Saane
Tier II County

Total Manufacturing Equipment Investment	$10,000,000
x State and Local Option Sales Tax	8.0%
Total Value	**$800,000**

Sales Tax Caps

In addition to the sales tax exemptions, South Carolina further reduces Project Saane's tax burden by providing a valuable cap of $500 for sales tax or infrastructure maintenance fee, as applicable, on the sale or lease of automobiles, trucks, boats, and aircraft.

SOUTH CAROLINA'S WORKER TRAINING PROGRAM (readySC™)

For more than 50 years, readySC™, has been one of the state's most powerful economic development incentives for companies relocating to or expanding in South Carolina. readySC™ (www.readysc.org) is one of the oldest, most experienced and highly touted workforce training programs in the country. *Area Development* 2019 Top States for Doing Business ranked it the 2nd leading workforce development program in the country. Its skilled professionals have unparalleled experience in helping organizations start-up

quickly and efficiently in today's competitive environment. From workforce recruiting and assessment to curriculum and materials development, from innovative, customized training design and delivery to experienced project management through every step of the process, readySC™ helps new and expanding industries by developing a motivated, high-quality workforce specific to an organization's individual needs. All of these services are provided for the company at little to no cost.

readySC™ is not a grant application program. Instead, the program makes a commitment to client organizations to provide a qualified pipeline of training candidates and train those candidates to the set specifications identified for entry level employees as set forth in the mutually agreed upon scope of work developed by the company and readySC™.

Hallmarks of readySC™'s highly-acclaimed program include: flexibility, responsiveness, quality control, proven project management, experience, and the ability to help create highly functioning work teams. Ultimately, readySC™ provides new and expanding companies that choose to locate in South Carolina the ability to find and train the right people at the right time with the right skills and motivation.

Why readySC™ is Unique

Constantly blazing new trails, readySC™ is the benchmark among state training programs in the United States. The following represents a few of the qualities that set this program apart.

- **Centrally Administered, Yet Locally Managed:** The expertise of the statewide network of technical colleges is available to each of readySC™'s clients while still being managed locally and focused specifically on the individual needs of the client company's workforce.

- **Experienced and Dedicated Personnel:** Unlike other training programs, readySC™ has unparalleled experience in start-ups. The dedicated personnel of readySC™, many of whom come from industry, have successfully helped with hundreds of start-ups and expansions in a wide array of industries.

- **Extensive Resources and Infrastructure:** When readySC™ commits to recruit, screen, and train a company's new employees, the process can begin immediately because of its well- equipped facilities, trained instructors, and established and productive relationships.

- **No Red Tape:** Unlike some states where grant funding is used to offset training costs and can often get bogged down with strict requirements, South Carolina's program boasts no red tape to hinder the process. readySC™ can move quickly to find and train the right people for your organization.

- **Quality of Trainees:** Because trainees who attend pre-hire training sign a statement certifying that they are not guaranteed a job, their motivation to train is based on the opportunity to improve their existing skills and hopefully transition to a better career. As a result, the program attracts self-motivated and disciplined individuals who are capable of helping your company better compete in the global marketplace.

- **Project Management:** readySC™ prides itself on its project management approach. They will assign an experienced project manager supported by a team of recruitment and training specialists to develop a project plan for your company. The plan will include scope, schedule, processes for change management and feedback, and quality assurance processes.

Qualifications:

In order to qualify, a company must be creating new jobs in South Carolina with competitive wage and

benefits packages. readySC™ will commit to providing client organizations with the recruiting and training services necessary to build their initial workforce.

Please note that readySC™ recruits and trains for new full-time, permanent direct hire employees, including skilled and semi-skilled positions. readySC™ does not re-train existing employees or train for attrition.

Training Services:

readySC™ will work with the client organization to determine the best methods for supporting the project's training needs including basic, safety and job-specific training. This training can be conducted on either of both of a pre-or post-employment basis. readySC™ training services will be driven by the utilization of a proven 3D Training Process to ensure a successful transfer of knowledge and ultimately, a successful project for your company

- **Discovery:** readySC™ will work with key knowledge holders at the client company to determine the skills, knowledge and abilities needed and define the desired culture and working environment. Upon completion of the discovery phase, a mutually agreed upon scope of work will be developed.

