
ALABAMA DEPARTMENT OF REVENUE

Summary of Alabama Taxes and Tax Incentives

September 2021

Secretary of State Qualification

The Department of Revenue administers a variety of taxes that affect companies based inside and outside of Alabama. Before transacting business in Alabama, a foreign corporation (corporation incorporated outside of Alabama) must qualify with the Alabama Secretary of State. Foreign corporations must file an application with the Alabama Secretary of State along with a certified copy of the articles of incorporation and remit a \$150 qualification fee. The application form is specific to the entity type and can be found by visiting the Secretary of State's website: <https://www.sos.alabama.gov/business-entities/business-downloads>.

In order to form a domestic corporation (a corporation incorporated within Alabama), the corporate name must first be reserved with the Alabama Secretary of State. Subsequently, the articles of incorporation must be filed with the probate judge of the county where the corporation has its initial registered office. The fees for filing articles of incorporation are: \$100 for the Alabama Secretary of State and a minimum of \$100 for the probate judge (probate fee varies by county).

Alabama Business Privilege Tax

The business privilege tax applies to all corporations and limited liability entities, including disregarded entities that conduct business in Alabama or are organized under the laws of Alabama. The business privilege tax accrues as of January 1 of each taxable year and is due on the corresponding federal return due date, with the exception of financial institutions. In case of a taxpayer organized during the year, qualifying during the year, or doing business in Alabama for the first time, the tax accrues as of the date of organization, qualification, or the date they begin doing business in the state; and is due by the extended due date of the entity's corresponding federal tax return.

The business privilege tax base is the taxpayer's net worth apportioned to Alabama. The tax rate for business privilege tax is graduated based on the entity's federal taxable income apportioned to Alabama. The rates range from \$0.25 to \$1.75 for each \$1,000 of the Alabama net worth. If the federal taxable income apportioned and allocated to Alabama is:

- less than \$1, the tax rate is \$.25 per \$1000 net worth
- greater than or equal to \$1 but less than \$200,000, the tax rate is \$1
- greater than or equal to \$200,000 but less than \$500,000, the tax rate is \$1.25
- greater than or equal to \$500,000 but less than \$2.5M, the tax rate is \$1.50
- greater than or equal to \$2.5M, the tax rate is \$1.75.

The minimum privilege tax imposed is \$100; the maximum privilege tax is \$15,000, except for financial institutions, financial institution groups, and insurance companies that have a maximum privilege tax liability of \$3M. An electing family limited liability entity is capped at \$500. For additional questions regarding the business privilege tax requirements, contact businessprivilege.tax@revenue.alabama.gov.

Under certain conditions, an enterprise zone credit (Section 5) or exemption (Section 11) for business privilege tax is available to qualified participants. Although this program applies to business privilege tax, the program is administered by the Alabama Department of Economic and Community Affairs (ADECA). Therefore, ADECA determines whether a project meets the requirements for the program and then certifies the credit/exemption to the Alabama Department of Revenue.

Sales and Use Tax

Alabama sales tax is a privilege tax imposed on the retail sale (a sale made to the end-user) of all tangible personal property sold in Alabama by businesses located in Alabama. The consumer use tax is imposed on the out-of-state purchase of tangible personal property that is brought into Alabama for storage, use or consumption where the seller did not collect tax at the time of purchase. The consumer use tax rates are the same as the sales tax rates. There are four different state sales and use tax rates, which include:

- **1.5%** for farm and manufacturing machinery. This rate also applies to the gross receipts from sales of machines, parts, and attachments for machines used in manufacturing, processing, compounding, mining, and quarrying tangible personal property.
- **2%** for new and used automotive vehicles, truck trailers, semi-trailers, and manufactured homes.
- **3%** for retail food for human consumption sold through vending machines.
- **4%** for the gross proceeds of sales of all other tangible personal property, other than that listed previously and specifically exempted by law.

In addition to the state sales and use tax, local sales taxes are also imposed, and these rates vary by locality. The average combined state and local general tax rate is approximately 8%; and the average combined state and local manufacturing machinery tax rate is approximately 2.75%. The applicable sales and use tax rate for each jurisdiction is provided on the Department's website at <https://revenue.alabama.gov/sales-use/tax-rates/>.

