

# The Three Most Overlooked Tax Credits and Incentives for Manufacturers

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Manufacturers across Georgia are missing out on valuable tax savings opportunities through Georgia tax credits and incentives; money that can be reinvested into their businesses to hire new employees or to manufacture new product lines. Are you keeping as much of your money as you could be? What credits are you missing out on?

**1. Federal and State Research & Development Tax Credits:** According to the results of Aprio's 2016 Georgia Manufacturing Survey, conducted in partnership between Aprio, the Georgia Institute of Technology and Kennesaw State University, 84 percent of Georgia manufacturers are not taking advantage of R&D Tax Credits at the state or federal level. Why? Oftentimes manufacturers don't realize that the work they're doing in their facilities, or the improvement of plant processes, qualifies for the R&D Tax Credits and can result in a dollar-for-dollar reduction of federal and state income taxes owed. The credit can be used to offset payroll tax withholding in some cases, meaning that you don't need positive state taxable income to benefit from the credit.

Activities that qualify for R&D Tax Credits, but are often missed by manufacturers are:

- Building a new product line
- Establishing a new process in the plant, for example, lean initiatives
- Building materials to customer specifications
- Changing a formula or sourcing new raw materials
- Implementing a new ERP system

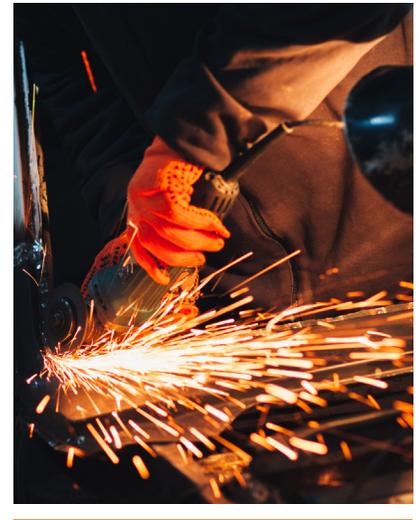
**2. Jobs Tax Credit:** The Jobs Tax Credit rewards companies for adding new jobs and can result in tax savings of up to \$5,250 per job created, per year for up to five years. In some cases, the credit can be used to offset income tax withholding for companies with net operating losses for the year.

Why do manufacturers miss the Jobs Tax Credit? They don't realize that the location of their manufacturing facility qualifies them for a credit for the new jobs created each year.

When it comes to eligibility for the Jobs Tax Credit, consider:

- Number of jobs that have been added in the manufacturing facility
- Facility location

The responses to these considerations will determine whether or not you're eligible for the credit and the credit's value. For example, manufacturers located in an opportunity zone or in a less developed census tract must only create,



**84% of Georgia manufacturers are not taking advantage of R&D Tax Credits and incentives.**

—According to the 2016 Georgia Manufacturing Survey

respectively, an average increase of two and five new jobs each year to receive the Jobs Credit, while companies in Tier 3 or Tier 4 counties must create an average increase of 15 and 25 new jobs, respectively. The value of the credit also ranges based on location, with manufacturers in Tier 1 counties receiving a base credit amount of \$3,500 per job (up to \$5,250) and those in Tier 4 counties receiving a base credit amount of \$750 per job (up to \$2,500).

- 3. Retraining Tax Credit:** A manufacturer's direct expenses for the training of current employees (those employed for at least 25 hours per week with at least 16 consecutive weeks of employment) on certain equipment, technology, processes or software can be claimed as a tax credit. The Retraining Credit covers 50 percent of the employer's direct costs, up to \$500 per full-time employee per training program, and up to \$1,250 per employee each year for an employee who has participated in multiple training programs. Direct costs covered by the credit include outside instructor costs and materials, employee wages while in training and certain travel expenses.

A few examples of often overlooked training areas for manufacturers are:

- Upgrade or install of a new SAP technology
- Integration of a new CRM system
- Addition of a new piece of equipment into the facility

Before the Retaining Tax Credit can be taken, the training must receive approval from the Technical College System of Georgia that the training qualifies for the credit. The credit can be used to offset up to 50 percent of the company's Georgia corporate income tax liability, and unused credits can be carried forward for up to ten years.

As Georgia manufacturers miss out on these often overlooked tax credits, thousands of dollars are being left on the table. Working with a trusted tax and business advisor can help you ensure that you don't miss out on savings that can enable you to grow and innovate.

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**We can help you quickly and easily assess if you're leaving money on the table.**

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