

Instructions for Preparing Application to Granting Authority for Abatement of Taxes (Form CO: CAAG)

Under Chapter 9G of Title 40, *Code of Alabama 1975*

GENERAL INSTRUCTIONS

Chapter 9G, Title 40, *Code of Alabama 1975*, provides for an abatement of all state non educational property except for the unabated taxes pursuant to Section 40-9I-1(1) and the local noneducational property taxes; all construction related transaction taxes (sales and use taxes), except those local construction related transaction taxes levied for educational purposes or for capital improvements for education and the unabated taxes pursuant to Section 40-9I-1(2), and/or a utility tax refund for qualifying projects. A qualifying project under Chapter 9G is any project that 1) spends 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, 2) predominately involves an approved activity as defined below, and 3) for which no project agreement has been entered into with the Governor for the provision or other incentives.

This form is to be submitted to the granting authority for consideration in granting an abatement of noneducational/abated sales and use taxes and/or noneducational/abated property taxes. Chapter 9G sales and use tax abatements may be granted by the same granting authority authorized to grant abatements under Section 40-9B-5(b)(1). Chapter 9G property tax abatement may be granted as follows: county noneducational 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 noneducational/abated 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 to provide by resolution for such consent on its behalf.

Chapter 9G abatements are subject to and shall follow the same procedures, provisions, limitations and definitions under Section 40-9B-1 et al., *Code of Alabama 1975* with the following exceptions. For sales and use tax purposes, capitalized repairs, rebuilds, maintenance, and replacement equipment shall qualify for abatement. For property tax purposes, capitalized repairs, rebuilds, maintenance, and replacement equipment shall qualify for abatement and the amount of the property tax abatement for such property will be equal to the excess amount of property taxes owed for the real or personal property that is being replaced, upgraded or improved, for the applicable tax year that is greater than the amount of property taxes owed on such property for the tax year immediately before the qualifying project was placed in service.

A complete and detailed listing of any and all project costs for the addition, expansion, improvements, renovation, re-opening, or rehabilitation of a facility or replacement of any existing equipment should be attached to this application in order for the granting authority to make a cost/benefit analysis in accordance with Section 40-9B-6(a). For personal property abatement purposes, a listing of all existing personal property, including manufacturing equipment, non-manufacturing equipment, office equipment, and computers, affected by this project must be attached to this application and must be listed by original acquisition date, original acquisition cost and description of asset as reported on Form ADV-40 as of the October 1 lien date immediately preceding the date the project is placed in service. For real property abatement purposes, attach a copy of the assessment sheet, as provided by the tax assessing official, that provides the market value of the existing property affected by this project as of the Oct 1 lien date immediately preceding the date the project is placed in service. The application will not be complete if the required real and/or personal property listing(s) is not attached.

If you have any questions about this form or the abatement of taxes in general, please contact the Alabama Department of Revenue at (334) 353-9789.

APPROVED BUSINESS ACTIVITIES FOR CHAPTER 9G ABATEMENTS

- Any trade or business in the 2012 North American Industrial Classification System (NAICS), promulgated by the Executive Office of the President of the United States, Office of Management and Budget as: 1133, 115111, 2121, 22111, 221330, 31, (except National Industry 311811), 32, and 33, 423, 424, 482, 4862, 48691, 48699, 48819, 4882, 4883 (other than 48833), 493, 5121 (other than 51213), 5122, 513, 517, 518, 51929, 52232, 54133, 54134, 54138, 5415, 541614, 5417, 55 (if not for the production of electricity), 561422 (in bound call centers only), 562213, 56291, 56292, 611512, 927 or 92811.

- Any plant, property or facility for the production of biofuel as such term is defined in *Code of Alabama 1975* Section 2-2-90(c)(2).
- Research & Development Facility – An establishment engaged in conducting original investigations undertaken on a systematic basis to gain new knowledge and/or applying research findings or other scientific knowledge to create new or significantly improved products or processes.
- Headquarters Facility – Any trade or business in the 2007 North American Industrial Classification System (NAICS), promulgated by the Executive Office of the President of the United States, Office of Management and Budget as National Industry 551114 at which at least 50 new jobs are located.
- Any of the targeted business sectors under the CatALyst, which include Agriculture & Food, Bioscience, Chemical Manufacturing, Defense, Forestry & Wood Products, Metal & Advanced Material, Mobility, Technology. Enablers; Business Services and Logistics & Distribution.

