

Shoals Economic Development Authority

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Incentives



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The State of Alabama and The Shoals aggressively recruit new business and industry and work closely with existing companies on expanding their operations.

Numerous incentives have been designed to assist these companies and are outlined below. The type and amount of incentives are based upon the needs of the company and the potential impact the project will have on the area.

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Alabama Tax Incentives

A "Summary of Alabama Taxes and Incentives" can be located on the Alabama Department of Revenue's Web site, [Tax Incentives for Industry](#). General income, property, and sales taxes and incentive information are described below.

Tax Abatements and Exemptions

Real and Personal Property Tax Abatement

The Tax Incentive Reform Act of 1992 Section 40-9B-1 et seq., Code of Alabama 1975, gives local governing bodies the authority to abate non-educational-related real and personal property taxes for qualifying projects. The local granting authority, which is based on the location of the project, will consider

abatement of the non-educational-related real and personal property taxes for a period of up to ten (10) years.

An abatement of real and personal property taxes must be granted prior to the property being placed in service or becoming owned, for federal income tax purposes, by a private user.

Industrial real and personal (machinery and tools) property is assessed as Class II property that has a basis rate of 20 percent of fair market value.

Sales and Use Tax Abatement

The Tax Incentive Reform Act of 1992 Section 40-9B-1 et seq., Code of Alabama 1975, gives local governing bodies the authority to abate non-educational-related sales and use taxes for qualifying projects that provide jobs and create wealth in a community.

The local granting authority, which is based on the location of the project, will consider abatement of all non-educational-related sales and use taxes on tangible personal property (manufacturing machinery, equipment, non-manufacturing machinery, office equipment, computers, etc.) and taxable services incorporated into private-use industrial property, the cost of which may be added to capital account with respect to the property.

An abatement of non-educational sales and use taxes must be granted to the private user prior to any purchases being made with regard to the project.

Statutory Requirements for Tax Abatements

Business Activity Requirement

- Industrial or Research Enterprise - Any trade or business in the [2007 North American Industrial Classification System \(NAICS\)](#), promulgated by the Executive Office of the President of the United States, Office of Management and Budget as:
 - Sectors 31 (except National Industry 311811), 32, and 33 (manufacturing);
 - Subsector 423 and 424 (merchant wholesalers, goods);
 - 511 (publishing industries (except internet));
 - 927 (space research and technology);
 - Industry Group 5417 (scientific research and development services);
 - 5415 (computer systems design and related services);
 - 5182 (data processing, hosting, and related services);
 - Industry 11331 (logging);
 - 48691 (pipeline transportation of refined petroleum products);
 - National Industry 115111 (cotton ginning);

- 517110 (wired telecommunications carriers);
- 541380 (testing laboratories);
- 561422 (inbound call centers only); or,

Any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product;

- Headquarters facilities as defined in NAICS 551114;
- Data processing centers (where at least 50 new jobs are created);
- Renewable energy facilities;
- Research & development facilities;
- Projects owned by utilities that produce electricity from alternative energy resources;
- Projects owned by utilities that produce electricity from hydropower production;
- Subsector 493 (warehousing and storage), Industry Number 488310 (port and harbor operations), or Industry Number 488320 (marine cargo handling), when such trade or business is conducted on premises in which the Alabama State Port Authority has an ownership and are used as part of the operations of the Alabama State Port Authority; or,
- Any underground natural gas storage facility which is located in the Gulf Opportunity Zone, developed from existing geologic reservoirs.

Capital Investment Requirement

New Project

There is no threshold or limiting investment amount for a new abatement project with the exception of projects owned by utilities producing electricity.

- Projects owned by utilities which produce electricity from alternative energy resources must have capital costs of at least \$100,000,000;
- Projects which produce electricity from hydropower production must have capital costs of at least \$5,000,000.

Major Addition

The additional capital investment by an industry that is expanding its current facilities in Alabama must meet one of the following investment levels, whichever is less:

- 30% of the original cost of the currently existing industrial property (sum total of the original facilities and equipment or any expansions or additions prior to the current addition), or

- \$2,000,000.

[Alabama Department of Revenue Tax Abatements](#)

Exemptions from Property Tax

All equipment, facilities, or materials constructed or acquired primarily for the control, reduction, or elimination of air or water pollution are exempt from property tax. Section 40-9-1(20), Code of Alabama 1975, addresses the pollution control exemption. All tangible personal property being warehoused in Alabama for shipment to a destination outside the state is exempt from property tax.

