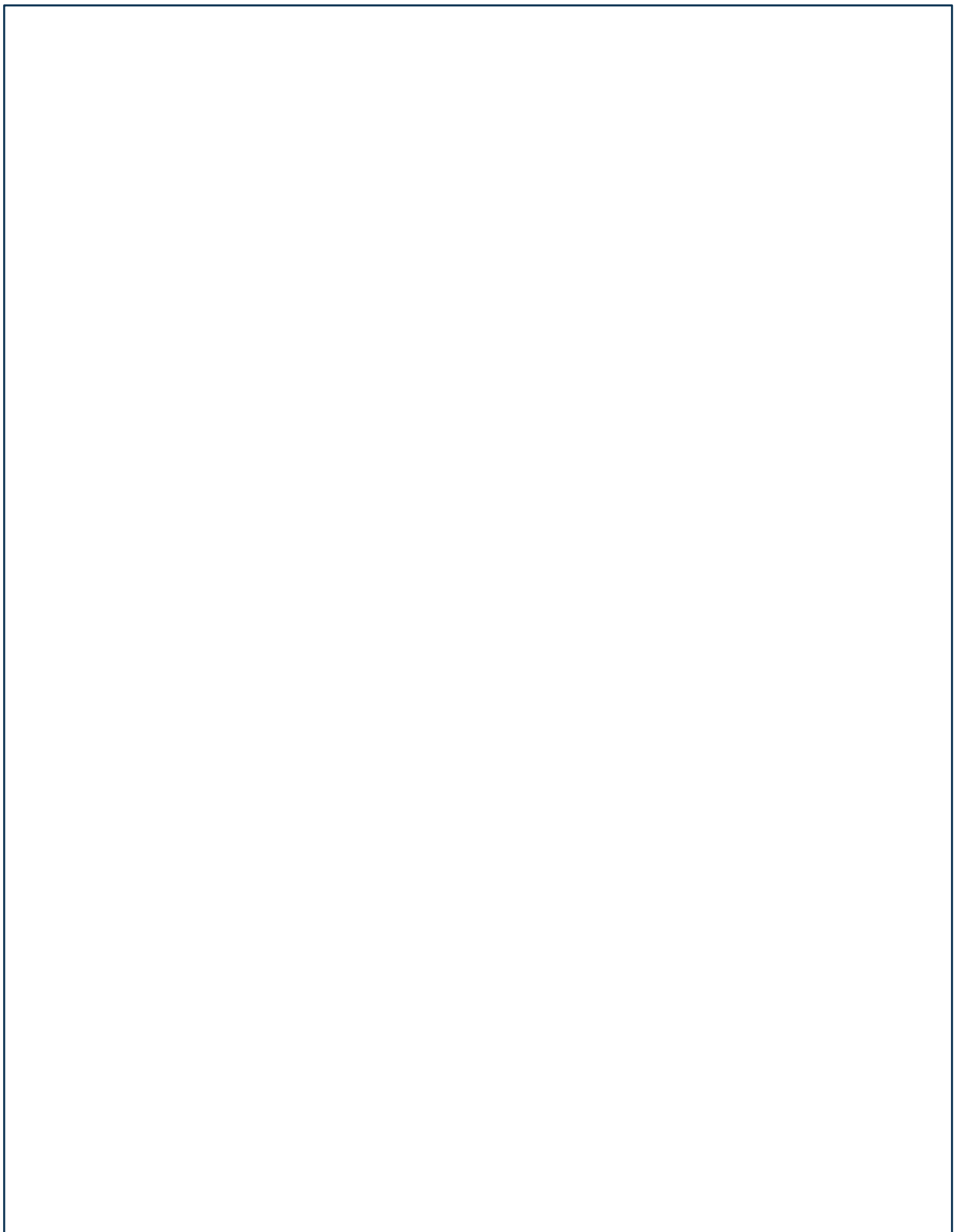




**GENERAL SUMMARY OF
ECONOMIC TAX INCENTIVE REPORTS
FOR 2018 AND 2019**





LEGISLATIVE SERVICES AGENCY

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July 1, 2019

To the Legislature of Alabama:

Pursuant to the provisions of Section 40-1-50, Code of Alabama 1975, each state agency that administers an economic tax incentive must prepare and submit a report to the Legislature on each economic tax incentive administered by the agency no later than the second Legislative day of each Regular Session beginning in 2018 and each year thereafter.