The State of Alabama administers over 200 different city and county sales taxes; however, not all city or county sales taxes are administered by the Department of Revenue. For localities that are not administered by the Department of Revenue, the administrator for the specific locality should be contacted to obtain the necessary filing requirements. The Department of Revenue offers an online system called the ONE SPOT (Optional Network Election for Single Point Online Transactions), which provides a single point of filing for all state and non-state administered local sales, use, rental, and lodgings taxes through My Alabama Taxes (MAT). Further information on ONE SPOT is available on our website at <https://revenue.alabama.gov/tax-incentives/about/sales-use-tax/>.

Statutory Sales and Use Tax Abatements and Exemptions

Alabama's sales and use tax statutes contain various items that afford Alabama a definite advantage over other states. These statutes exempt specific organizations and commodities (see §40-23 et seq, Code of Ala.1975). Some of the more common items that are exempt include: gasoline, lubricating oil, fertilizer and insecticides, feed for livestock, wholesale sales, and sales to governmental entities. Additionally, the sales and use tax abatements and other exemptions are statutorily available as listed in the following paragraphs.

Section 40-9B Abatements. Section 40-9B, et seq Code of Ala.1975 provides that qualifying industries may receive an abatement on state and the local non-educational portion of construction related transaction (sales and use) taxes associated with constructing and equipping a project. For state purposes, the general

state sales tax rate of 4% and the state manufacturing machinery and equipment tax rate of 1.5% can be abated for qualifying industries.

Business Activity Requirement (Statutory)

→ Any of the following trades or businesses in the North American Industrial Classification System (NAICS). See www.census.gov/naics.

- 1133 (logging)
- 115111 (cotton ginning)
- 2121 (coal mining)
- 22111 (electric power generation)
- 221330 (steam and air conditioning supply)
- 31 (except National Industry 311811), 32, and 33 (manufacturing)
- 423 and 424 (merchant wholesalers, goods)
- 482 (rail transportation)
- 4862 (pipeline transportation of natural gas)
- 48691 (pipeline transportation of refined petroleum products)
- 48699 (all other pipeline transportation)
- 48819 (air transportation support activities)
- 4882 (rail transport support activities)
- 4883 (Port authority water transportation support activities (other than 48833))
- 493 (warehousing and storage)
- 511 (publishing industries)
- 5121 (motion picture and video industries (other than 51213))
- 51221 (record productions)
- 517 (telecommunications)
- 518 (data processing, hosting, and related services)
- 51913 (internet publishing, broadcasting, web search portals)
- 52232 (financial transactions processing, reserve, and clearinghouse activities)
- 54133 (engineering services)
- 54134 (drafting services)
- 54138 (testing laboratories)
- 5415 (computer systems design and related services)
- 541614 (process, physical distribution, logistics consulting services)
- 5417 (scientific research and development services)
- 55 (Management of companies (if not for the production of electricity))
- 561422 (inbound call centers only)
- 562213 (solid waste combustors and incinerators)
- 56291 (remediation services)
- 56292 (materials recovery facilities)
- 611512 (flight training facilities)
- 927 (space research and technology)
- 92811 (national security)

→ Qualifications – Business Activity by Specific Projects

- Headquarter facilities (NAICS 551114) (where at least 50 jobs are created)
- Data processing centers (where at least 20 jobs are created making \$40K)

- Research and development facilities
- Renewable energy facilities (solar projects)
- Tourism destination attractions
- Technology companies as defined in §40-18-376.3(c)
- Agricultural centers as defined in §40-18-411(a)(2)c

→ A target of the state's economic development efforts pursuant to either of the following:

▪ Accelerate Alabama 2.0 (update of the 1012 Accelerate Alabama Plan) which identifies 12 targeted business sectors:

- Advanced Manufacturing in:
 - Aerospace/Aviation
 - Automotive
 - Agricultural/Food Production
 - Metal and Advanced Metals
 - Chemicals
 - Forestry Products
- Bioscience - Foundational Targets in:
 - Corporate Operations
 - Cybersecurity
 - Data Centers
 - Distribution/Logistics
 - Information Technology
 - Research and Development

Job Creation Requirement

There are no minimum employment and/or wage requirements for a new or major addition project with the exception of headquarters facilities and data processing centers:

- Headquarters facilities (NAICS 551114) must create at least 50 new jobs.
- Data processing centers must create at least 20 jobs with the average annual total compensation of no less than \$40,000, including benefits.

