



ALABAMA DEPARTMENT OF COMMERCE

THE INCENTIVES UNDER THE ALABAMA REINVESTMENT AND ABATEMENTS ACT 2018 REPORT

Alabama Department of Commerce

ABSTRACT

Per the ALABAMA DEPARTMENT OF REVENUE ADMINISTRATIVE CODE CHAPTER 810-17-1 ECONOMIC TAX INCENTIVES Reporting Requirements, the Alabama Department of Commerce is reporting on the Property Tax Abatement under 40-9G.

Author

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Section I- Overview of the Economic Tax Incentive

Section One- The purpose of the Economic Tax Incentive and shall report whether or not each Economic Tax Incentive has been successful in meeting the purpose for which it was enacted, in particular, whether each Economic Tax Incentive benefits those originally intended to be benefited, and if not, those who have benefited.

A description of the Tax Incentive. The description shall include the initial statement of purpose of the Tax Incentive as provided for in the enabling legislation, the name(s) of the agency administering the Tax Incentive, a description of the Tax Incentive and how it is calculated or awarded, the history of the Tax Incentive which shall include when and under what authority the Tax Incentive was created, including any amendments to the statute and any departmental rules associated with the Tax Incentive;

Incentives under the Alabama Reinvestment and Abatements Act (the “Tax Incentive”) were passed in 2015. The statement of purpose in the enabling legislation for the Tax Incentive, administered by the Department of Commerce (the “State Agency”), is “to promote capital reinvestment by existing industry in Alabama”.

The Tax Incentive consists of three benefits:

1. **State Property Tax Abatement** for up to 20 years of the non-educational portion of the incremental property tax increases; and
2. **Utility Tax Abatement** for increased utility services for up to 10 years; and
3. **AIDT Training** for new or current employees to operate new and replacement equipment.

The Tax Incentive is authorized under Code of Alabama § 40-9G-1. The Tax Incentive became effective June 24, 2015.

The goals of the Tax Incentive and whether or not the Tax Incentive has been successful in meeting these goals. For example, if a job creation incentive includes wage thresholds for a business to qualify, a goal for the tax incentive program would be to create high-paying jobs;

The purpose of the Tax Incentive is to incentivize increased capital reinvestment in Alabama. Yes, the Tax Incentive has proven to be a successful inducement of increased capital reinvestment in Alabama.

A description of the intended beneficiaries of the Tax Incentive, including any tax types to which the Tax Incentive applies to or is designated. This description shall include the activities the Tax Incentive is intended to promote and the effectiveness of the Tax Incentive in promoting those activities.

The intended beneficiary of the Tax Incentive is the investing company (the “Taxpayer”). The Tax Incentive can be applied against the Taxpayer’s:

1. Alabama property tax liability; and
2. Alabama gross utility tax liability.

The Tax Incentive is intended to promote the activities found in Code of Alabama § 40-9G-1(1). The Tax Incentive has proven to be a successful inducement of promoting such activities and increasing capital reinvestment in Alabama.

Describe how and why such recipients benefit from such Tax Incentive.

Taxpayers benefit by receiving a Tax Incentive based directly on the Taxpayer's eligible capital reinvestment and increased utility tax liability.

Section II- Impact and Benefits

Section Two shall encompass the impact of the Economic Tax Incentive and shall report whether or not the state receives a positive return on investment, specifically the direct and indirect impact on state and local tax revenues, from the business or industry for which the Economic Tax Incentive is intended to benefit and any other economic benefits produced by such Tax Incentive. If applicable, this shall include, but is not limited to:

The number of taxpayers applying for, qualifying for and claiming the Tax Incentive, and the Tax Incentive amounts (in dollars) claimed by taxpayers in the reporting year:

Five (5) Taxpayers applied with the State Agency and qualified for the Tax Incentive in the 2018 reporting year. One (1) Taxpayer received the Tax Incentive for its utility tax liability in the amount of \$126,230.87 in the 2018 reporting year.