The schedule of reports is established by rule of the Alabama Department of Revenue. The reports must include an assessment of each incentive based on the following:

- The success of the incentive in meeting the purpose for which it was enacted;
- The direct and indirect impact on state and local revenues resulting from the incentive; and
- The economic results of each incentive.

This publication provides a summary of the information contained in the reports submitted in 2018 and 2019. Jessica Perez, John Friedenreich, and John Stathopoulos coordinated this summary and were responsible for drafting the final edition.

The Legislative Services Agency did not analyze the information provided by the agencies in the reports and this publication should not be interpreted as a recommendation for or against any of the individual programs contained in this summary. Copies of the full reports for each program can be obtained on our website at www.lsa.state.al.us.

We would appreciate your suggestions as to how we might make future editions of this summary of more value to you.

Sincerely,

Kirk Fulford
Deputy Director

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JOBS CREDIT

Sections 40-18-370 through 40-18-383

Intent:

- Induce and promote job creation and capital investment in Alabama

Eligibility Requirements:

- Dependent upon the provisions of a project agreement with the state and subject to the requirements of Section 40-18-371

Incentive:

- Cash Rebate of up to 3% annually of previous year's gross payroll (not including fringe benefits)
 - Additional 1% increased tax incentive for companies located in a targeted county or jumpstart county (per Act 2019-392)
 - Additional 0.5% increased tax incentive for companies employing at least 12% veterans in their eligible workforce or locating within a former active duty military base that was closed by BRAC

Provisions:

- Incentive Cap: \$300 Million annualized balance of outstanding Job Act Credits
- Carry forward up to five years
- Non-transferable
- Expiration: December 31, 2020, unless extended by the Legislature

	2018	2017
<i>Number of Direct Jobs Created</i>	11,136	10,758
<i>Number of Applications Accepted in Reported Year</i>	48	58
<i>Total Number of Applications Accepted</i>	202	155
<i>Number of Applications Claimed in Reported Year</i>	2	0
<i>Total Number of Applications Claimed</i>	2	0
<i>Incentives Claimed in Reported Year</i>	\$249,953	\$0
<i>Total Incentives Claimed</i>	\$249,953	\$0
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering</i>	\$195,743	\$193,931
<i>Fees Associated</i>	No	No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

INVESTMENT CREDIT

Sections 40-18-370 through 40-18-383

Intent:

- Induce and promote job creation and capital investment in Alabama

Eligibility Requirements:

- Dependent upon the qualifications of the taxpayer’s capital investments and the requirements of Section 40-18-371

Incentive:

- Tax credit of up to 1.5% annually of qualified capital investment for a qualified project, for a period of up to 10 years
- Companies can receive the tax incentive for up to 15 years if located in a targeted county or jumpstart county (per Act 2019-392)
- The tax incentive can be applicable against the taxpayer’s income tax, financial institution excise tax, insurance premium tax, or gross utility tax liability

Provisions:

- Incentive Cap: \$300 Million annualized balance of outstanding Job Act Credits
- Carry forward up to five years
- Tax incentive may be transferred at 85% or more of face value for the first three years
- Expiration: December 31, 2020, unless extended by the Legislature

	<i>2018</i>	<i>2017</i>
<i>Number of Direct Jobs Created</i>	11,136	10,624
<i>Number of Applications Accepted in Reported Year</i>	44	57
<i>Total Number of Applications Accepted</i>	185	143
<i>Number of Applications Claimed in Reported Year</i>	0	0
<i>Total Number of Applications Claimed</i>	0	0
<i>Incentives Claimed in Reported Year</i>	\$0	\$0
<i>Total Incentives Claimed</i>	\$0	\$0
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering Fees Associated</i>	\$195,743	\$193,931
<i>Fees Associated</i>	No	No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

GROWING ALABAMA CREDIT

Sections 40-18-410 through 40-18-416

Intent:

- Enhance business and industry in Alabama by providing a source of funds for local and state economic development organizations (EDO)
- Offer funding to local economic development organizations for site preparation and infrastructure needs of industrial sites, in addition to capital improvements and economic development activities at an inland port or intermodal facility
- Offer funding to economic development organizations for a marketing program to encourage fields related to science, technology, engineering, or mathematics (STEM), an Agricultural Center that meets certain guidelines, and an accelerator program to promote technology companies (per Act 2019-392)

Eligibility Requirements:

- Dependent upon the contribution made by a taxpayer into an EDO

Incentive:

- Tax credit is equal to contribution by the taxpayer, not to exceed 50% of the taxpayer's tax liability

Provisions:

- Incentive Cap: \$10 Million annually
- Carry forward up to five years
- Non-transferable
- Expiration: Repealed following the close of fiscal year 2020

	2018	2017
<i>Number of Direct Jobs Created</i>	1,932	429
<i>Number of Applications Accepted in Reported Year</i>	3	2
<i>Total Number of Applications Accepted</i>	5	2
<i>Number of Applications Claimed in Reported Year</i>	2	2
<i>Total Number of Applications Claimed</i>	2	2
<i>Incentives Claimed in Reported Year</i>	\$6,619,400	\$0
<i>Total Incentives Claimed</i>	\$6,619,400	\$0
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering Fees Associated</i>	\$23,293	\$26,078
	No	No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

PORT CREDIT

Sections 40-18-400 through 40-18-403

Intent:

- Incentivize usage of the state’s port facilities and generate new programs for the growth of business and energy

Eligibility Requirements:

- Dependent upon the taxpayer’s cargo usage

Incentive:

- One-time income tax credit of up to \$50 per Twenty-Foot Equivalent Unit (TEU), \$3 per net ton of bulk cargo, or \$0.04 per net kilogram for air cargo
- New distribution or warehouse shippers investing at least \$20 million and creating at least 75 new jobs are eligible for \$100 per TEU over three years

Provisions:

- Incentive Cap: \$5 Million annually, not to exceed \$12 Million
- Carry forward up to five years
- Transferable
- Expiration: Once all credits have been awarded

	<i>2018</i>	<i>2017</i>
<i>Number of Direct Jobs Created</i>	4	573
<i>Number of Applications Accepted in Reported Year</i>	1	1
<i>Total Number of Applications Accepted</i>	6	5
<i>Number of Applications Claimed in Reported Year</i>	Unknown	0
<i>Total Number of Applications Claimed</i>	Unknown	0
<i>Incentives Claimed in Reported Year</i>	\$8,011	\$0
<i>Total Incentives Claimed</i>	\$8,011	\$0
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering</i>	\$23,293	\$15,871
<i>Fees Associated</i>	Application Fee of \$500	Application Fee of \$500

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

THE CERTIFIED CAPITAL COMPANY PROGRAM (CAPCO)

Sections 40-14B-1 through 40-14B-22

Intent:

- Increase the amount of available venture capital for small technology businesses by using credit against the premium-tax liability for insurance companies

Eligibility Requirements:

- Dependent upon an insurance company (taxpayer) investing in a certified capital company

Incentive:

- Insurance premium tax credit of 100% of investment in a Certified Capital Company; up to 5% may be taken each year through 2013; up to 17.5% of credit may be taken each year thereafter until credits equal 100% of investor's capital

Provisions:

- Incentive Cap: \$200 Million over the life of Program 1 and 2, distributed evenly
- Carry forward with unlimited amount of time
- Non-transferable
- Expiration: Duration of the program is based on the exhaustion of all credits
 - Program 1: All funds were allocated in 2008 (\$100 Million)
 - Program 2: All credits allocated but not fully utilized (\$100 Million), represented by the information provided in the chart

	2018	2017
<i>Number of Direct Jobs Created</i>	529	427
<i>Number of Applications Accepted in Reported Year</i>	0	0
<i>Total Number of Applications Accepted</i>	52	51
<i>Number of Applications Claimed in Reported Year</i>	0	0
<i>Total Number of Applications Claimed</i>	52	51
<i>Incentives Claimed in Reported Year</i>	\$16,886,288	\$16,226,064
<i>Total Incentives Claimed</i>	\$85,170,524	\$68,284,236
<i>Unclaimed Incentives</i>	\$14,829,476	\$31,715,764
<i>Total Estimated Cost of Administering Fees Associated</i>	\$8,540	\$1,796
	Annual renewal Fee of \$5,000	Annual renewal Fee of \$5,000