- **Design:** readySC™ will design recruiting activities and needed training in accordance with the mutually agreed upon scope of work to meet the project's specific needs. The curricula, materials, instructional requirements, trainers and delivery options will be determined in cooperation with the company.

- **Delivery:** readySC™ is completely flexible in delivery options, which could include: hands-on simulations, computer based training, online training, workstation training, virtual recreations, hand-held video delivery options and classroom training.

The training services provided by readySC™ will include:

- Providing logistical assistance throughout the project, including such activities as: overseeing all curriculum development activities, reproducing and constructing training manuals, hiring and certifying professional instructors, maintaining training records, monitoring and adjusting training for quality assurance and ensuring the number of graduating trainees matches company's hiring matrix.

- Supporting training provided by client organization for employees, including reimbursement of travel costs needed for technology transfer, a state mandated per diem and instruction fees for instructors. The number of instructors and length of stay will be determined during the discovery phase of the project.

- Working with the local technical college and economic developer to secure space for the delivery of both pre- and post-employment training for the project. The space will be up-fitted with the appropriate equipment and tools to deliver effective and realistic training strengthening the bridge from training to workplace. The space will be available for your organization's use throughout the life of the project as defined in the mutually agreed upon scope of work.

Customization is Key

readySC™ believes strongly that a cookie-cutter approach is not the solution. The program has a process for customizing the solution to meet the needs of individual clients.

First, readySC™ staff will visit your facility to observe your processes and technology as well as to experience first-hand your company philosophy and culture. Next, readySC™ will work with you to develop a plan for reaching your recruiting and training needs.

Once a plan is in place readySC™ will begin the process of recruiting. The recruiting phase includes advertising, pre-screening and assessment of trainees. After trainees are selected by the company, readySC™ delivers pre-employment training, structured OJT or a combination of the two.

South Carolina is one of the few states in the nation that provides project management staff for the duration of the training project. Most customers find this to be an invaluable asset when in a startup or expansion status. readySC™'s staff has been in the training business for over 50 years and brings to each project a level of professionalism and experience that only enhances the overall effort.

Value of readySC™ services

In order for organizations to make reliable comparisons between the values of training services provided by prospective states, readySC™ provides companies with the estimated market value of services. As stated above, readySC™ is not a grant program but instead will commit to providing client organizations with the recruiting and training services necessary to build their initial workforce. readySC™ bases the value of its services by calculating deferred costs for such activities as:

- Advertising the positions and screening applications
- Preliminary screening and assessment of applicants
- Logistics associated with interviewing candidates
- Coordination and up-fit of appropriate training space
- Recruitment, scheduling and paying instructors
- Developing and designing customized instructional material
- Delivering customized training
- Reimbursing travel expenses associated with the effective transfer of knowledge
- Developing internal training experts through train the trainer
- Providing a dedicated project manager for the entirety of the project

The staff of readySC™ is committed to ensuring Project Saane's success in South Carolina and will help Project Saane gain the competitive advantage through training. The illustration below is an estimated value of the readySC™ services provided to Project Saane to recruit and train potential employees based on the creation of 153 qualifying jobs.

Illustration of readySC™ Value
Project Saane
Tier II County

Estimated Value of readySC™ Services	$2,000
x Number of Employees	153
Total Value	**$306,000**

It is important to note that readySC is not a grant program. This is an estimated value of readySC's contribution to the project through deferred financial costs and resource allocation. The actual value may be more or less than estimated. This illustration does not create a commitment on the part of readySC or any other agency to provide training or assistance at the estimated monetary value, and to the extent the services provided by readySC do not rise to the monetary level outlined above, the company is not entitled to any payment or rebate of money based on the estimate.

LOCAL PROPERTY TAXES

Property taxes in South Carolina are calculated with an equation from three variables:

FMV *Assessment Ratio* millage = Property tax bill

For decades the assessment ratio for manufacturers not in a fee-in-lieu was 10.5%. This produces one of the highest property taxes in America for manufacturers. The assessment ratio is being lowered to 9% over a six year period, and county council has the legal authority to lower the property tax bill to whatever amount it chooses through the Special Source Revenue Credit.

