

TAXES & TAX POLICY

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A. STATE/COMMONWEALTH/PROVINCE

Detail the tax structures and policies of the State/Commonwealth/Province, including types of taxes, bases and application and exemptions and credits, including:

1. INCOME TAXATION

Georgia's corporate income tax rate is 6%. To determine taxes due, this rate is applied to a portion of the corporation's federal taxable income adjusted for Georgia. The portion is determined by the percentage of the company's total sales that are in-state (a business-friendly tax policy that is commonly referred to as single-factor apportionment). The state has no throwback rule (when a state taxes income that is not taxed elsewhere).

- New: On Friday, March 2nd, 2018, Governor Deal signed into law new tax legislation that, effective January 1, 2019, lowers the income tax rate from 6% to 5.75% for individuals and businesses. The bill also includes a provision to further decrease the individual and corporate income tax rate to 5.5% subject to approval by the General Assembly, effective January 1, 2020.

The state offers a number of tax credits to corporations which can be applied to their income tax liability; and in some cases excess earned credits can be applied to state payroll withholding. For example, the state's Mega Project Tax Credit can be applied to payroll withholding after the company has used the credit to satisfy its corporate income tax liability.

2. FRANCHISE TAXATION

Corporations in Georgia pay a net worth tax. This tax is based on the net worth of a corporation, levied in exchange for doing business or exercising a corporate franchise in Georgia. For tax years beginning on or after January 1, 2018, corporations with a net worth of \$100,000 or less are not subject to a net worth tax. The maximum tax amount is \$5,000 for a complete net worth in excess of \$22 million.

3. OPTION TAXATION, STATE/COMMONWEALTH/PROVINCE

Georgia does not tax capital gains differently than other income. The tax rate is 6% of a corporation's taxable capital gains.

4. PROPERTY TAXATION**a. PERSONAL, INCLUDING EQUIPMENT, MACHINERY OR TOOLS**

The State of Georgia does not tax personal property (the state's local governments do, as described in the next section).

b. REAL

The State of Georgia does not tax real property (the state's local governments do, as described in the next section).

5. SALES AND USE TAXATION

Sales and use taxes in Georgia range from 6% to 8.9%; the state portion of the tax is 4%.

6. SURTAXES

The state of Georgia does not currently levy surtaxes against pre-established state taxes.

7. OTHER TAXATION (STATE/Commonwealth/Province)

Georgia taxes all new and used motor vehicle sales, at the time of obtaining the title, based on fair market value. The combined state and local tax rate is variable and can go as high as 9%, but only if additional revenue is required to meet local government revenue targets as defined by law. This law became effective in 2012 as a more favorable taxing policy than the previous annual ad valorem property tax on motor vehicles, which was due at the time of the annual vehicle registration. Other taxes in the state include motor fuel taxes, hotel-motel taxes, tobacco products taxes, and alcoholic beverage taxes. For additional information, each year Georgia State University's Fiscal Research Center publishes Georgia Taxes: Summary of Major State and Local Government Taxes.

B. LOCAL

Detail the tax structures and policies of the local governments in your community, including types of taxes, bases and application and exemptions and credits, including:

This local profile is based on taxes in the City of Atlanta; tax rates will be different for other jurisdictions of the region where workforce may choose to live.

1. INCOME TAXATION

The City of Atlanta does not assess a city income tax.

2. FRANCHISE TAXATION

The City of Atlanta has a franchise tax which is based upon a negotiated percent (3 – 5%) of gross revenue or linear square footage for the fair and reasonable compensation for the use of the City's right-of-way in providing public utility services which include telecommunications, electricity, and gas.

3. OPTION TAXATION, LOCAL

The local option taxes are addressed below under Sales and Use Taxation.

4. PROPERTY TAXATION

a. **PERSONAL, INCLUDING EQUIPMENT, MACHINERY OR TOOLS**

A tax rate of one mill represents a tax liability of one dollar per \$1,000 of assessed value. In Georgia, property is required to be assessed at 40% of fair market value. In 2017, the City of Atlanta's millage rate in Fulton County is 43.30. Please note that millage rates can change from year to year.

b. **REAL**

The local real property tax rates are the same as the personal property tax rates above.