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

NEW MARKETS TAX CREDIT

Sections 41-9-216 through 41-9-219.7

Intent:

- Establishes state income tax, financial institution excise tax (FIET), and insurance premium tax credits to encourage investments in businesses in impoverished and low-income communities

Eligibility Requirements:

- After federal certification, the investor must make a Qualified Equity Investment (QEI) in a qualified Community Development Entity (CDE), which then must invest in a qualified active low-income community business

Incentive:

- 50% of the taxpayer's QEI is applicable towards state income tax, insurance premium tax, or FIET
 - No credit may be claimed in the first year; for years 2-7, 8.33% of the credit can be claimed, for a total of 50% of the taxpayer's QEI

Provisions:

- Incentive Cap: \$20 million annually, not to exceed \$120 Million
- May be carry forward to any of the taxpayer's subsequent taxable years
- Non-transferable
- Expiration: Duration of the program is based on the exhaustion of all credits, All credits were allocated in 2012 and 2013

	2018	2017
<i>Number of Direct Jobs Created</i>	495	661
<i>Number of Applications Accepted in Reported Year</i>	0	0
<i>Total Number of Applications Accepted</i>	Unknown	Unknown
<i>Number of Applications Claimed in Reported Year</i>	25	26
<i>Total Number of Applications Claimed</i>	28	28
<i>Incentives Claimed in Reported Year</i>	\$16,886,397	\$16,625,700
<i>Total Incentives Claimed</i>	\$66,025,004	\$49,138,607
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering Fees Associated</i>	\$8,540	\$1,796
	Application Fee of \$5,000	Application Fee of \$5,000

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

APPRENTICESHIP TAX CREDIT

Sections 40-18-420 through 40-18-424

Intent:

- Incentivize the advancement and expansion of registered apprenticeships

Eligibility Requirements:

- Dependent upon a taxpayer who employs an apprentice pursuant to an apprentice agreement registered with the Alabama Office of Apprenticeship and teaches an apprenticeship occupation as provided in 29 C.F.R. Part 29.4

Incentive:

- \$1,000 credit per each apprentice employed for at least 7 full months, up to five apprentices annually
- Per Act 2019-506, beginning on or after January 1, 2020:
 - \$1,250 credit per apprentice employed, up to ten apprentices annually
 - Additional \$500 credit per apprentice that qualifies as in-school youth

Provisions:

- Incentive Cap: \$3 Million annually (increased to \$7.5 Million annually per Act 2019-506)
- No carry forward provision
- Non-transferable
- Expiration: December 31, 2025, (per Act 2019-506)

	<i>2018</i>	<i>2017</i>
<i>Number of Direct Jobs Created</i>	129	75
<i>Number of Applications Accepted in Reported Year</i>	44	25
<i>Total Number of Applications Accepted</i>	69	25
<i>Number of Applications Claimed in Reported Year</i>	44	0
<i>Total Number of Applications Claimed</i>	69	0
<i>Incentives Claimed in Reported Year</i>	\$129,000	\$0
<i>Total Incentives Claimed</i>	\$129,000	\$0
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering</i>	\$497,000	\$427,000
<i>Fees Associated</i>	No	No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

FILM INCENTIVES

Sections 41-7A-40 through 41-7A-48

Intent:

- Attract investment for qualified productions and production companies; and increase employment opportunities for the entertainment industry

Eligibility Requirements:

- Dependent upon total expenditures by a qualified production company;
 - A state-certified production project must equal or exceed at least \$500,000, but not exceed \$20,000,000
 - A sound track must equal or exceed \$50,000 but not exceed \$300,000
 - A music video must equal or exceed \$50,000 but not exceed \$200,000

Incentive:

- 25% rebate of state certified expenditures and 35% of all payroll paid to residents of Alabama for state certified productions
- Exempt from state sales, use, and lodgings tax on qualified production projects

