

State Enterprise Zones

Twenty-eight Enterprise Zones across the state of Alabama encourage economic growth in areas considered to have depressed economies. In addition, each area offers innovative packages of local tax and non-tax incentives to encourage businesses to locate or expand in that area's Enterprise Zone.



Cities	
Birmingham	
Mobile	
Prichard	
Counties	
Barbour	Macon
Bullock	Mobile
Butler	Monroe
Cherokee	Perry
Clarke	Pickens
Clay	Pike
Covington	Randolph
Dallas	Russell
Escambia	Sumter
Etowah	Talladega
Jackson	Tallapoosa
Lawrence	Wilcox
Lowndes	

State Tax Incentives

Under Section 5 of the Act:

An employer's maximum tax credit for operations in the zone shall not exceed \$2,500 per new permanent employee hired pursuant to the act. This tax credit may be applied in all Alabama Enterprise Zones to any state income tax liability and/or the business privilege tax liability.

1. If an 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, then the employer qualifies for the following state income or business privilege tax credit on taxes due from zone operation:

- 80%: First Year
- 60%: Second Year
- 40%: Third Year
- 20%: Fourth and Fifth years

2. Employers may receive the following state income or business privilege tax credit for new investments in the zone or improvements to existing facilities in the zone provided at least five new permanent employees are hired.

- 10% on the first \$10,000 invested
- 5% on next \$90,000 invested
- 2% on remaining investment

3. Employers may receive a maximum state income or business privilege tax credit of \$1,000 per new permanent employee for expenses of training those employees in new skills.

Under Section 11 of the Act:

1. Employers may receive an exemption from Alabama sales and use tax on the purchases of the materials used in the construction of a building or any addition or improvement thereon for housing any legitimate zone business and on machinery and equipment used in the zone.

2. Employers may receive certain exemptions from state income and business privilege tax for a period of five years.

Requirements for Business Participation

For Section 5 incentives, a business:

- A. Must be located in or locating within the boundaries of an Enterprise Zone.
- B. Must generally fall into Standard Industrial Classification (SIC) Codes 20---42, 44---49 or consist of major warehousing, distribution centers, regional or corporate headquarters of companies in the referenced SIC codes, or such other activities having a prospect of significant economic impact without threatening the well-being of existing industries located within the county hosting the Enterprise Zone.
- C. Must expand its labor force, make new capital investment or prevent loss of employment.
- D. May not have closed or reduced employment elsewhere in Alabama in order to expand into the Enterprise Zone.
- E. Must obtain an endorsement resolution approved by the appropriate local governing authority prior to participation in the program.

For Section 11 incentives, a business:

- A. Must meet the criteria outlined in A-E above and:
- B. Must certify annually that at least 35% of its employees are residents of the hosting rural Enterprise Zone county, and were receiving public assistance prior to employment, or were considered unemployable by traditional standards or lacking in basic skills, or any combination of the above.
- C. Must give preference and priority to Alabama manufacturers, suppliers, contractors, and labor, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice of operational efficiency.

Source: Alabama Department of Economic and Community Affairs (ADECA), Community Services Division,

<http://www.adeca.state.al.us/C12/EZ/default.aspx>. (April 2009)