5. SALES AND USE TAXATION

The local sales tax rate in the City of Atlanta is 8.9%. This is comprised of:

- State Portion: 4.0%
- County Portion: 3.0%
- City Portion: 1.9%

- 1.0% Municipal Option Sales Tax (MOST) which funds water and sewer infrastructure improvements.
- 0.5% Metropolitan Atlanta Rapid Transit Authority (MARTA) which funds transit expansion and enhancements in the City of Atlanta.
- 0.4% Local Option Sales Tax for Transportation (T-SPLOST) which funds significant and expansive transportation projects for the city.

6. SURTAXES

Not applicable for the City of Atlanta.

7. OTHER TAXATION (LOCAL)

The following is a summary of additional taxes in the City of Atlanta:

- 7% Title Ad Valorem Tax (based on fair market value; due at the time that a title is requested for a purchased new or used motor vehicle)
- 3% Rental Motor Vehicle Tax
- 8% Hotel/Motel Tax
- 3% Alcohol Beverage Per Drink Excise Tax (for on premise consumption of liquor sales)

For additional information, each year Georgia State University's Fiscal Research Center publishes Georgia Taxes: Summary of Major State and Local Government Taxes.

C. PROJECTED EMPLOYEE TAX BURDEN

Describe in detail the typical State/Commonwealth/Province and local tax burden that a company worker might experience if HQ2 were built on Site and the worker lived in your community. Assume the worker earns \$100,000 annually, excluding benefits.

ANNUAL PERSONAL INCOME TAX LIABILITY BEGINNING IN 2019: \$4,833

On Friday, March 2nd, 2018, Governor Deal signed into law new tax legislation that, effective January 1, 2019, lowers the state's income tax rate from 6% to 5.75% for individuals. The legislation also doubles the standard deduction for a single taxpayer to \$4,600. Thereby, under the new legislation, this worker's annual individual income tax liability calculation would be as follows:

Assumptions:	The worker's federal taxable income adjusted for Georgia is \$88,650, and the worker files taxes as a single with no dependents (the federal taxable income assumes \$5,000 in 401K contributions and the 2017 \$6,350 standard deduction)
Tax rate:	5.75% for taxable income >\$7,000
Standard deduction:	\$4,600
Calculation:	$(\$88,650 - \$4,600) \times 5.75\% = \$4,833$

ANNUAL PROPERTY TAX LIABILITY: \$5,196

Assumptions:	The worker owns a condo in the City of Atlanta with a fair market value of \$300,000
Tax rate:	43.3 per 1,000 of 40% of fair market value
Calculation:	$\$300,000 \times 40\% = \$120,000$ $(\$120,000 / 1,000) \times 43.3 = \$5,196$

ANNUAL SALES TAX LIABILITY: \$1,488

Assumptions:	The worker spends \$18,879 – or 30% of after-tax income – on discretionary items (This is based on an estimated after tax income of \$62,927. This estimate is calculated by \$100,000 minus the 9.73% legally required benefits, \$22,163 estimated federal tax liability, and \$5,181 estimated state tax liability)
Tax rate:	7.88% (average rate for three primary shopping jurisdictions of City of Atlanta 8.9%, Fulton County 7.75%, and DeKalb County 7%)
Calculation:	$\$62,927 \times 30\% = \$18,879$ $\$18,879 \times 7.88\% = \$1,488$

ESTIMATED ANNUAL PERSONAL INCOME TAX LIABILITY BEGINNING IN 2019: \$11,517**ONE-TIME TITLE AD VALOREM TAX: \$1,540**

Assumptions:	The worker purchases a 2018 Kia Soul for \$22,000
Tax rate:	7% of fair market value
Calculation:	$\$22,000 \times 7\% = \$1,540$

ESTIMATED TOTAL STATE TAX LIABILITY WITH PURCHASE OF NEW CAR IN 2019: \$13,057

D. OTHER

Detail any State/Commonwealth/Province tax legislation that has been proposed over the last two years that would positively or negatively impact the business community.