There are several different fee-in-lieu statutes, principally the regular fee and the Super Fee. Companies investing more than $400 million, or investing more than $150 million and creating at least 125 net new jobs qualify for a super fee. The advantages of a Super Fee include (1) an assessment ratio of 4% (versus 6% in the typical regular fee); and (2) longer deal terms.

South Carolina has several exemptions, including all ***inventories*** (raw materials, work-in-progress, and finished goods), all ***intangible property***, and ***pollution control equipment*** from property taxation.

Three factors are used to determine property taxes in South Carolina:

- ***Value:*** As a manufacturer, Project Saane's personal property (machinery, equipment, etc.) is allowed to depreciate annually (once it is placed in service) at a rate established by state law. Most manufacturers' depreciation rate will be 11%. Note that while most manufacturers have a depreciation rate on their M&E of 11%, Life sciences has a depreciation rate of 20%. This includes machinery and equipment used directly in the manufacturing process by a life sciences manufacturing facility. For purposes of this item, a qualifying facility means a business engaged in pharmaceutical, medicine, and related laboratory instrument manufacturing, processing, or research and development, that invests a minimum of one hundred million dollars in the project, and creates at least two hundred new full-time jobs at the project with an average cash compensation level of at least one hundred fifty percent of the annual per capita income in this State ($43,702 in 2019) or the county in which the facility is located, whichever is less. Per capita income must be determined using the most recent per capita income data available as of the end of the taxable year in which the jobs are filled. The Department of Revenue annually publishes both the state and county per capital income figures. Included in this definition are the following North American Industrial Classification Systems, NAICS Codes published by the Office of Management and Budget of the federal government: (i) 3254 Pharmaceutical and Medical Manufacturing; (ii) 334516 Analytical Laboratory Instrument Manufacturing. The ultimate determination of the appropriate depreciation rate will be determined by the property tax division at the Department of Revenue. Project Saane will be allowed to depreciate its machinery and equipment down to a residual level of 10% of the original property value. Project Saane's real property will be fixed at its original cost.

- ***Assessment:*** As a manufacturer, Project Saane's real and personal property is assessed at 10.5% of fair market value. Pursuant to the new legislation which is being phased in over a six year period, 14.2857% of the property tax value of manufacturing property assessed for property tax purposes will be exempt from property taxation; provided, however, that the total amount of the exemption for all entities in the State for that fiscal year will not exceed $85 million. For any year in which the amount is projected to exceed $85 million, the exemption amount shall be proportionally reduced. This new exemption is being phased in in equal installments over six years beginning in 2018. This exemption does not apply to property under a Fee-in-Lieu agreement as discussed below. Property in a Fee-in-Lieu typically has a 6% assessment ratio – which is a 43% reduction in taxes. And a Special Source revenue credit (discussed below) can lower it further.

- ***Millage Rate:*** The local millage rate is applied to the assessed value of real and personal property. A mill is equal to $0.001. The current millage rate for the location being considered by Project Saane in Tier II County is 0.3176. The millage includes county and school district millage.

OFFSETTING PROPERTY TAX LIABILITY

Fee-in-Lieu of Property Tax

South Carolina law allows Tier II County to enter into a negotiated agreement for a Fee-in-Lieu of local property taxes with Project Saane if total capital investment is $2.5 million or greater. The long-term savings of the Fee-in-Lieu is based on the actual investment and is dependent on both the assessment and millage rates negotiated with Tier II County.

By law, Project Saane has 5 years to meet the minimum $2.5 million investment threshold, and Tier II County can offer an additional 5-year extension to complete the project. Project Saane may include both real and personal property under the Fee-in-Lieu agreement. However, property that has been on the tax rolls in the state previously, including existing buildings, is not eligible for the Fee-in-Lieu (This restriction is waived for companies purchasing an existing building and investing an additional $45 million or more in new investment.)

