



OVERVIEW

Alabama offers businesses an attractive taxation environment—one of the nation’s lowest overall tax burdens. In addition, Alabama provides a number of tax incentives designed to assist with a cost-effective start-up and provide continued operational savings.

INCOME TAX

- Corporations’ income tax is based on the net taxable income derived from business conducted within the state. The amount of net income apportioned to Alabama is determined by applying the single sales apportionment factor, which is the ratio of Alabama sales to overall sales.
- Corporate income tax rate of 6.5 percent (Individuals taxed at a rate of 5 percent).
- Full deduction for all federal income taxes apportioned to Alabama creating a significantly reduced net effective rate.
- 15-year carry-forward of net operating losses.

PROPERTY TAX

- Constitutional limit of the state millage rate on both real and personal property to 6.5 mills (of which 3.0 mills are dedicated to education).
- Business property, both real and personal, taxed on 20 percent of fair market value.
- Inventories and goods-in-process are not taxed.
- Pollution control equipment statutorily exempt from property taxation.
- Exemption of all tangible personal property being warehoused in Alabama for shipment to a destination outside the state.

Tax Summary	
Tax	Data
Sales Tax - General	4.00%
Local levies applicable	yes
Abatements available	yes
Sales Tax - Mfg. Machinery	1.50%
Local levies applicable	yes
Abatements available	yes
Property Tax	6.5
Assessment %	20%
Local levies applicable	yes
Abatements available	yes
Inventory Tax	no
Corporate Income Tax Rate*	6.5%
*Deductibility of federal taxes results in a net effective rate of approximately 4.5%	
Deductibility of Federal Taxes	Yes-100%
Business Privilege Tax	
\$.25 to 1.75 per \$1,000 of net worth (\$15K max)	
Pollution Control Exemptions	
Property Tax	yes
Sales Tax	yes
State Unemployment Insurance	
2022 Taxable Wage Base	\$8,000
2022 New Employer Rate %	2.70%
2022 Minimum Rate %	1.20%
2022 Maximum Rate %	6.80%

Alabama has one of the lowest tax burdens in the U.S.





SALES & USE TAXES

- Four state rate differentials, which include:
 - / 1.5 percent rate for manufacturing and farm machinery;
 - / 2 percent rate for automotive vehicles;
 - / 3 percent rate for food sold through vending machines; and
 - / 4 percent general rate for all other items.
- Raw materials used by manufacturers or compounders specifically exempt from sales and use taxation.
 - / Pollution control equipment statutorily exempt from taxation.
 - / Credit for sales and use tax paid to another state and its subdivisions.
 - / Exemption for quality control testing and donations to charitable entities.
 - / Abatements by cities, counties, and public authorities may include:

For qualifying industries, all state and the local noneducational portion of construction related transaction (sales and use) taxes associated with constructing and equipping a project. For coal mining projects, half of the state sales and use tax may be abated.

- Utility gross receipts tax exemptions for
 - / Sewer costs;
 - / Water used in industrial manufacturing in which 50 percent or more is used in industrial processing;
 - / Exclusions for utility services used in certain types of manufacturing and compounding processes;
 - / An electrolytic or electro-thermal manufacturing or compounding process;
 - / Natural gas which becomes a component of tangible personal property manufactured or compounded (but not used as fuel or energy);
 - / Natural gas used to chemically convert raw materials prior to the use of such converted raw materials in an electrolytic or electro-thermal manufacturing or compounding process; and
 - / Increased utility tax for refurbishments, upgrades, or reopening of a facility.

BUSINESS PRIVILEGE TAX

- Replaces the former franchise tax.
- Capped at \$15,000 except for financial institutions and insurance companies. The rate ranges from \$.25 to \$1.75 for each \$1,000 of net worth in Alabama. The minimum privilege tax is \$100; the maximum privilege tax is \$15,000, except for financial institutions, financial institution groups and insurance companies.



ALABAMA REINVESTMENT AND ABATEMENTS ACT

- New Facility and Expansion
 - / Abatement of non-educational portion of sales and use taxes on construction materials.
 - / Abatement of non-educational portion of property tax for up to 20 years.
- Existing Facility: Refurbishments, Upgrades, or Placed Back in Service
 - / Abatement of non-educational sales and use taxes on construction materials and equipment.
 - / Abatement of non-educational property taxes for up to 20 years of the incremental property tax increases.
 - / Exemption from taxes for increased utility services for up to 10 years.
 - / AIDT worker training.

ALABAMA JOBS ACT

- Jobs Credit
 - / Annual cash refund up to 3 percent of the previous year's gross payroll for up to 10 years.
 - / For companies employing at least 12 percent veterans, up to an additional 0.5 percent credit is available for the wages of veterans.
 - / Up to an additional 1 percent job credit is available for companies in targeted counties.
- Investment Credit
 - / Credit of up to 1.5 percent of the qualified capital investment expenses for up to 10 years. Credit can be taken against the Alabama income tax liability and/or utility tax liability.
 - / Credit is available for up to 15 years for companies in a Targeted County selling their output nearby.
 - / Five-year carry forward, three-year transferability.

ALABAMA RENEWAL ACT

- Growing Alabama Credit: Incentive to provide a source of funds for site preparation and public infrastructure needs of existing industrial sites.
- Port Credit: Incentive to stimulate economic growth through new job creation, capital investment and increased cargo shipping.

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