

Alabama Department of Economic and Community Affairs

2017 Enterprise Zone Program Tax Incentive Report



Introduction

The Alabama Enterprise Zone Act (87-573) was passed by the legislature of the State of Alabama on May 26, 1987, and signed into law on July 22, 1987. The purpose of the legislation is to stimulate business and industrial growth in depressed areas of the state both urban and rural. This purpose is accomplished through the relaxation of certain governmental controls by providing state and local tax and non-tax incentives in the designated areas.

As of October 1, 2016, the definition of an Enterprise Zone changed. The Alabama Jobs Act (the Act), #2016-321, states the definition of an Enterprise Zone should be that as described by Section 40-18-376.1(a), Code of Alabama, 1975. Per this Section, an Enterprise Zone means any Alabama county that has a population of 25,000 or less. The population is determined by the Commissioner of Labor as of each January 1, using the most current data available from the United States Departments of Labor or Commerce, the United States Bureau of the Census, or any other federal or state agency or department. Notwithstanding any other agreement or law to the contrary, any eligible businesses that received an approved application from the Alabama Department of Economic and Community Affairs (ADECA) prior to October 1, 2016, shall continue to receive those exemptions for the period of time specified in those agreements.

As determined by the Act, there are 26 Enterprise Zones throughout Alabama: Bibb, Bullock, Butler, Choctaw, Clarke, Clay, Cleburne, Conecuh, Coosa, Crenshaw, Fayette, Greene, Hale, Henry, Lamar, Lowndes, Macon, Marengo, Monroe, Perry, Pickens, Randolph, Sumter, Washington, Wilcox and Winston counties.

Section One

Section 5 – The maximum tax credit available to any private employer locating in an enterprise zone is \$2,500 per new permanent employee hired pursuant to the act and hired on or after the date of endorsement. The \$2,500 figure may be attained through the utilization of the various tax credits made available through the act. The choice of which credits to pursue and which will be of maximum benefit should be made by the private employer. Each incentive may stand alone or may be paired with another in order to arrive at the maximum available benefit for the private employer's zone operation.

Various Incentives and Certification Requirements

A private employer may choose to apply for incentives as follows:

- a. an Alabama Income or Privilege Tax Credit on taxes due from the zone operation if the private employer can certify that at least 30% of new permanent employees hired pursuant to the act were formerly unemployed for at least 90 days prior to this employment, or

- b. an Alabama Income or Privilege Tax Credit for new investments in the zone improvements to existing facilities in the zone provided that at least five new permanent employees are hired, or
- c. an Alabama Income or Privilege Tax Credit of up to \$1,000 per new permanent employee for expenses of training those employees in new skills.

Section 11 – The exemptions available through Section 11 of the Alabama Enterprise Zone Act are not tied to the \$2,500 per new permanent employee referenced in Section 5, but require a contract between the employer and the ADECA that must be presented to the Council and approved by the Governor. The benefits of this Section require a great deal of certification areas to be verified and also these areas to be updated on an annual basis for continued participation of a company in the program. The decision to pursue this area of benefits should be weighed carefully by the employer due to the number of certification areas required for participation in this section's benefits.

Available Benefits

If a contract is entered into with an eligible company, the following benefits may be derived:

1. An exemption from sales and use tax imposed by the State of Alabama on the purchases of the material used in the construction of a building, or any addition or improvement thereon, for housing any legitimate zone business enterprises and machinery and equipment used in that enterprise, and/or
2. Certain exemptions from income taxes levied by the State of Alabama on eligible corporations and individuals, for a period of up to five years, and/or
3. Certain exemptions of privileged taxes levied by the State of Alabama for a period of up to five years.

The goal of the Alabama Enterprise Zone Program is to create jobs and stimulate business and industrial growth in depressed areas of the state both urban and rural. Unfortunately, this goal was not met for 2017 because there was no activity.

The beneficiaries of this program are the companies that participate and the citizens of Alabama that receive employment through the program. Unfortunately, no one benefited from the Alabama Enterprise Zone Program because there were no participants.

Section Two

There was no activity for the Alabama Enterprise Zone Program in 2017; therefore, there was no impact to report.

Section Three

There was no activity for the Alabama Enterprise Zone Program in 2017; therefore, there were no economic results to report.