LINE BY LINE INSTRUCTIONS

Item 1. Indicate the type(s) of abatement(s) being requested.

Sales and Use Taxes – Chapter 9G, Title 40, *Code of Alabama 1975*, provides for the abatement of certain noneducational/abated sales and use taxes imposed by Chapter 23 of Title 40, *Code of Alabama 1975*. The abatement applies to the tangible personal property and taxable services incorporated into the project, to include capitalized repairs, rebuilds, maintenance, and replacement equipment, the cost of which may be added to the capital account with respect to the project. However, only the state and local noneducational sales and use taxes, except the unabated state tax pursuant to Section 40-9I-1(2) may be abated. No sales and use tax abatement shall extend beyond the date the project is placed in service. The abatement may be granted by the granting authority.

Property Taxes – Chapter 9G, Title 40, *Code of Alabama 1975*, provides for the abatement of noneducational property taxes imposed by the state, counties, municipalities and other taxing jurisdictions in Alabama. For any property abatement that is granted, the noneducational municipal taxes can only be abated by the City Government, noneducational county taxes can only be abated by the County Government, and state taxes can only be abated by the Governor. The governing body of the municipality and county can authorize a public industrial authority to provide by resolution for such consent on its behalf. The amount of the property tax abatement will be equal to the excess amount of property taxes owed for the property for the applicable tax year that is greater than the amount of property taxes owed on such property for the tax year immediately before the qualifying project was placed in service.

Utility Tax Refund – Chapter 9G, Title 40, *Code of Alabama 1975*, provides for an abatement of utility taxes imposed by Ala. Code Sections 40-21-82 and 40-21-102. The abatement is a refund of utility taxes paid for up to ten years. The refund shall be equal to the utility taxes paid, minus the utility taxes paid on average during the three tax years immediately before the qualifying project was placed in service and can only be granted by the Governor based on the recommendation by the Alabama Department of Commerce. For more information, contact the Incentives Manager at the Alabama Department of Commerce at 334-242-0400.

Item 2. If the predominant business activity is an approved business activity as defined in Section 40-9G-1(a), enter the 2007 North American Industrial Classification System (NAICS) code for the project.

Item 3. Indicate if project costs meet or exceed \$2,000,000 in accordance with Section 40-9G-1(4).

Item 4. Enter the name of the private user requesting abatement. If project is doing business under another name, also enter the name of the company under "Doing Business As (DBA)."

Item 5. Enter the address of the private user requesting abatement.

Item 6. Enter the name, email address, and telephone number of the person to which all

correspondence should be directed regarding the abatement.

Item 7. Enter the date the company was organized.

Item 8. Enter the physical location of the project. Please include a detailed location, including the City, County and Zip Code.

Item 9. Describe the type of business that the project will be engaged in. For projects that do not require a NAICS code, provide a detailed description that will identify the activities as qualifying activities. Attach a complete and detailed listing of any and all project costs for the addition, expansion, improvements, renovation, re-opening, or rehabilitation of a facility or replacement of any existing equipment in order for the granting authority to make a cost/benefit analysis in accordance with the statute.

Item 10. Enter the estimated date the construction of the project will begin.

Item 11. Enter the estimated date the construction of the project will be completed.

Item 12. Enter the estimated date the project will be placed in service. If revenue bonds are issued, "placed in service," for property tax purposes, is determined as of the date of the initial issuance of such bonds. Otherwise, "placed in service" for sales and use tax and property tax purposes is determined as the later of 1) the date on which title to the property was acquired by or vested in a county, city, or public authority, or 2) the date on which the property is or becomes owned, for federal income tax purposes, by a private user.

Item 13. Indicate if bonds have been issued in financing the project. If bonds have been issued, enter the issuance date.

Item 14. Indicate if bonds will be issued for financing the project. If bonds will be issued, enter the projected issuance date.