2018 LEGISLATIVE SESSION

TAX CODE (HB 918) – Signed into law by Governor Deal on March 2, 2018 – the largest tax cut in Georgia history.

- Effective January 1, 2019, income tax rate will decrease from 6% to 5.75% for individuals and businesses. The bill also includes a provision to further decrease the individual and corporate income tax rate to 5.5% subject to approval by the General Assembly and Governor, effective January 1, 2020.
- Effective January 1, 2018, standard deduction would double for Georgia taxpayers for all filing statuses.
- Companies may now transfer the withholding benefit of tax credits to entities within the affiliated group. Additionally, for tax credits generated after January 1, 2018, the credits can now be applied against the income tax liability of the transferee in the event of a sale, merger, acquisition or bankruptcy of a taxpayer.
- Net operating losses may now be carried forward indefinitely (but not carried back), and may offset up to 80% of taxable income in a tax year.
- The new law includes additional measures, mostly related to the incorporation of certain provisions of the new federal tax law.

ECONOMIC NEXUS & REPORTING SALES TAX (HB61) – Passed the House and passed Senate Finance Committee. (as of March 2, 2018)

- Would create an economic nexus test to determine whether an online retailer is responsible for collecting and remitting sales tax. If the online retailer either (1) does a certain dollar amount in sales each year (\$250,000) or (2) transacts a certain number of sales each year (more than 200), that online retailer will be required to collect and remit sales tax.

FREEPORT BILL (HB 888) – Passed the House and has been read and referred by the Senate. (as of March 2, 2018)

- Would create uniform timelines for local property tax assessors' filing and responding to applications for freeport exemptions.

2017 LEGISLATIVE SESSION

QUALITY JOBS TAX CREDITS:

- Companies now have 24 months to create 50 qualifying jobs to be eligible for this tax credit (an extension from the previous 12 months).
- Companies investing in a minimum \$2.5 million new facility – while a previous facility is still within a 7-year window – can now create a second window before the first window expires.

FILM, TV, & INTERACTIVE ENTERTAINMENT TAX CREDITS:

- Film: Georgia-based post-production now qualifies for a 20% tax credit, with the possibility of a 10% uplift if the underlying production occurred in Georgia. An additional 5% uplift is available if underlying production occurred in a Tier 1 or 2 county (each year the state classifies the counties into 4 different tiers based on measures of economic well-being).

- Interactive Entertainment: The qualifying threshold was lowered to \$250,000 in qualified expenditures, and now pre-released interactive games may qualify at 20% for up to 3 years.
- Musical & Theatrical Performances: a new tax credit of 15% of qualified expenditures for a musical or theatrical performance, with the possibility of a 5% uplift if the production occurred in Tier 1 or 2 county.

PUBLIC EDUCATION INNOVATION FUND CREDIT:

- This fund can now receive private donations for grants to public schools for school improvement. Donors may now receive an income tax credit for qualified education donations. The tax credits would be capped at \$5 million until 2021.

2016 LEGISLATIVE SESSION

E-COMMERCE FULFILMENT CENTERS:

- Added a new class of inventory to the state's Freeport exemption law to include stock in trade of an e-commerce fulfillment center which is stored in a fulfillment center, made available to remote purchases, shipped from the fulfillment center and delivered to the purchaser at a location other than the location of the fulfillment center. This exemption is for stock that is stored in Georgia for a period not exceeding 12 months from the date it arrives at the fulfillment center.

PAROLEE TAX CREDIT:

- Offers a \$2,500 per person tax credit for hiring an individual granted parole within the previous twelve months. The credits are applicable to state corporate income liability, with the ability to carry forward any excess credits for three years. Employers from any industry are eligible for the tax credit as long as the individual is paid at or above the average wage of the county with the lowest average wage in the state.
 - Can be used in addition to other job tax credits.
 - Can only be used once per individual.

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