

Georgia's Retraining Tax Credit



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Georgia understands that to keep existing jobs, employers must continually sharpen their competitiveness by investing in leading-edge technologies. The state encourages this by helping our existing employers offset the employee retraining costs typically associated with such investments. This is accomplished through Georgia's Retraining Tax Credit. It enables eligible businesses to gain tax credits against their Georgia state tax liability worth up to:

- 50% of eligible retraining costs
- \$500 per eligible employee, per tax year
- 50% of the amount of the taxpayer's total income tax-year liability

Eligible Retraining Programs

Eligible retraining programs are generally those associated with new process-level technology implementations. This includes the implementation of new equipment as well as new quality and operating systems. In general, retraining current employees for the implementation of the following is considered eligible:

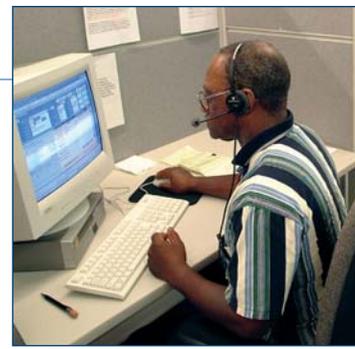
- New equipment
- New software and upgraded software
- New quality and operating systems such as:
 - ◆ ISO 9000 / ISO 14000
 - ◆ Lean Manufacturing

Eligible Employees

To be eligible for the Retraining Tax Credit, employees must:

- Be Georgia residents
- Be first-line employees or immediate supervisors
- Be full-time employees (employed for a minimum of 25 hours per week)
- Be continuously employed with the company for a minimum of 16 weeks
- Successfully complete an approved retraining program
- Not incur any part of the training cost, either directly or indirectly

Ineligible employees include executives, managers, partners, etc. (those with positions above first-line supervisor).



Eligible Retraining Costs

Certain direct retraining costs are eligible for the Retraining Tax Credit. These include:

- Instructor salaries
- Employee wages during the retraining
- Development of retraining programs
- Materials, supplies, textbooks and manuals
- Instructional media, such as videotapes, presentations, etc.
- Equipment used for retraining only (not production)
- Reasonable travel costs

Ineligible costs include training space and sales taxes.



Documentation Requirements

For training program approval, provide access to the following documentation:

- Name, address and phone number of training provider
- Qualifications of provider
- Training objectives
- Training outline
- Instructional materials
- Estimated total hours of instruction
- Training schedules
- Training qualifications of instructors
- Training location(s)
- Criteria for employee performance evaluation and a copy of the evaluation form

Training Sources

Retraining may be provided by any qualified source, including:

- Company trainers
- Equipment or training vendors
- Technical colleges or universities



Ineligible Programs

There are a number of retraining scenarios that are not aligned with the Retraining Tax Credit's purpose. All of the following examples of such scenarios are considered ineligible:

- Executive or management development training
- Career development or personal enrichment
- Sexual harassment or diversity training
- Product knowledge training
- Retraining on modified operating procedures
- Cross-training on equipment or systems that are not new to the company
- Government-mandated training (Examples: OSHA, FDA)
- Training that involves either direct or indirect payments by employees

An employer may not receive a credit for any otherwise qualified program if it requires that the employee reimburse or pay the employer for the cost of retraining either directly or indirectly or through use of forfeiture of leave time, vacation time, or other compensable time. Training that includes any employee contribution at any point in the training (even if later reimbursed to the employee) is excluded.



Administration

The Georgia Department of Technical and Adult Education, as authorized and directed by House Bill 1527, sets standards to approve retraining programs. The Georgia Department of Revenue adopts regulations, procedures and necessary forms to grant tax credits. The vice president of economic development at each technical college provides assistance and direction to area companies interested in claiming the Retraining Tax Credit. The VP is also responsible for:

- Determining if programs are eligible
- Determining if the required documentation is adequate and complete
- Signing the retraining program approval and completion forms

All approved programs are subject to review and/or audit by the Georgia Department of Revenue and the Georgia Department of Technical and Adult Education. Detailed information, technical college contact data and electronic forms are available at www.dtae.org/econdev/retrain.html.

Legal Authority: House Bill 1527, Official Code of Georgia Annotated, 48-7-40.5, 1994 Legislative Session, effective January 1, 1994, authorized tax credits for employee retraining programs. It was revised on January 1, 1998.

