



OVERVIEW

The Favored Geographic Area program encourages growth in less-developed areas by allowing companies to take advantage of the Capital Investment Tax Credit at lower investment and job creation thresholds.

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.

REQUIREMENTS

In Favored Geographic Areas, the investment requirements are:

- \$500,000 for projects located in favored geographic areas, except headquarters facilities, warehousing activity projects and utility owned projects
- \$1,000,000 for small business additions and warehousing activity projects
- \$5,000,000 for tourism destination attraction projects

The job creation requirements are:

- At least 50 new employees at headquarters facilities, and warehousing activity projects
- At least 20 new employees at tourism destination projects
- At least 5 new employees at projects located in favored geographic areas

RELATED RESOURCES

Alabama Dept of Revenue: <https://revenue.alabama.gov/Taxincentives/>

Alabama Dept of Commerce: <http://www.madeinalabama.com/advantages/taxes-and-incentives/>

Companies eligible

Any trade or business described in 2007 NAICS as one of the following:

- Sectors 31, 32, 33 (except 311811)
- Subsectors 423, 424, 511 and 927
- Industry Groups 2121, 5142, 5415 and 5182
- Industries 11331, 11511, 51711, 54138 and 561422
- Process or treatment facilities that recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product
- Headquarters facilities as defined in NAICS 551114
- Warehousing activity projects (NAICS Subsector 493 which provide logistics services related to the distribution of goods)
- Data processing centers
- Renewable energy facilities
- Research & development facilities
- Projects owned by utilities that produce electricity from alternative energy resources and hydropower production
- Tourism destination attractions



FAVORED GEOGRAPHIC AREAS

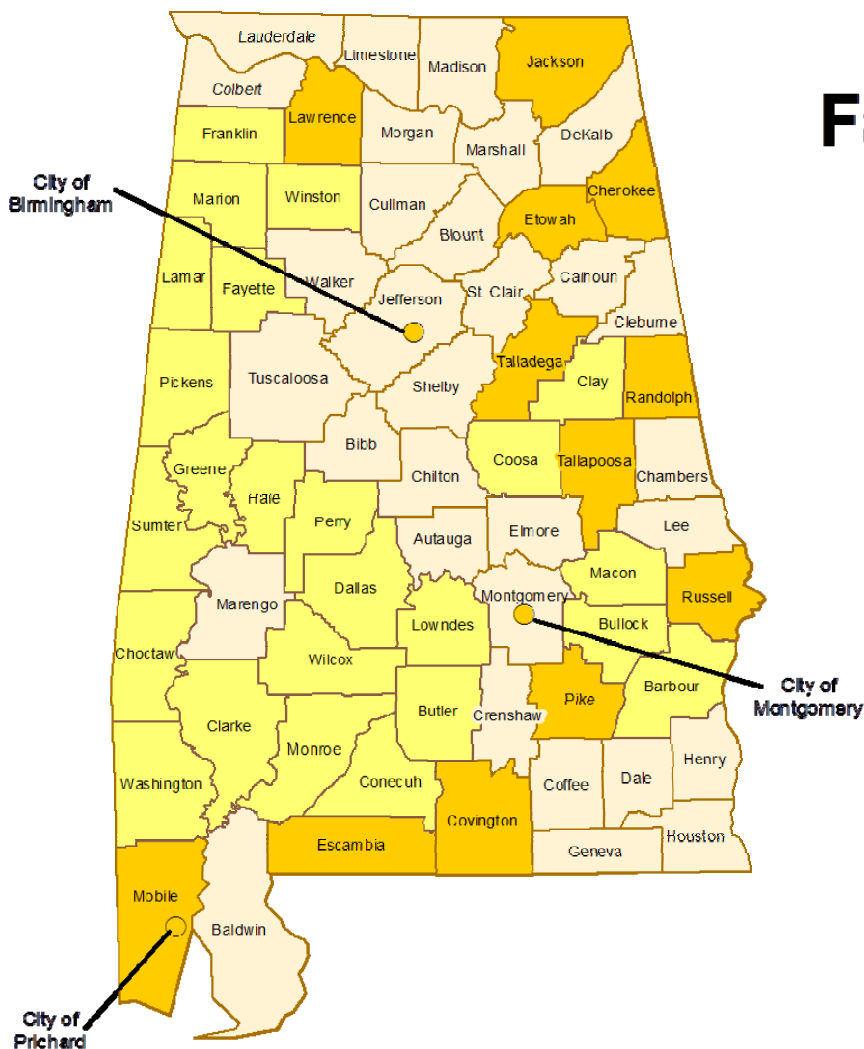
Favored Geographic Area

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

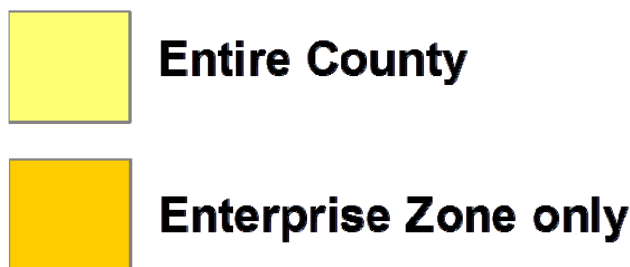
- A. **State Enterprise Zones:** (as defined by the Alabama Enterprise Zone Act, including parts of 25 counties and 3 cities)
- B. **Less Developed Counties:** The Department of Labor (DOL) determines these counties, based on three criteria in the law: percent change in population over the most recent 5-year period, personal per capita income in the last calendar year, and average percent employed over the last 12 months. DOL 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 Secretary" (of the Alabama Department of Commerce) per Section 3, Act 99-351.



Favored Geographic Areas 2015





INCOME TAX CREDIT AREAS

Favored Geographic Area for the Alabama Income Tax Credit

January 1, 2015 - December 31, 2015

County	Area
Barbour County	Entire county*
Bullock County	Entire county*
Butler County	Entire county*
Cherokee County	Enterprise Zones only
Choctaw County	Entire county
City of Birmingham	Enterprise Zones only
City of Montgomery	Enterprise Zones only
City of Prichard	Enterprise Zones only
Clarke County	Entire county*
Clay County	Entire county*
Conecuh County	Entire county
Coosa County	Entire county
Covington County	Enterprise Zones only
Dallas County	Entire county*
Escambia County	Enterprise Zones only
Etowah County	Enterprise Zones only
Fayette County	Entire county
Franklin County	Entire County
Greene County	Entire county
Hale County	Entire county
Jackson County	Enterprise Zones only
Lamar County	Entire County
Lawrence County	Enterprise Zones only
Lowndes County	Entire county*
Macon County	Entire county*
Marion County	Entire county
Mobile County	Enterprise Zones only
Monroe County	Entire county*
Perry County	Entire county*
Pickens County	Entire county*
Pike County	Enterprise Zones only
Randolph County	Enterprise Zones only
Russell County	Enterprise Zones only
Sumter County	Entire county*
Talladega County	Enterprise Zones only
Tallapoosa County	Enterprise Zones only
Washington County	Entire county
Wilcox County	Entire county*
Winston County	Entire county

* Counties meet both criteria for “favored geographic areas.” The counties are “less developed” as determined by DOL, 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.

Source: Alabama Department of Revenue (January 2015)