Alabama does not levy a property tax on inventory of goods, wares, and merchandise that is offered for sale. Materials that are to be compounded or manufactured and are stocked at plants or furnaces for manufacturing purposes are also exempt from property tax.

Exemptions from Sales and Use Tax

Equipment or materials purchased primarily for the control, reduction, or elimination of air or water pollution are exempt from sales and use tax (Sections 40-23-4(a)(16) and 40-23-62(18), Code of Alabama 1975).

Raw materials used by manufacturers or compounders are specifically exempt from sales and use tax.

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State Income Tax and Income Tax Capital Credit

Corporations pay Alabama income tax (6.5 percent) with a significantly reduced net effective rate, based on their net taxable income derived only from business conducted within the state. Alabama offers a full deduction for all federal income taxes apportioned to Alabama and a deduction for pollution control equipment. There is a 15-year carry-forward of net operating losses.

Income Tax Capital Credit

The State of Alabama offers a capital investment tax credit for qualifying firms to claim tax credit against Alabama income tax liability generated by or arising out of a qualifying Alabama project.

Up to five percent (5%) of the total project capital investment can be deducted annually from the State of Alabama corporate income tax liability generated by the operation over a 20-year period.

Types of Capital Credit Projects

New Project or Expansion Project

A project consists of new investment at a new site in Alabama, or new investment that will expand the capacity and the number of employees at an existing facility. The law allows more than one project on the same site. A company may have any number of projects in Alabama, as long as each project meets the statutory requirements for a qualifying project.

Small Business Addition

A small business addition is an addition to an existing facility of a small business. A small business is a business located in Alabama that has 100 or fewer full-time employees, prior to the date on which the

addition is placed in service.

Statutory Requirements for Income Tax Capital Credit

Business Activity Requirement

• Industrial or Research Enterprise - Any trade or business in the [2007 North American Industrial Classification System \(NAICS\)](#), promulgated by the Executive Office of the President of the United States, Office of Management and Budget as:

- Sectors 31 (except National Industry 311811), 32, and 33 (manufacturing);
- Subsector 423 and 424 (merchant wholesalers, goods);
- 511 (publishing industries (except internet));
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Any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product;

- Headquarters facilities as defined in NAICS 551114;
- Data processing centers;
- Renewable energy facilities;
- Research & development facilities;
- Projects owned by utilities that produce electricity from alternative energy resources; or,
- Projects owned by utilities that produce electricity from hydropower production.

Capital Cost Requirements

- At least \$100,000,000 for utility owned projects producing electricity from alternative energy resources;
- At least \$5,000,000 for utility owner projects producing electricity from hydropower production;
- At least \$2,000,000 for all projects except utility owned projects, small business additions, and projects located in favored geographic areas;
- At least \$1,000,000 for small business addition projects;
- At least \$500,000 for projects located in favored geographic areas.

Employment Requirements

- At least 50 new employees at headquarters facilities and data processing centers;
- At least 20 new employees for all projects except headquarters facilities, data processing centers, small business additions, and projects located in favored geographic areas;
- At least 15 new employees at small business addition projects;
- At least 5 new employees at projects located in favored geographic areas.

Wage Requirement

The average wage of all new employees must meet the lesser of \$15 per hour (indexed annually as provided in Section 25-5-68 of the Alabama Code of 1975) or the average hourly wage of the county in which the project is located.

Exception: The wage requirements for direct processors of agricultural food products shall be determined by the local labor market rate.

[Alabama Department of Revenue Income Tax Capital Credit](#)

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Alabama Re-employment Act of 2010

The Alabama Re-employment Act of 2010 (Alabama Act No. 2010-557) offers an income tax deduction for Alabama employers that create jobs for unemployed persons. All Alabama employers can potentially take advantage of the new deduction.

The tax deduction is for Alabama employers that create jobs for unemployed persons and is tied to wage rates paid to each qualified employee hired and retained as a full-time employee for at least one year. Qualified employees are employees working at least 37.5 hours per week and who, at the time of

employment, were drawing unemployment compensation or whose benefits had expired.

The allowable deduction is limited as follows:

- 1) A 50% deduction for wage rates of \$14 per hour and above
- 2) A 40% deduction for wage rates between \$12 and \$14 per hour
- 3) A 35% deduction for wage rates between \$10 and \$12 per hour
- 4) No deduction for jobs paying less than \$10 per hour.