The Fee-in-Lieu may result in substantial benefits for Project Saane:

- ***Savings:*** Payments to local government are significantly reduced through the negotiation of a lower assessment rate (from 10.5% to as low as 6%).

  Project Saane may also negotiate a locked-in millage rate for up to 30 years or a five-year adjustable rate for the property that is subject to the fee.

  With a Fee-in-Lieu, personal property depreciates, but real property is fixed at the original cost for the life of the fee. However, the county and the company may instead provide that any real property subject to the fee may be reported at its fair market value as determined by the appraisal of the South Carolina Department of Revenue and may be re-appraised every 5 years. Freezing the value of the manufacturing buildings and other real property is a disadvantage of the Fee-in-lieu as manufacturing buildings typically decreases in FMV. Few counties agree, however, to the appraisal option stated above.

- ***Replacement Property:*** Property that is replacing property previously under the Fee-in-Lieu is allowed to go under the agreement up to the original income tax basis of the original fee property it is replacing at any time during the agreement.

The following table illustrates the impact of the Fee-in-Lieu for an investment of $20 million in Tier II County with a 6% assessment rate and a 0.3176 millage rate (locked for the 30-year life of the agreement).

Project Saane is also offered a Special Source Revenue Credit (SSRC). Special Source Revenue Credits allow counties to lower the effective property tax rate to whatever level the counties choose. Typically they are expressed as a percentage. The SSRC is a credit on the total tax bill (and not the value of the property as is found in some states) so a 50% SSRC is a 50% reduction of the total tax bill. Counties vary widely in granting SSRCs, with Tier I counties typically granting smaller SSRCs. Some counties are more sensitive to the new jobs number than others. An SSRC of between 10 – 25% is common for medium size manufacturing projects. Counties typically extend a deadline for SSRCs, with ten years being common, meaning the SSRC terminates in year 11. (Typically the M&E has depreciated to the 10% floor by year ten.) The vast majority of SSRCs contain claw backs so it is very important that the manufacturer commit to the proper capital investment and new jobs.

A Special Source Revenue Credit of 70% for Years 1-6, 65% for Years 7-11 and 60% for Years 12-15 is included in the Fee-in-Lieu illustration. This incentive is offered at the discretion of Tier II County as a way for the county to assist Project Saane with specific project costs. The value of the credit is derived directly from the Fee stream payments. NOTE: This is a very rich SSRC and was given only because the County was very anxious to recruit Life Science facilities. Lancaster County grants a 100% SSRC for ten years to Life Science manufacturers.