Capital Investment Requirement

▪ *New Project*

There is no capital investment threshold or limiting investment amount for a new abatement project.

▪ *Major Addition*

The additional capital investment by an industry that is **expanding their current facilities in Alabama** must equal the **lesser** of:

- 30% of the original cost of the existing industrial property (sum total of the original facilities and equipment or any expansions or additions prior to the anticipated addition); **or**
- \$2,000,000.

Please note that the local granting authority must grant the abatement for the qualifying project **before** an abatement is effective. Therefore, any purchase made prior to the granting of the abatement is ineligible for the sales and use tax abatement. Further, the abatement of sales and use taxes are only applicable to taxes that are within the jurisdiction of the granting authority. Thus, all purchases must be delivered or

taken title to at the project site (or within the jurisdiction of the granting authority). The abatement for the state and local non-educational sales and use taxes end once a project is placed in service, with the exception of the data processing centers.

- Data processing center projects are eligible for the abatement of all state and the local non-educational sales and use taxes associated with constructing and equipping a project for an extended time period contingent upon the total capital investment in the project. For these projects, the maximum abatement period is:
 - 10 years for projects that invest up to \$200M within 10 years from the commencement of the project.
 - 20 years for projects that invest over \$200M but less than \$400M within 10 years from the commencement of the project.
 - 30 years for projects that invest over \$200M within 10 years from the commencement of the project and exceed \$400M within 20 years from the commencement of the project.

Section 40-9G Sales Tax Abatements. Section 40-9G, et seq Code of Ala. 1975 allows certain reinvestment projects to qualify for sales and use abatements. Section 40-9G abatement is subject to and follows the same procedures, provisions, limitations, and definitions under §40-9B and includes the same granting authority authorized to grant abatements under §40-9B-5(b)(1) with an exception - capitalized repairs, rebuilds, maintenance, and replacement equipment qualify for Chapter 9G abatement if the property is acquired as part of an expansion to an existing facility that qualifies as a “qualifying project” under §40-9G-1(4). A “qualifying project” is any project that:

- Invests at least \$2M in capital expenditures as part of any addition, expansion, improvement, renovation, re-opening, or rehabilitation of a facility, or replacement of any existing equipment or tangible personal property;
- Predominately involves an approved activity defined in §40-9G-1(1); and
- Has not been included in a project agreement with the Governor for the provision of other incentives.

Section 40-9G business activities mirror §40-9B activities except for data processing centers and certain facility projects, which do not qualify.

Section 40-9G Utility Tax Rebate. For qualifying projects defined in §40-9G, et seq Code of Ala. 1975 and recommended by the Department of Commerce and approved by the Governor, a refund of utility taxes may be allowed for up to 10 years. The amount of the refund would equal the utility taxes paid by the qualifying project, minus the utility taxes paid on average during the three 3 years immediately preceding the qualifying project.

Enterprise Zone Exemption. Under certain conditions, an exemption for sales and use tax is available for qualified participants that locate or expand within designated enterprise zones. Although this program applies to sales and use tax exemption, the program is administered by the Alabama Department of Economic and Community Affairs (ADECA). Therefore, ADECA determines whether a project meets the requirements for the program and then certifies the exemptions to the Alabama Department of Revenue.

Raw Materials Exemption. Raw materials purchased by manufacturers or compounders for use as an ingredient or component part of their manufactured or compounded product are specifically exempt from sales and use tax. Alabama Department of Revenue Regulations 810-6-1-.137 and 810-6-1-.80 address the raw materials exemption.