The one-year testing period begins immediately; however, the tax deduction is essentially effective for tax years 2011 and 2012.

For "qualified investing companies," this deduction may be in addition to Alabama's Capital Credit. "Qualified investing companies" are companies making an investment in the state that meet project requirements for capital costs incurred, number of jobs created, and base wage requirements. If the Alabama Capital Credit requirements are met, it is possible for a business investing in Alabama to receive both the Capital Credit (equal to 5% of the total capital costs of the qualifying project) and a tax deduction equal to 50% of gross wages paid to new workers.

The [Alabama Department of Revenue](#) can provide additional information on this incentive.

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Employer Education Credit

A tax credit on an employer's Alabama income tax liability is statutorily available to employers who provide approved basic skills education programs to Alabama resident employees.

The credit is 20 percent of the actual costs, limited to the employer's income tax liability.

The following qualifications must be met:

- The Alabama Department of Education must give written approval of the program;
- An individual resident of Alabama who is employed for at least 24 hours per week by the employer seeking the tax credit and who has been continuously employed for at least 16 weeks;
- The employer cannot receive or require reimbursement or any form of remuneration for any cost of the education.

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Industrial Development Grant

The State of Alabama has set funds aside to assist in the initial preparation of sites for manufacturing

growth. Grant money provided may be used for the following purposes:

- Preparation of access to the site;
- Provision for adequate drainage to prevent the accumulation of excess natural waters;
- Boundary and topographical surveying, clearing, and excavating;
- The reasonable rehabilitation of buildings and other structures;
- Other work relative to site preparation deemed necessary and appropriate.

The grant is based upon total project cost with the maximum amount available capped at \$150,000. (Alabama Act No. 99-591)

[Industrial Development Grant Instructions](#)
[Industrial Development Grant Application](#)

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Industrial Access and Infrastructure Programs

Several programs are available for infrastructure improvements. The source(s) sought for infrastructure improvements are determined based on the needs of the project.

The [Alabama Industrial Access Road & Bridge Program](#) provides funding for industrial access road and bridge construction. A local sponsor is required for an industrial access project.

Non-entitlement local governments may apply for the state economic development grants to provide public infrastructure, such as water lines, sewer lines, and access roads, and thus facilitate the location of a new or expanding industry. These funds are provided by state and federal governments through the Community Development Block Grant. The [Alabama Department of Economic and Community Affairs \(ADECA\)](#) administers the program.

The [Appalachian Regional Commission \(ARC\)](#) provides supplemental funding for economic development projects. Eligible activities include access roads, water and sewer system installation, rail spurs, and dock facilities.

The Shoals has also worked with the [Economic Development Administration \(EDA\)](#) for funding of economic development projects.

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Reduced Electrical Power Bills

The Tennessee Valley Authority (TVA), through local municipal distributors, provides electricity throughout The Shoals area.

Tennessee Valley Authority (TVA) Valley Investment Initiative

The TVA Valley Investment Initiative (VII) is an economic development incentive program jointly conducted by TVA and distributors of TVA power. VII offers competitive incentives to eligible customers who make

multi-year commitments to invest in the Tennessee Valley.

Customers in [targeted sectors](#) whose facilities meet the following qualifiers may be evaluated for a Valley Investment Initiative award:

- Minimum 250 kW peak monthly demand
- Minimum 25 employees; no plans to reduce workforce by 50% or more
- Financially sound
- Projected investment over a five-year period of 25% of an existing facility's book value or \$2.5 million in a new facility
- Standard power contract with a remaining term at least as long as the five-year VII award period

Award amounts are based on a customer's five-year projections and actual performance in these categories:

- Capital investment
- Energy efficiency
- Jobs added or retained
- Average wages paid
- Load factor and coincident load factor

VII awards are subject to the availability of budgeted funds and will be paid as monthly power bill credits over a five-year period.

Other TVA Programs

The Tennessee Valley Authority offers valuable demand response, energy efficiency, and alternative energy programs to customers that can reduce their bottom line. These programs depend on the customer's energy use and available incentives can be discussed in detail once more information is available on the project's electrical needs and requirements.

