



Georgia Tax Policy Update

Presentation to
The Georgia Industry Association
June 9, 2009
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State Tax Policy Update

- Revisions to Tax Credits (HB 439)
 - Job Tax Credit
 - Retraining Tax Credit
 - R&D Tax Credit
 - Increased Port Activity
- New Sales and Use Tax Policies
 - Machinery Exemptions for Integrated Plant
 - Withdrawals from Inventory
- Compliance Matters
 - EFT and Electronic Filing
 - Increased Audit Activity – Preparing for the audit

Revisions to Tax Credits – *Job Tax Credit*

Revisions to the basic job tax credit include:

- The credit is claimed in the first taxable year that the jobs are created (previously the credit began in second year after jobs were created and maintained)
- Recapture provisions are added that apply if a business does not maintain minimum employment increases required in the applicable tier designation
- If a business enterprise located in Tier 2, 3, or 4 is engaged in a competitive project, excess credit can be utilized for GA withholding payments
- Effective for tax years on or after January 1, 2009
- Credit must be claimed on originally filed tax return (before or by the statutory or extended due date)

Revisions to Tax Credits – *Job Tax Credit*

Headquarters Credit replaced by the New Quality Jobs Credit

■ Definition of “quality job”

- Located in GA
- Has regular work week of 30 hours or more
- Not a currently existing job in GA regardless of taxpayer or individual in the job
- Pays at or above 110% of the average county wage where located
- Has no predetermined end date

Revisions to Tax Credits – *Job Tax Credit*

Headquarters Credit replaced by the New Quality Jobs Credit – continued

- Credit is based on average wage and ranges between \$2,500 and \$5,000 per job
- Credit may be taken in first taxable year quality jobs are created and the four immediate succeeding years
- 50 quality jobs must be created within 7 years from the close of the taxable year the business first becomes eligible
- Excess credit can be utilized for GA withholding payments
- Recapture provisions are added that apply if quality job is not maintained
- Effective for tax years on or after January 1, 2009
- Credit must be claimed on originally filed tax return (before or by the statutory or extended due date)

Revisions to Tax Credits – *Retraining Tax Credit*

- “Approved training” no longer includes retraining on commercially, mass produced software packages for word processing, database management, presentations, spreadsheets, e-mail, personal information management systems, or computer operating systems

Revisions to Tax Credits – *Retraining Tax Credit - continued*

- Credit cannot exceed \$1,250 per year per full-time employee having completed more than one approved program
- Effective for tax years on or after January 1, 2009
- Credit must be claimed on originally filed tax return (before or by the statutory or extended due date)

Revisions to Tax Credits – *R&D Tax Credit*

- New provision that the base amount is calculated using the Georgia gross receipts and not the taxable income
- The business no longer required to have a positive taxable income for the preceding 3 years

Revisions to Tax Credits –

R&D Tax Credit - continued

- For a newly formed business, in the first 5 years excess credit can be utilized for GA withholding tax payments
- Effective for tax years on or after January 1, 2009

Revisions to Tax Credits – *Increased Port Activity*

- Revised the base year port traffic definition
- Clarified that port traffic is exports and imports
- Effective for tax years on or after January 1, 2010

New Sales and Use Tax Policies - *Machinery Exemptions for Integrated Plant*

- Prior rule – exemption provided only for machinery used directly in the manufacturing of tangible personal property
- New rule – exemption provided for machinery or equipment necessary and integral in the manufacturing of tangible personal property

New Sales and Use Tax Policies -

Machinery Exemptions for Integrated Plant - continued

- Some examples of machinery and equipment now exempt under the new provisions include *air compressors, chillers, boilers, and material handling equipment used within the manufacturing plant*
- New provision effective January 1, 2009
- GA DOR has published proposed rules for this provision

New Sales and Use Tax Policies – *Withdrawals from Inventory*

- December 2008 the GA DOR adopted rule 560-12-1-.14 entitled “Withdrawals from Inventory”
- It is common for manufacturers to withdraw raw materials inventory from one facility and transfer to another, or withdraw finished product inventory for marketing purposes
- These withdrawals can result in paying use tax to the state
- Refer to rule to determine if transactions are taxable and for what the cost basis is for calculating the use tax

Compliance Matters -

EFT and Electronic Filing

EFT (“electronic funds transfer”)

- For years prior to 2010, the DOR may require that any taxpayer owing more than \$5,000 (\$10,000 before 2007) in connection with any return, report, or other filing required to be filed with the DOR, pay any such sales tax, use tax, withholding tax, or motor fuel distributor tax, corporate estimated income tax, or individual income tax liability to the state by EFT

Compliance Matters -

EFT and Electronic Filing

EFT (continued)

- Effective January 1, 2010, taxpayers owing more than \$1,000 in connection with any return, report, or other filing required may be required to pay the tax liability to the state by EFT
- Effective January 1, 2011, taxpayers owing more than \$500 in connection with any return, report, or other filing required may be required to pay the tax liability to the state by EFT

Compliance Matters -

EFT and Electronic Filing

Electronic Filing

- GA is implementing a new on-line customer service solution called the Georgia Tax Center (GTC)
- The website is www.Gataxinfo.org (it has a training module with details of the online filing application)
- The new Sales and Use Tax online filing template is now available on the website and can be used for the May 2009 monthly payment due June 20th



Compliance Matters -

Increased Audit Activity – Preparing for the audit

What is your reaction when you get a state tax notice?



Compliance Matters -

Increased Audit Activity – Preparing for the audit

How manufacturing companies can better manage their multistate tax responsibilities and reduce audit risk:

- Have a full understanding of where the company is doing business
- Devote appropriate resources to state tax functions
- Know areas of risks/exposures and plan for the challenges
- Maintain an awareness that states tax policies are not uniform
- Be leery of state planning strategies that sound too good to be true
- Pay attention and comply with state tax deadlines
- Read, understand and respond efficiently to state tax notices and correspondence
- Establish and maintain relationships with tax and legal advisors having expertise in state and local tax

Contact Information

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