Exemption of Certain Aircraft Maintenance Parts. All parts, components, and systems that become a part of a fixed or rotary wing military aircraft; or certified transport category aircraft that undergoes conversion, reconfiguration, or general maintenance (as long as the aircraft's FAA registration is out of state) are exempt from state sales and use tax. The local sales and use tax cannot be exempted unless specifically exempted by the local law or by joint resolution of the local governing body.

Pollution Control Equipment Exemption. All equipment or materials purchased primarily for the control, reduction or elimination of air or water pollution are exempt from state sales and use tax. Sections 40-23-4(a)(16) and 40-23-62(3), Code of Ala.1975 address the pollution control exemptions.

Utility Gross Receipts Tax Exemptions. Sewer costs and water used in industrial manufacturing where 50% or more is used in industrial processing are exempt from the utility gross receipts tax. Additionally, Alabama law allows exclusions from the utility gross receipts tax and the utility service use tax for utility services used in certain types of manufacturing and compounding processes. Sections 40-21-83 and 40-21-103, Code of Ala.1975 allow exemptions for:

- The furnishing of electricity to a manufacturer or compounder for use in an electrolytic or electrothermal manufacturing or compounding process;
- Natural gas which becomes a component of tangible personal property manufactured or compounded (but not used as fuel or energy); and
- Natural gas used by a manufacturer or compounder to chemically convert raw materials prior to the use of such converted raw materials in an electrolytic or electrothermal manufacturing or compounding process.

Property Tax

All real and personal property is subject to property tax unless specifically exempted by law. The Alabama Constitution contains certain property tax provisions that may be considered as industrial incentives. For example, §214 of the Alabama Constitution limits the maximum state millage rate on both real and personal property to 6.5 mills. This rate is equivalent to a tax of \$6.50 for every \$1,000 of assessed value. However, both counties and cities may levy millage rates in addition to the state's 6.5 mills. These local rates vary by locality, but the average millage rate for any one locality is 43 mills, including the state's 6.5 mills. The average tax on Class II property with a market value of \$1,000,000 would be \$8,600 ($\$1,000,000 * 20% * .043$).

Property tax is assessed to the owner of real and personal property having situs in Alabama. All property must be reported each year between October 1 and December 31 to the county tax assessing official of the county in which the property is located. The appraisal of real and personal property is based on a fair and reasonable market value. Property is assessed in one of the following four classes and assessment ratios:

- Class I - property of utilities used in the business of such utilities assessed at 30%
- Class II - property not otherwise classified (this includes business property) assessed at 20%
- Class III - agricultural, forest, residential property, and historic buildings and sites assessed at 10%
- Class IV - private passenger automobiles and motor trucks commonly known as "pickups" owned and operated by an individual for personal or private use and not for hire, rent, or compensation assessed at 15%.

Personal property depreciation is estimated by the use of remaining value of percent good and is derived from a composite factor. Personal property tax is calculated as follows:

$$\text{Market value (original cost * composite factor) * 20% * millage rate}$$

The economic life (ranging from 8 to 25 years) of a manufacturing equipment depends on the business activity except for tools, dies, jigs, and molds that have a three-year economic life. Office furniture and equipment have a ten-year economic life, except for computers, which have a three-year economic life. The composite factor and economic life determinations can be viewed on the Alabama Department of Revenue's website under the Property Tax Division - <https://revenue.alabama.gov/property-tax/taxes-administered/personal-property/>.

In Alabama, real property is assessed at its fair and reasonable market value as of October 1 and is paid annually between October 1 and December 31. The initial appraisal of taxable property is calculated using the cost approach. Under this approach, the market value of land is determined, then the replacement cost of any improvements are added, less any accrued depreciation. The Alabama Appraisal Manual is used by counties to calculate the value of real property improvements. Depreciation guides are provided in the manual, which aid the appraiser in estimating physical depreciation. Although the Department of Revenue oversees the administration of property taxes, the county tax assessing and collecting officials are responsible for assessing property and collecting the property tax.