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Utility Gross Receipts Tax Exemptions

There are several exemptions from the utility gross receipts tax. Sewer costs are not taxed. Water used in industrial manufacturing in which 50 percent or more is used in industrial processing is also exempt from the utility gross receipts tax. Additionally, Alabama law allows exclusions from the utility gross receipts tax and the utility service use tax for utility services used in certain types of manufacturing and compounding processes.

The law allows exemptions for the following:

1. The furnishing of electricity to a manufacturer or compounder for use in an electrolytic or electrothermal manufacturing or compounding process,
2. Natural gas which becomes a component of tangible personal property manufactured or compounded (but not used as fuel or energy), and
3. Natural gas used by a manufacturer or compounder to chemically convert raw materials prior to the use of such converted raw materials in an electrolytic or electrothermal manufacturing or compounding

process.

The Alabama Department of Revenue makes the determination on this exemption.
(See [Alabama Department of Revenue Rule 810-6-5-.26 Utility Privilege or License Tax](#))

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Tennessee Valley Authority (TVA) Economic Development Loan Fund

Economic Development Loan Funds (EDLF) \$2,000,000

TVA's [Economic Development Loan Fund](http://www.tvaed.com/pdf/edlf09.pdf) (<http://www.tvaed.com/pdf/edlf09.pdf>) encourages economic growth through job creation and capital investment in the Tennessee Valley.

TVA provides EDLF loans to established companies relocating or expanding their operations in the Tennessee Valley. Funds may be used for building expansions, equipment purchase, and other purposes. Loan amounts, terms and interest rates are dependent upon criteria such as number of jobs created, total capital investment, security provided, and impact on the community. All loans are subject to a financial and eligibility review.

- **Loan amounts** are determined based upon job growth, capital investment leveraged and identified project needs.
- **Interest rates** vary by project, but are typically below the prime lending rate.
- **Loan terms** for equipment loans may be up to 5 years, while building and real estate loans may be up to 15 years.
- **Leveraging** other funds is TVA's role as a lender, and we are seeking to leverage \$3 to every \$1 invested through the EDLF program.
- Generally, the **approval process** is quicker and rates are lower for loans secured with Letters of Credit.

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Loans Administered by the Northwest Alabama Council of Local Governments

Several loan programs are offered through and administered by the Northwest Alabama Council of Local Governments (NACOLG).

- 1) The EDA Funded Program offers loans ranging from \$10,000 to \$125,000 at interest rates ranging from four percent (4%) to 10 percent (10%). Eligibility requirements include ten percent (10%) equity and one job must be created for each \$10,000 loaned.
- 2) The State Funded Program offers loans ranging from \$10,000 to \$150,000 (up to \$200,000 by discretion of the Board for projects that create or retain 35 or more jobs) at interest rates ranging from four percent (4%) to 10 percent (10%). Eligibility requirements include 10 percent (10%) equity and one job must be created for each \$15,000 loaned. [Revolving Loan Program](#)
- 3) The State's Economic Development Fund is available to all eligible communities for projects

supporting the creation or retention of jobs. Generally, applicants for ED assistance should have a commitment from the business to create or retain 15 or more jobs. The business should fall within the SIC codes 20-39 or provide a significant economic benefit. Projects must not include intrastate relocation. The program is available on a continuous funding cycle. The ED float loans can be up to \$10 million with interest at or less than 2%. The loan is for a period of one year with a possible one year renewal. Construction cannot begin prior to award or release of environmental conditions.

Funds from these programs can be used to purchase real estate, machinery, and equipment and provide working capital.

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Industrial Revenue Bonds

Industrial revenue bonds (IRBs) are financing instruments issued by industrial development boards with rates and terms established by the marketplace. IRBs provide financing for land, building, and equipment for new and expanding manufacturing facilities (1987 SIC Codes Major Groups 20-39, 50, 51, and Division F). Certain expenses, such as architectural, engineering, legal, and administrative fees associated with the sale of the bonds, can be paid from the bond proceeds (subject to the limitations of the Internal Revenue Service regulations).

Bonds may be either taxable or tax-exempt. Federal law determines whether the interest on the bonds is exempt from federal income tax. Taxable IRBs may be issued with fewer restrictions.

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Small Business Administration (SBA) Loan Programs

The Small Business Administration (SBA) is an agency of the United States Government that assists small businesses to grow and prosper. SBA loan programs provide commercial lenders with the opportunity to offer loans to small businesses that they might not otherwise be able to make. The SBA works with the commercial lender by providing a guaranty to the lender that, should the borrower default on the loan, the Government will reimburse the lender up to the percentage guaranteed by the SBA. The borrower is still responsible for repaying the full amount due.

