

GAM Comments to DOAA

Employer Credit for Providing or Sponsoring Childcare for Employees or Purchasing Childcare Property - O.C.G.A. § 48-7-40.6

Manufacturing work is demanding and does not conform to a regular 9:00 am – 5:00 pm schedule for many employees. Many Georgia manufacturers run three daily shifts so that the plants can continually run 24 hours a day. Not surprisingly, manufacturers struggle to recruit and retain qualified workers in the state and the state invests significantly in programs for job training in technical fields such as manufacturing. Given the necessity for manufacturing employees to be on-site (without the ability to perform most manufacturing jobs from home), it is integral to the manufacturing industry that employees have access to consistent and affordable childcare. Several neighboring states provide similar employer incentives to facilitate childcare such as South Carolina. In South Carolina, an employer with employees who are residents of South Carolina may claim a tax credit for 50% of its capital expenditures no more than \$100,000 for costs incurred in establishing a childcare program for its employees' children, to operate a childcare program for employees, or made directly to licensed or registered independent childcare facilities for the benefit of an employee in which employee's children are kept at the facility during the employee's working hours.

O.C.G.A. § 48-7-40.6 provides a quantitatively higher incentive, making Georgia more attractive state for manufacturers provide for and invest in childcare options. The credit provided for Georgia employers who provide or sponsor childcare for employees is generally equal to 75% of the operating cost of the Child Care program for the employer. Businesses that purchase property specifically to build, expand, or operate a Child Care facility are credited 100% the cost of the qualified property at 10% per year over ten years. Any reduction to these incentives would undoubtedly make it much more costly for manufacturers to provide childcare for their employees, which, in turn, would cause manufacturing jobs to be less attractive for potential employees. Georgia's manufacturing industry relies on qualified and dedicated employees and would suffer if qualified employees seek employment in other states in pursuit of more accessible childcare.

Waste Management and Remediation Services (Not in Sales Tax Base)

It is an undisputed reality that manufacturing work produces waste as a byproduct of the manufacturing process. The ability to safely dispose of waste in a cost-efficient manner is integral to the function of the manufacturing industry. Waste management and remediation services fall under NAICS 562 – which governs services engaged in the collection, treatment, and disposal of waste materials. Georgia manufacturers often rely on private waste collection services to perform this function. At present, Georgia does not tax this service, nor do surrounding states such as Florida, South Carolina, and Tennessee.

If Georgia determines that the waste collection services should be taxable, this would incentivize Georgia manufacturers to move operations to nearby states which do not have an equivalent tax. Should Georgia decide that these services should be taxable, it would be crucial for the manufacturing industry that an exemption for such services be included within the current Integrated Plant Exemption for manufacturers as found within O.C.G.A. § 48-8-3.2.

Administrative and Support Services (Not in Sales Tax Base)

Georgia is a separate reporting state for corporate income tax purposes, which means that each corporation doing business in the state must file a separate income tax return. The election to file a nexus consolidated return also requires computation on a separate entity basis, with post-apportionment consolidation. Manufacturers headquartered in Georgia typically provide managerial and administrative services to subsidiaries and affiliates. Such services may fall under the purview of NAICS 561.

Should Georgia deem such services taxable, it would heavily disincentivize companies from establishing their headquarter operations within Georgia. Additionally, the institution of such a tax would run in direct opposition to O.C.G.A. § 48-7-40.18 which incentivizes businesses to establish their headquarters within the state.

Manufacturer's Investment Tax Credit – O.C.G.A. § 48-7-40.2, 40.3, & 40.4

Georgia offers tax credits for certain qualifying manufacturers which can offset up to 50% of a company's Georgia corporate income tax liability. If the earned credit exceeds this limit, the unused credit can be carried forward for up to 5 years, allowing businesses to apply it to future tax liabilities. For facilities located in tier 1 or tier 2 rural counties, excess credits may be used to offset withholding taxes. Preapproval from the Georgia Department of Revenue is required to utilize this provision. While this credit is a benefit to manufacturers within the state, its scope has already been reduced severely since the credit's inception and should not be reduced any further.

The Georgia Manufacturing Investment Tax Credit was established in 1994. Initially, the program required a minimum investment of \$50,000 to qualify for the credit. Significant updates in 2020 included increasing the minimum investment threshold to \$100,000 for new or existing facilities and limiting the aggregate withholding benefit to \$10 million. Additionally, prior to January 1, 2025, the carry forward period for unused credits was 10 years from the date of generation, not 5.

The initial purpose of the Georgia Manufacturing Investment Tax Credit was to make it more affordable and attractive for businesses to expand and modernize their operations within the state. This remains a worthy goal today. Therefore, if any adjustments are to be made to this credit, it is GAM's view that its provisions should be expanded, not reduced.

High-Tech Data Center Equipment Sales Tax Exemption – O.C.G.A. § 48-8-3 (68.1)

For Georgia manufacturers, this exemption works in conjunction with the high-technology company exemption within O.C.G.A. § 48-8-3(68). Georgia manufacturers can purchase computer equipment exempt from tax by either building their own qualifying single-tenant data center under O.C.G.A. § 48-8-3(68) or can place their computer equipment within a qualifying multi-tenant data center under O.C.G.A. § 48-8-3(68.1). With the recent changes to the exemption in O.C.G.A. § 48-8-3(68) in H.B. 1291 (2022), the ability to qualify for the single-tenant data center exemption for manufacturers is limited [and it is already scheduled to sunset after 2028](#). Accordingly, Georgia manufacturers most often utilize the exemption within O.C.G.A. § 48-8-3(68.1) to place their computer equipment within a multi-tenant data center facility. Any changes to limit the multi-tenant data center exemption would encourage Georgia manufacturers to locate

their computer equipment outside the state or to utilize more cloud computing capabilities, reducing their investment in the state.