Statutory Property Tax Abatements and Exemptions

Inventory Exemptions. Unlike some other states, Alabama does not levy a property tax on inventory of goods, wares, and merchandise that are offered for sale. However, inventory that is used for lease or rental purposes is subject to property tax. Materials that are to be compounded or manufactured, and are stocked at plants or furnaces for manufacturing purposes are also exempt from property tax.

Pollution Control Equipment Exemption. All equipment, facilities or materials constructed or acquired primarily for the control, reduction or elimination of air or water pollution are exempt from property tax. Section 40-9-1(20), Code of Ala 1975 addresses the pollution control exemption.

Section 40-9B Abatements. Section 40-9B, et seq Code of Ala.1975 provides for the abatement of certain property taxes to qualifying industries. Non-educational state and local portions of property tax can be abated for projects if the proper procedures are followed. Under §40-9B, except for data processing center projects, non-educational state and local portions of property tax can be abated for a maximum of 20 years. Certain localities may choose not to abate additional taxes in addition to unabated educational tax. Projects that are granted property tax abatements for up to 10 years are granted by the city, county, or public authority (jurisdictional). Property tax abatement must be granted by the respective granting authority prior to placing the project in service. No additional property (real or personal) is eligible for abatement once the project is placed in service, except for data processing centers, or if a "major addition" is made. Please see the extended abatement periods for data processing centers below.

Projects that are granted property tax abatements for over 10 years are granted by the local granting authority (city, county, public authority) for the first 10 years, and by the appropriate granting authority for years 11 through 20 as follows:

- county non-educational property taxes may be abated only with the consent by resolution of the governing body of the county;
- municipal non-educational property taxes may be abated only with the consent by resolution of the governing body of the municipality; and
- state non-educational property taxes may be abated only with the consent of the Governor.

The governing body of a county or a municipality may separately authorize one or more public industrial authorities for such consent on its behalf by passing of a resolution. The abatements granted may be incorporated into one agreement.

The abatement period for data processing centers can be extended contingent upon the total capital investment in the project:

- The maximum abatement period is 10 years from and after the date the private use property becomes owned for federal income tax purposes for projects that invest at least \$200M within 10 years from the commencement of the project.
- The maximum abatement period is 20 years from and after the date the private use property becomes owned for federal income tax purposes for projects that invest over \$200M but less than \$400M within 10 years from the commencement of the project.
- The maximum abatement period is 30 years from and after the date the private use property becomes owned for federal income tax purposes for projects that invest over \$200M within 10 years from the commencement of the project and exceed \$400M within 20 years from the commencement of the project.

Statutory requirement(s): Section 40-9B property tax abatements have the same statutory business activity requirements, job creation requirements, and capital investment requirements as §40-9B sales and use tax abatements. Please see statutory requirements for §40-9B sales and use tax abatements for details.

Section 40-9G Property Tax Abatements. Section 40-9G, et seq Code of Ala.1975 allows certain reinvestment projects to qualify for property tax abatements on replacement equipment and property purchased for capitalized repairs, rebuilds, renovations, and maintenance if the property is acquired as part of an expansion to an existing facility that qualifies as a “qualifying project” under §40-9G-1(4). A “qualifying project” is any project that:

- Invests at least \$2M in capital expenditures as part of any addition, expansion, improvement, renovation, re-opening, or rehabilitation of a facility, or replacement of any existing equipment or tangible personal property;
- Predominately involves an approved activity defined in §40-9G-1(1); and
- Has not been included in a project agreement with the Governor for the provision of other incentives.

Section 40-9G business activities mirror the §40-9B activities with the exception of data processing centers and certain facility projects, which do not qualify. The state and local portion of the property tax not earmarked for education on the real and personal property incorporated into a qualifying reinvestment project can be abated for up to 20 years. The §40-9G property tax abatement is subject to and follows the same procedures, provisions, limitations, and definitions under §40-9B **with the exceptions below:**

- The amount of property tax abatement equals the excess amount of property taxes owed for the applicable tax year that exceeds the amount of property taxes owed for the tax year immediately before the qualifying project was placed in service.
- Regardless of the length of the abatement, the abatement may be granted as follows:
 - County non-educational property taxes may be abated only with the consent by resolution of the governing body of the county.
 - Municipal non-educational property taxes may be abated only with the consent by resolution of the governing body of the municipality.
 - State non-educational property taxes may be abated only with the consent of the Governor.

