

Favored Geographic Areas

Alabama's Capital Investment Tax Credit

The Capital Investment Tax Credit program allows an income tax credit of up to 5 percent of initial capital costs of qualifying projects to new and expanding companies. The credit is available each year, for 20 years, beginning in the year the qualifying project is "placed in service." The current rate of taxation in the State of Alabama for corporations is 6.5 percent. Alabama allows the deduction of federal income taxes apportioned and paid to Alabama from the gross apportioned and allocated income, creating a lower net effective income tax rate. The capital credit can effectively eliminate the Alabama income tax liability generated by a qualifying project.

- Companies eligible: Any trade or business described in 1997 North American Industry Classification System (NAICS), Sectors 31 (other than National Industry 311811), 32, 33, and 42; subsector 511; Industry Groups 5142 and 5415; Industries 54138, 54171; and National Industry 514191 and includes such trades and businesses as may be hereafter reclassified in any subsequent publication of the North American Industry Classification System. In addition, headquarters facilities may qualify.

- Criteria for businesses receiving incentives are:

Small Business Additions (additions to existing facilities and which investing company has 100 or fewer full-time employees prior to date addition placed in service):

Creation of 15 new jobs and investment of \$1,000,000.

All other Businesses:

Creation of 20 new jobs and investment of \$2,000,000.

Headquarters Facilities:

Creation of 20 new jobs and investment of \$2,000,000.

A Project located in a Favored Geographic Area

Creation of 5 new jobs and investment of \$500,000

All Businesses:

An average wage requirement of \$8.00 per hour or an average total compensation of not less than \$10.00 per hour, including benefits, is required. There is an exception for processors of agricultural food products.

Favored Geographic Area

Favored Geographic Areas are defined by law (Section 40-18-190 (5), Code of Alabama 1975), as either of the following:

- A. **State Enterprise Zones** (as defined by the Alabama Enterprise Zone Act, including parts of 25 counties and 3 cities)
- B. **Less Developed Counties.** The Department of Industrial Relations (DIR) determines these counties, based on three criteria in the law: percent change in population over the most recent 5-year period, personal per capita income in the last calendar year, and average percent employed over the last 12 months. DIR must re-determine Less Developed Counties every year on January 1.

Prior to the date the qualifying project is "placed in service," the company must notify the Alabama Department of Revenue of its intent to claim the incentives under Section 40-18-190 et. seq., Code of Alabama 1975. Effective June 4, 1999, the "written statement of intent" to claim the capital credit (Form INT) must "include the notification acknowledgment letter from the director" (of the Alabama Development Office) per Section 3, Act 99-351.



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ALABAMA DEPARTMENT OF REVENUE FAVORED GEOGRAPHIC AREAS

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FAVORED GEOGRAPHIC AREAS

For Alabama Income Tax Capital Credit

January 1, 2011 – December 31, 2011

County	Rank	Area
Barbour County	46	Entire county*
Bullock County	58	Entire county*
Butler County	45	Entire county*
Chambers County	58	Entire county
Cherokee County	EZ	Enterprise Zones only
Choctaw County	47	entire county
City of Birmingham	EZ	Enterprise Zones only
City of Montgomery	EZ	Enterprise Zones only
City of Prichard	EZ	Enterprise Zones only
Clarke County	52	entire county*
Clay County	52	entire county*
Conecuh County	58	entire county
Coosa County	61	entire county
Covington County	EZ	Enterprise Zones only
Dallas County	63	entire county*
Escambia County	EZ	Enterprise Zones only
Etowah County	EZ	Enterprise Zones only
Fayette County	51	entire county
Greene County	50	entire county

County	Rank	Area
Jackson County	EZ	Enterprise Zones only
Lamar County	56	entire county
Lawrence County	EZ	Enterprise Zones only
Lowndes County	62	entire county*
Macon County	55	entire county*
Marion County	49	entire county
Mobile County	EZ	Enterprise Zones only
Monroe County	63	entire county*
Perry County	65	entire county*
Pickens County	48	entire county*
Pike County	EZ	Enterprise Zones only
Randolph County	44	entire county*
Russell County	EZ	Enterprise Zones only
Sumter County	66	entire county*
Talladega County	EZ	Enterprise Zones only
Tallapoosa County	EZ	Enterprise Zones only
Washington County	54	entire county
Wilcox County	67	entire county*
Winston County	56	entire county

* Some areas in some counties meet both criteria for "favored geographic areas." The counties are "less developed" as determined by DIR, plus, the counties contain Enterprise Zones. For these counties, the "less developed" condition allows broader access to the income tax capital credit because companies anywhere in the county can use the lower thresholds for investment (\$500,000) and new employees (5) in qualifying for the credit.