[Small Business Administration - Snap Shot](#)

New! SBA America's Recovery Capital Loan Program

The U.S. Small Business Administration has implemented a new loan program to provide assistance for small businesses during the current difficult economic climate.

The SBA America's Recovery Capital Loan Program can provide up to \$35,000 in short-term relief for viable small businesses facing immediate financial hardship to help ride out the current uncertain economic times and return to profitability.

These ARC loans will be offered by some SBA lenders for as long as funding is available or until

September 30, 2010, whichever comes first.

SBA ARC Loan Structure

- An ARC loan is a deferred-payment loan of up to \$35,000.
- ARC loans will be used to make up payments of principal and interest, in full or in part, on one or more existing, qualifying small business loans for up to six months.
- The disbursement period is over a six-month period with repayment of the ARC loan principal deferred for 12 months after the last disbursement; repayment can extend up to five (5) years.
- ARC loans are interest-free to the borrower; SBA pays a monthly interest to the bank.

SBA America's Recovery Capital Loan Program

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United States Department of Agriculture (USDA) Loan Programs

The United States Department of Agriculture (USDA) has a [Business and Industry Guaranteed Loan Program](#) to strengthen the development of rural areas throughout the nation. Businesses located in areas outside the city limits of a city of 50,000 or more in population may benefit by receiving a loan from a private lender with USDA providing the guarantee. The guarantee is a vehicle that allows a local lender to extend its legal lending limits by the portion of loan covered by Rural Development's guarantee. The USDA provides a guarantee to the lender of up to 80%, with a maximum loan of \$10 million, unless approval for an amount up to \$25 million is given by the Administrator.

Area Office Information

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Training and Workforce

AIDT

[AIDT](#), an institute of the State's Department of Postsecondary Education, is well known as Alabama's No. 1 incentive. AIDT will design and implement a client-approved training curriculum at no cost to the new or expanding company. The training program can be operated on site or at a company-approved alternate facility.

AIDT offers a full range of services, including trainee recruitment and screening, customized pre-employment training, production of training materials and videos, and employee development at all levels.

AIDT has been ranked No. 1 among workforce training programs in all 50 states.

Shoals Career Center

The [Shoals Career Center](#) assists the employers in the local, intrastate or interstate recruitment of applicants, prescreens applicants to meet employer qualifications, provides interview facilities for the employers, conducts any desired testing of potential employees to measure aptitudes for specified job skills using validated tests, and performs any related service that might be needed.

The Center also offers training for both new hires and existing employees through the Workforce Investment Act (WIA) program coordinated through the [Alabama Department of Economic and Community Affairs](#) and the U.S. Department of Labor. The Workforce Investment Act (WIA) is designed to provide training in a real labor market situation. A portion of the trainees' wages may be reimbursed to the employer during the training period. To participate, applicants must meet eligibility requirements that include being economically disadvantaged and/or a dislocated worker as determined by the Alabama Employment Service.

University of North Alabama and Northwest-Shoals Community College

Locally, the [University of North Alabama](#) and [Northwest-Shoals Community College](#) provide specialized training for persons whose skills may require additional instruction. Both institutions have a proven track record in meeting the training needs of manufacturing in the area.

Shoals Training Alliance

The Shoals was first in the State to formally structure an alliance between industry and education where industry takes the lead role. The Alliance's mission is to address common, on-going training needs for industry to maintain its competitiveness in the marketplace. Through the Alliance, existing companies have received beneficial training in PLC, blueprint reading, operator training, employee selection, presentation skills, ISO 9000, SPC, welding, schematic and basic electric wiring, and supervisor training classes.

Alabama Technology Network (ATN)

The Center for Environmental Technology, located on the campus of Northwest-Shoals Community College, is one of 10 regional centers in Alabama forming the [Alabama Technology Network \(ATN\)](#). The Center is charged with improving the effectiveness of the workforce through education, training, and technical assistance.

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Right to Work State

Alabama is a "right to work" state.

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One-Stop Environmental Permitting

The Alabama Department of Environmental Management (ADEM) has authority to issue the permits

required by all the major federal environmental laws. A Permit Coordination and Development Center (PCDC) facilitates the permitting process by coordinating communications, conferences, and other administrative functions between an applicant and ADEM.

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