The governing body of a county or a municipality may separately authorize one or more public industrial authorities for such consent on its behalf by passing of a resolution. The abatements granted can be incorporated into one agreement.

Corporate Income Tax

Corporations remit the Alabama income tax based on their net taxable income derived from conducting business within the state. The amount of net income apportioned to Alabama is determined by multiplying the corporation's total net income by a fraction that represents the portion of the corporation's sales in or sourced to Alabama, compared to its total sales everywhere. The rate of state corporate income tax is 6.5% (individuals are taxed at a rate of 5%). Corporations anticipating a tax liability of \$500 or more in a tax year must file and remit estimated tax on a quarterly basis.

There are various credits and deductions that are statutorily available for Alabama corporate taxpayers. The taxpayers may participate in any or all of the statutory tax credits if the proper requirements are met. Please see the following paragraphs regarding the deductions and credits available to businesses in Alabama.

Income Tax Deductions & Economic Development Incentives

Federal Income Tax Deduction. The computation of Alabama corporate income tax begins with the federal taxable income. Alabama allows various adjustments to federal taxable income to arrive at the Alabama taxable income - one of which is a 100% deduction for federal income taxes (FIT) paid or accrued that is apportioned to Alabama, resulting in a lower net effective income tax rate. The FIT deduction is a constitutional deduction under the Amendment 212 of the Constitution of Alabama.

Net Operating Loss Carryforward. Corporate income tax law provides for a fifteen-year carryforward of net operating losses. In computing net income, a corporation is allowed a deduction for the sum of the net operating losses which are carried forward. Each net operating loss may be carried forward and deducted only during the fifteen consecutive year period immediately following the year in which the loss arose.

Investment Credit (Alabama Jobs Act). A discretionary tax credit of up to 1.5% of qualified capital investment for a qualified project for a period of up to 10 years. For qualifying investments in a targeted or a jumpstart county, as well as certain underrepresented companies, the incentive period is available for up to 15 years. The credit can be taken against the Alabama income tax liability, financial institution excise tax liability, utility taxes paid, and/or state 2.2% utility license tax. The credit has a five-year carry forward. At the discretion of the Department of Commerce and the Governor, a three-year transferability provision is available if such provision is expressly stated in the Project Agreement. The total amount of the tax credit is at the discretion of the Alabama Department of Commerce and the company must enter into a Project Agreement with the State. Please contact the Department of Commerce for further details.

Port Credit. A discretionary income tax credit is provided for businesses that utilize Alabama's port facilities. Only taxpayers that have been approved by the Alabama Department of Commerce are eligible to claim the credit. The credit can be applied against an approved company's Alabama income tax liability for the tax year containing the last day of the port credit incentive period. The credit is not refundable or transferable, but any unused credit may be carried forward for 5 years. Please contact the Department of Commerce for further details.

Apprenticeship Credit. A tax credit in the amount of up to \$1,250 per qualified apprentice is available to employees who employ a qualified apprentice for at least 7 full months of the taxable year. Companies that employ a qualifying apprentice under the age of 18 may qualify for an additional \$500 credit. An employer may qualify for up to 10 apprentices annually. The credit is nonrefundable, nontransferable, and cannot be carried forward. The apprenticeship credit is administered by the AIDT under the Department of Commerce. Please contact the Alabama Office of Apprenticeship for further details.

Veteran’s Employment Act – Employer Credit. For tax years beginning January 1, 2018, employers meeting the requirements for the Alabama Small Business and Agribusiness Jobs Act Credit or the Full Employment Act of 2011 are eligible for a \$2,000 nonrefundable income tax or financial institution excise (state-portion) tax credit for each job created if certain employee qualifications are met. To be qualified for the credit, the employee must be an unemployed or a combat veteran hired for a full-time position paying at least \$14 per hour after March 12, 2018. Additionally, any recently deployed, unemployed veteran who holds at least 50% ownership interest in a start-up business is eligible for up to a one-time \$2,000 nonrefundable tax credit for expenses related to the start-up.