Provisions:

- Incentive Cap: Aggregate cap of \$20 Million annually
- No carry forward provision
- Non-transferable
- Expiration: No existing sunset date

	2018	2017
<i>Number of Direct Jobs Created</i>	747	283
<i>Number of Applications Accepted in Reported Year</i>	19	15
<i>Total Number of Applications Accepted</i>	102	83
<i>Number of Applications Claimed in Reported Year</i>	12	7
<i>Total Number of Applications Claimed</i>	72	65
<i>Incentives Claimed in Reported Year</i> <i>(Includes rebate, sales and use and lodgings tax exemption)</i>	\$10,621,126	\$4,744,788
<i>Total Incentives Claimed</i> <i>(Includes rebate, sales and use and lodgings tax exemption)</i>	\$55,156,695	\$47,296,941
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering Fees Associated</i>	\$66,256	\$105,262
	No	No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

ALABAMA REINVESTMENT AND ABATEMENTS ACT INCENTIVE

Section 40-9G-1 to 40-9G-2

Intent:

- To promote capital reinvestment by existing industry in Alabama

Eligibility Requirements:

- Dependent on an investing company's (taxpayer) eligible capital reinvestment in a qualified project

Incentive:

- A abatement is allowed for ad valorem and construction related transaction taxes
- State property tax abatement for up to 20 years of non-educational portion of incremental property tax increases
- Utility tax abatement for increased utility services for up to a 10-year period
 - The refund shall be calculated and paid annually
- AIDT Training for new or current employees to operate new and replacement equipment may be provided

Provisions:

- Incentive Cap: None
- No carry forward provision
- Non-transferable
- Expiration: No existing sunset date

	2018	2017
<i>Number of Direct Jobs Created</i>	233	210
<i>Number of Applications Accepted in Reported Year</i>	5	4
<i>Total Number of Applications Accepted</i>	10	9
<i>Number of Applications Claimed in Reported Year</i>	1	Unknown
<i>Total Number of Applications Claimed</i>	1	Unknown
<i>Incentives Claimed in Reported Year</i>	\$126,231	Unknown
<i>Total Incentives Claimed</i>	\$126,231	Unknown
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering</i>	\$16,754	\$20,240
<i>Fees Associated</i>	No	No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

2013 HISTORIC REHABILITATION TAX CREDIT

Sections 40-9F-1 through 40-9F-8

Intent:

- Incentivize the rehabilitation, preservation, and development of historic structures

Eligibility Requirements:

- Either a commercial or residential property owner who rehabilitates a historical property eligible for listing on the National Register of Historic Places

Incentive:

- 25% of the qualified rehabilitation expenditures for certified historic structures and 10% of the expenditures for qualified pre-1936 non-historic structures
- Individual incentive credits capped at \$5 Million for commercial projects and \$50,000 for residential homes

Provisions:

- Incentive Cap: \$20 Million annually, not to exceed \$60 Million
- Carry forward up to ten years
- Transferable
- Expiration: Expired on December 31, 2016

	2018	2017
<i>Number of Direct Jobs Created</i>	Unknown	Unknown
<i>Number of Applications Accepted in Reported Year</i>	0	0
<i>Total Number of Applications Accepted</i>	73	73
<i>Number of Applications Claimed in Reported Year</i>	69	44
<i>Total Number of Applications Claimed</i>	111	97 (Includes Transferred Credits)
<i>Incentives Claimed in Reported Year</i>	\$14,980,099	\$2,928,993
<i>Total Incentives Claimed</i>	\$25,799,970	\$10,818,871
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering</i>	\$11,170.11	\$282,973
<i>Fees Associated</i>	1 % of expenditures up to \$10,000	1 % of expenditures up to \$10,000

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

2017 HISTORIC REHABILITATION TAX CREDIT

Sections 40-9F-30 through 40-9F-38

Intent:

- Incentivize the rehabilitation, preservation, and development of historic structures

Eligibility Requirements:

- Either a commercial or residential property owner who rehabilitates a historical property listed on or eligible for listing on the National Register of Historic Places and is 60 years old or older

Incentive:

- 25% of the Qualified Rehabilitation Expenditures
- Credits capped at \$5 Million for commercial projects and \$50,000 for residential homes
- 40% of the cap is reserved for taxpayers located in an area with a population of 175,000 or less

Provisions:

- Incentive Cap: \$20 Million annually, not to exceed \$100 Million
- No carry forward provision
- Transferable
- Expiration: December 31, 2022, unless extended by the Legislature

	<i>2018</i>
<i>Number of Direct Jobs Created</i>	Unknown
<i>Number of Applications Accepted in Reported Year</i>	45
<i>Total Number of Applications Accepted</i>	13
<i>Number of Applications Claimed in Reported Year</i>	0
<i>Total Number of Applications Claimed</i>	0
<i>Incentives Claimed in Reported Year</i>	0
<i>Total Incentives Claimed</i>	0
<i>Unclaimed Incentives</i>	Unknown
<i>Total Estimated Cost of Administering Fees Associated</i>	124,697
	1%: \$1 Million or less \$15,000: \$1 to \$10 Million \$20,000: \$10 Million or more

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

IRRIGATION EQUIPMENT TAX CREDIT

Sections 40-18-340 through 40-18-344

Intent:

- Expand irrigation of land across Alabama to increase the value of agriculture and potential tax revenues

Eligibility Requirements:

- Dependent upon the taxpayer's cost associated with the purchase and installation of qualified irrigation equipment or construction of a qualified reservoir

Incentive:

- Credit equal to 20% of the cost of the purchase and installation of any qualified irrigation equipment and any conversion costs related to irrigation systems or the development of qualified reservoirs and water wells

Provisions:

- Incentive Cap:
 - Effective for tax years after Dec. 31, 2017, until tax year ending Dec. 31, 2022: 20% of cost up to \$10,000, or 10% up to \$50,000
 - Effective for tax years after Dec. 31, 2022: 20% of cost up to \$10,000
- Carry forward up to five years
- Non-transferable
- Expiration: No existing sunset date

	<i>2018</i>	<i>2017</i>
<i>Number of Direct Jobs Created</i>	Unknown	Unknown
<i>Number of Applications Accepted in Reported Year</i>	19	21
<i>Total Number of Applications Accepted</i>	378	359
<i>Number of Applications Claimed in Reported Year</i>	19	21
<i>Total Number of Applications Claimed</i>	378	359
<i>Incentives Claimed in Reported Year</i>	\$54,248	\$54,248
<i>Total Incentives Claimed</i>	\$1,778,484	\$1,724,236
<i>Unclaimed Incentives</i>	Unknown	Unknown
<i>Total Estimated Cost of Administering</i>	Unknown	\$1,796
<i>Fees Associated</i>	No	No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

ENTERPRISE ZONE TAX CREDIT / EXEMPTION

Sections 41-23-20 through 41-23-32

Intent:

- Stimulate business and industrial growth in depressed areas of the state both urban and rural

Eligibility Requirements:

- Dependent upon a private employer locating in an enterprise zone, (an area that is populated by 25,000 people or less)

Incentive:

- Alabama Income or Privilege Tax Credit:
 - Up to \$1,000 per new permanent employee, for training expenses
 - For investments in zone improvements to existing facilities, provided at least five new permanent employees are hired
 - On taxes due from the zone operation, if 30% of the new permanent employees were unemployed at least 90 days prior to employment

Provisions:

- Incentive cap: Up to \$2,500 per new permanent employee hired
- Carry forward up to two years
- Non-transferable
- Expiration: No existing sunset date

	<i>2018</i>	<i>2017</i>
<i>Number of Direct Jobs Created</i>		0
<i>Number of Applications Accepted in Reported Year</i>		0
<i>Total Number of Applications Accepted</i>		0
<i>Number of Applications Claimed in Reported Year</i>		0
<i>Total Number of Applications Claimed</i>		0
<i>Incentives Claimed in Reported Year</i>		None
<i>Total Incentives Claimed</i>		None
<i>Unclaimed Incentives</i>		Unknown
<i>Total Estimated Cost of Administering Fees Associated</i>		Unknown
		No

Information provided in this report was compiled from data provided by the four administering agencies listed in the table of contents.