Illustration of Fee-In-Lieu of Property Tax

Project Saane

Tier II County

6%, 30-Year Fee, Locked Millage, Normal Fee Schedule

ESTIMATED FEE SCHEDULES

Year	Taxes with Abatement	Yr 1 Invest. 13,000,000	Yr 2 Invest. 3,000,000	Yr 3 Invest. 2,000,000	Yr 4 Invest. 2,000,000	Payment with Fee	Savings with Fee	SSRC 15 Years	Total Payment After SSRC
2018	$282,462	$241,440				$241,440	$41,022	$169,008	$72,432
2019	$329,732	$235,151	$50,880			$286,031	$43,702	$200,221	$85,809
2020	$348,932	$228,863	$44,591	$33,920		$307,373	$41,559	$215,161	$92,212
2021	$362,545	$222,574	$38,303	$29,727	$33,920	$324,524	$38,021	$227,167	$97,357
2022	$333,505	$216,286	$32,014	$25,535	$29,727	$303,562	$29,943	$212,493	$91,069
2023	$409,449	$209,997	$25,726	$21,343	$25,535	$282,600	$126,848	$197,820	$84,780
2024	$397,285	$203,709	$19,437	$17,150	$21,343	$261,639	$135,646	$170,065	$91,574
2025	$378,365	$197,420	$13,149	$12,958	$17,150	$240,677	$137,688	$156,440	$84,237
2026	$365,238	$196,277	$6,860	$8,766	$12,958	$224,861	$140,377	$146,160	$78,701
2027	$353,260	$196,277	$5,717	$4,573	$8,766	$215,333	$137,927	$139,966	$75,366
2028	$348,583	$196,277	$5,717	$3,811	$4,573	$210,378	$138,205	$136,746	$73,632
2029	$350,793	$196,277	$5,717	$3,811	$3,811	$209,616	$141,177	$125,770	$83,846
2030	$354,301	$196,277	$5,717	$3,811	$3,811	$209,616	$144,685	$125,770	$83,846
2031	$357,844	$196,277	$5,717	$3,811	$3,811	$209,616	$148,228	$125,770	$83,846
2032	$361,422	$196,277	$5,717	$3,811	$3,811	$209,616	$151,806	$125,770	$83,846
2033	$365,037	$196,277	$5,717	$3,811	$3,811	$209,616	$155,421	$0	$209,616
2034	$368,687	$196,277	$5,717	$3,811	$3,811	$209,616	$159,071	$0	$209,616
2035	$372,374	$196,277	$5,717	$3,811	$3,811	$209,616	$162,758	$0	$209,616
2036	$376,098	$196,277	$5,717	$3,811	$3,811	$209,616	$166,482	$0	$209,616
2037	$379,859	$196,277	$5,717	$3,811	$3,811	$209,616	$170,243	$0	$209,616
2038	$383,657	$196,277	$5,717	$3,811	$3,811	$209,616	$174,041	$0	$209,616
2039	$387,494	$196,277	$5,717	$3,811	$3,811	$209,616	$177,878	$0	$209,616
2040	$391,369	$196,277	$5,717	$3,811	$3,811	$209,616	$181,753	$0	$209,616
2041	$395,282	$196,277	$5,717	$3,811	$3,811	$209,616	$185,666	$0	$209,616
2042	$399,235	$196,277	$5,717	$3,811	$3,811	$209,616	$189,619	$0	$209,616
2043	$403,227	$196,277	$5,717	$3,811	$3,811	$209,616	$193,611	$0	$209,616
2044	$407,260	$196,277	$5,717	$3,811	$3,811	$209,616	$197,644	$0	$209,616
2045	$411,332	$196,277	$5,717	$3,811	$3,811	$209,616	$201,716	$0	$209,616
2046	$415,446	$196,277	$5,717	$3,811	$3,811	$209,616	$205,830	$0	$209,616
2047	$419,600	$196,277	$5,717	$3,811	$3,811	$209,616	$209,984	$0	$209,616
2048	$423,796		$5,717	$3,811	$3,811	$410,166	$13,630	$0	$410,166
2049	$428,034			$3,811	$3,811	$420,092	$7,942	$0	$420,092
2050	$432,314				$3,811	$428,265	$4,049	$0	$428,265
TOTALS	**$12,493,815**	**$6,073,528**	**$356,728**	**$237,819**	**$237,819**	**$8,139,645**	**$4,354,170**	**$2,474,326**	**$5,665,319**

Assumptions

$ 10,000,000	Taxable M&E	11% Annual Depreciation	0.3176 Millage Rate
$ 10,000,000	Land/Bldg*	90% Max Total Depreciation	0.1001 County Abateable
$ 20,000,000	Total Investment	6.00% Fixed Assessment Rate	1.00% Millage Growth Rate

*This assumes the value of real property (land and building) invested each year remains stable at $10,000,000 for 33 years.

^All new manufacturing establishments or additions to existing manufacturing establishments in which an investment of $50,000 or more is made are entitled to a statutory abatement/exemption from county operating taxes for a period of 5 years from the year of investment. However, if a company enters into a FILOT, they may not take advantage of the abatement. In order to show the savings that are solely attributable to the FILOT, we have included the abatement in our annual tax schedule calculation for illustration purposes only.

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ABOUT THE AUTHOR

Burnet R. Maybank III is a member of Nexsen Pruet, LLC. He is a two time former Director of the South Carolina Department of Revenue and twice served as Chairman of the Enterprise Zone Subcommittee of the SC Coordinating Council for Economic Development, which awards Job Development Credits.

His firm bio is found at www.nexsenpruet.com.

Andrew Saleeby, an associate at Nexsen Pruet, LLC, also participated in drafting this document.

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