Enterprise Zone Credit/Exemption. Under certain conditions, an enterprise zone credit (Section 5) or exemption (Section 11) for income tax is available to qualifying participants. Although this program applies to income tax, the program is administered by the Alabama Department of Economic and Community Affairs (ADECA). Therefore, ADECA determines whether a project meets the requirements for the program and then certifies the credit/exemption to the Alabama Department of Revenue.

Growing Alabama Credit. Provides a tax credit to taxpayers that make cash contributions to state and local Economic Development Organizations (EDOs) for qualifying projects that stimulate economic growth in certain qualifying industries. The donors receive an income tax credit equal to their contribution and may offset up to 50% of their state tax liability. The contributions must be reserved for a qualifying EDO project through the Department of Revenue’s portal, and such reservations are allowed only when an available project has been approved by the Alabama Renewal Commission, and when the Growing Alabama Funding Agreement has been executed. The Growing Alabama Credit is non-transferable but may be carried forward for up to 5 years.

Opportunity Zones Investment Incentives. The Alabama Incentives and Modernization Act (Act 2019-392) provides Alabama taxpayers the same tax benefits available under federal law when they invest in an approved opportunity fund for qualifying projects in low income areas in the state that are designated as “Opportunity Zones” (OZ). Under this Act, the Alabama Department of Economic and Community Affairs (ADECA) is authorized to enter into project agreements with the “approved” opportunity funds to invest the state funds into the OZ projects. In addition to providing for investments, the project agreements may provide the fund’s investors with a tax credit, the ‘impact investment credit’, to be utilized against state income tax or financial institution excise tax if the investment does not meet an agreed-upon rate of return. The total tax credits allocated to “approved” OZ funds cannot exceed \$50M and will not be available for projects if an approved fund has committed to invest in the project prior to August 5, 2019. The state investments will be available until December 31, 2024. Please contact ADECA for further details.

The tax credits listed above do not reflect all available tax credits for Alabama taxpayers. For more information on all available income tax credits, please see the Department of Revenue’s tax incentive website at <https://revenue.alabama.gov/tax-incentives/about/income-tax-incentives/>.

Other State Tax Incentives

Jobs Credit (Alabama Jobs Act). A discretionary credit with an annual cash refund of up to 3% of the previous year's gross payroll for up to 10 years. For companies employing at least 12% veterans, up to an additional 0.5% credit is available for the wages of veterans. Technology and underrepresented companies may receive an annual amount of up to 4%. Further, up to an additional 1% of the credit is available for companies in targeted counties. The total amount of the tax credit granted at the discretion of the Alabama Department of Commerce and the project must enter into a State Project Agreement. Please contact the Department of Commerce for further details.

Miscellaneous Licenses and Taxes

It is important to note that certain businesses are required to obtain a business privilege license. Please visit our webpage at <https://revenue.alabama.gov/business-license/business-licensing/> to view the Quick Reference Guide and a list of licenses identified by code section. You may also check with the appropriate board for licensing requirements by visiting <http://inform.alabama.gov/agencysearch.aspx/>. Additionally, the state does not administer any local occupational taxes - such taxes are administered at the local level. Also, the type of license required and the fee for the license is determined at the local level. To ensure compliance with local registration and filing requirements, please contact the appropriate local county probate offices. For more information, please visit <https://revenue.alabama.gov/business-license/business-licensing/>.

Municipal Business License Abatement. Section 11-51-189 Code of Ala.1975 allows the governing body of a municipality to abate all or a portion of the business license tax for up to 3 license years if the taxpayer complies with the criteria for abatement of sales or use taxes according to §40-9B, et seq Code of Ala.1975.

Contact

If you have any questions or need additional information, please contact the Alabama Department of Revenue Office of Economic Development at (334) 242-1175 or incentives@revenue.alabama.gov.