

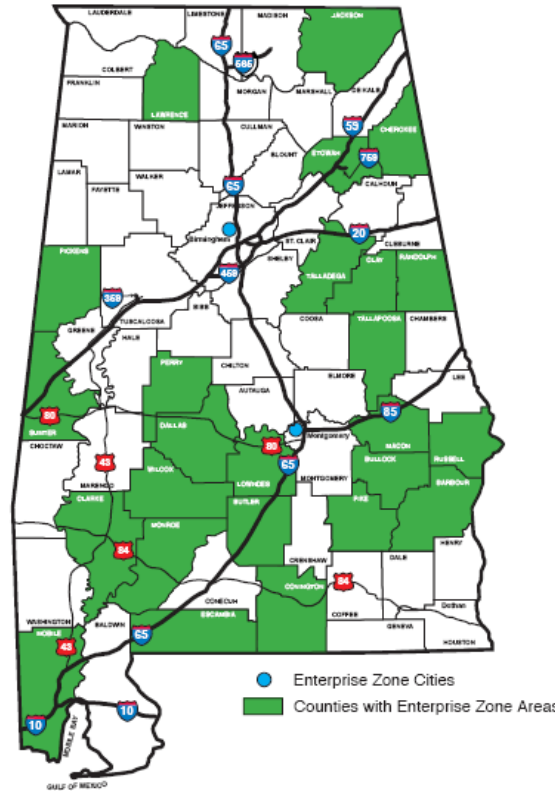
The Alabama Enterprise Zone Act (Act. No. 87-573), was enacted in 1987 to stimulate business and industrial growth in designated areas of the state. The program provides state and local tax incentives and non-tax incentives to businesses and industries located within Alabama's Enterprise Zones.

### CITIES

Birmingham  
 Montgomery  
 Prichard

### ENTERPRISE 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	



For more information, please contact:

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# Alabama Enterprise Zone Program



We're open for Business!

# ALABAMA'S ENTERPRISE ZONE PROGRAM

Section 41-30-20 through 41-23-32, of the Code of Alabama 1975 offers tax credits/exemptions to help encourage economic growth in areas considered to have depressed economies. Twenty-eight enterprise zones were designated across the state of Alabama. In addition to state-level incentives, each area offers innovative packages of local incentives to encourage businesses to locate or expand within their enterprise zones.

## • What is an Enterprise Zone?

An Enterprise Zone is a designated area of at least 100 contiguous acres, located in a county and/or city that is experiencing economic distress. These counties and/or cities provide certain tax and non-tax incentives available to businesses that locate or expand production within their Enterprise Zones.

## • What incentives are available for locating in an Enterprise Zone?

The state of Alabama offers tax credit/exemption from either income tax or Business Privilege tax liabilities of a maximum of \$2,500 for each new permanent employee hired; or exemption from sales and use taxes on the purchase of materials used in construction of a building or any additions/improvements to qualifying business enterprises.

## • Are other requirements expected of businesses other than just locating to an Enterprise Zone?

Yes, in terms of employees to be hired, the duration of their employment, and the number to be employed.

## • What is the minimum number of employees that must be hired to qualify for the tax incentives?

A company must hire a minimum of five (5) new, permanent employees to qualify for the tax incentives.

## • Is a company allowed to either close a plant in another Alabama location or lay-off in another location in order to relocate to an Enterprise Zone?

No. The law is specific in its prohibition of this practice.

## • Are the incentives referenced in Section 5 and Section 11 of the Enterprise Zone Act the same or are they separate?

The incentives listed in Section 5 and Section 11 are separate, as are the requirements for the reception of benefits of either section.

## STATE TAX INCENTIVES

### A. Under Section 5 of the Enterprise Zone Act:

Employer's maximum tax credit for operations within a 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 Alabama Income Tax Liability or 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 Alabama Income or Business Privilege tax liability on taxes due from zone operation:
  - ✓80% - 1st year
  - ✓60% - 2nd year
  - ✓40% - 3rd year
  - ✓20% - 4th and 5th years
2. Employers may received the following Alabama 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 first \$10,000 invested
  - ✓5% on next \$90,000 invested
  - ✓2% on remaining investment
3. Employers may receive a maximum Alabama income or Business Privilege tax of \$1,000 per new permanent employee for expenses of training those employees in new skills.

### B. Under Section 11 of the Enterprise Zone 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 exemption from Alabama Income and Business Privilege taxes for a period of five years.

## Requirements for Business Participation

### For Section 5 Incentives:

1. A business must be located in or locating within the boundaries of an Enterprise Zone.
2. Must generally fall into Standard Industrial Classification (SIC) Codes 20-42, 44-49, or consists of a 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 an enterprise zones.
3. Must expand its labor force, make new capital investment, or prevent loss of employment.
4. May not have closed or reduced employment elsewhere in Alabama in order to expand into an enterprise zone.
5. Must obtain an endorsement resolution approved by the appropriate local governing authority prior to participation in the program.

### For Section 11 Exemptions: 1-5 above, and:

6. Must certify annually that at least 35% of its employees are residents of the hosting urban region, or are residents of the hosting rural enterprise zone county, and were considered unemployable by traditional standards or lacking in basic skills, or any combination of the above.
7. Must give preference and priority to Alabama manufacturers, suppliers, contractors, and labor, except where not reasonably possible to do so without added expenses, substantial inconvenience, or sacrifice in operation efficiency.