The number of taxpayers applying for, qualifying for and claiming the Tax Incentive, and the Tax Incentive amounts (in dollars) claimed by taxpayers since the creation of the Tax Incentive, if available:

Ten (10) Taxpayers have applied with the State Agency and qualified for the Tax Incentive since the creation of the Tax Incentive. One (1) Taxpayer received the Tax Incentive against Alabama utility tax liability in the amount of \$126,230.87 since the creation of the Tax Incentive.

The amount of Tax Incentives that could be carried forward and the length of time the Tax Incentive can be carried forward;

The Tax Incentive may not be carried forward.

The amount of Tax Incentives that have been transferred, if applicable, and the amount that the credit(s) were discounted when they were transferred;

The Tax Incentive may not be transferred.

The amount of fees and/or other transaction costs associated with the Tax Incentive, including but not limited to application fees and transferability fees;

There is no application fee associated with the Tax Incentive.

The estimated cost of administering the Tax Incentive;

The estimated cost of administering the Tax Incentive is \$16,754.

The number of direct jobs created by the Tax Incentive;

Based on applications received by the State Agency for the Tax Incentive, it is estimated there are 233 direct jobs created by the Tax Incentive.

The timing between awarding the Tax Incentive and creation of jobs and/or investment, and the maintenance of any job creation requirement;

The timing between the award of the Tax Incentive and the Taxpayer's investment varies by project and is dictated by the project agreement between the Taxpayer and the State.

Describe any caps associated with the Tax Incentive (identify if fiscal year or calendar year) and whether or not the cap was met for each year the Tax Incentive was in existence. Include the number of taxpayers who were denied a Tax Incentive due to the cap being in place:

There is no cap associated with the Tax Incentive.

Describe any penalties, including clawback provisions, associated with noncompliance of the Tax Incentive;

There is no penalty or clawback provision associated with noncompliance of the Tax Incentive.

Provide an estimate of the indirect economic activity stimulated by the Tax Incentive. This shall include an estimate of any tax benefits that have been sourced outside of Alabama; and

The answer is unknown because the underlying source data does not exist.

Any other information necessary for the State Agency to comply with the requirements of the Act.

No.

Section III- Economic Results

Section Three shall encompass the economic results of each Economic Tax Incentive, taking into account the extent to which the Tax Incentive successfully changes business behavior, and the unintended or inadvertent effects, benefits, or harm caused by the Economic Tax Incentive, including whether the

Economic Tax Incentive conflicts with other state laws or regulations. This shall include, but is not limited to:

Any results the Tax Incentive has on Alabama's economy. Indicate whether or not the Tax Incentive is successfully influencing business decisions and describe how this is being determined;

Yes, the Tax Incentive has influenced business decisions to reinvest in Alabama as opposed to closing or relocating to another state.

Any evidence that the Tax Incentive is or has changed business behavior, as opposed to rewarding businesses for what they would have done anyway;

The State Agency believes that, through the Tax Incentive, businesses are changing their behavior by reinvesting in Alabama instead of closing or moving to another state. The State Agency believes the evidence to be proven through the State Agency's annual New and Expanding Industry Report.

How the Tax Incentive is effecting businesses beyond those that benefit directly from the Tax Incentive;

The Tax Incentive is positively affecting businesses beyond the Taxpayers that benefit directly from the Tax Incentive. The State Agency utilizes RIMS multipliers to estimate the positive effect the Tax Incentive has on surrounding businesses.

Any potential changes to the design or administration of the Tax Incentive that could lead to better results. If possible, indicate if the Tax Incentive could be made more effective through legislative changes;

No.

State whether or not the State Agency could accomplish the same purpose or goal of the existing Tax Incentive through a non-tax incentive or subsidy, such as a normal budgetary expenditure, and do it more effectively or efficiently. Explain your reasoning.

No, the State Agency could not accomplish the same goal of the Tax Incentive through a non-tax incentive or subsidy. The State Agency believes that, while a competitive tax environment is important, targeted incentives such as the Tax Incentive are the best way to achieve success for highly sought-after competitive projects making new capital investment.

Explain the methodology and assumptions of the review, analysis, and evaluation of the Tax Incentive.

The State Agency assumes that incentivizing Taxpayers to reinvest in Alabama will result in fewer Taxpayers relocating to another state or closing completely.