

MADE IN
ALABAMA



grow

**The Growing
Alabama program
offers qualified
taxpayers an
Alabama tax credit
equal to their
contribution.**



Lawrence County site development for a 900-employee solar-panel company



Bibb County site development for a 1,000-employee automotive company



Baldwin County site development for a 1,000-employee aluminum company



The Bottom Line

The Growing Alabama Credit promotes economic development by funding industrial site readiness, a key factor for companies considering the State for location or expansion. Private sector participation is allowed. Contributions to approved projects receive a dollar-for-dollar tax credit.

Program Objective:

Transform public land into industrial sites for approved economic development projects. Qualifying activities may include clearing land, upgrading infrastructure, and other improvements to make sites “shovel ready.”

Utilization of Funds:

Infrastructure development to enhance site competitiveness and industry recruitment.

Importance:

A major employer moving into an Alabama community can create a ripple effect of economic expansion throughout the area. Long-term effects in rural counties can be far-reaching and transformative.

Annual Funding Amount:

Tax credit amounts set for the Growing Alabama Credit will increase incrementally from \$23M in 2024 to \$35M by 2028.

How Growing Alabama Tax Credits Work (Step-by-Step)



How Growing Alabama Tax Credits Work (Short Version)

A company or individual with a state tax liability makes a donation to a qualifying Economic Development Organization (EDO) with a state approved project. The tax credit is reserved and approved in the My Alabama Taxes portal. The Alabama Department of Revenue then awards the tax credit to the company or individual.

1.

Project Application

Funding application for a project is submitted to the Alabama Department of Commerce from an Economic Development Organization (EDO).

EDOs are state or local economic development organizations that meet the following criteria:

- (1) Is an Alabama entity not operating for a profit; and**
- (2) Charged with improving the state or a region of the state; and**
- (3) Has a record of supporting or otherwise participating in economic development efforts in Alabama.**

An EDO must confirm eligibility with Commerce prior to submitting an application.

2.

Review Project for Funding

Approval meetings are held twice a year to review applicants.

Types of projects funded by Growing Alabama:

Site preparation of public land for industrial use

Infrastructure upgrades at existing industrial properties

Qualifying activities may include clearing land, upgrading infrastructure, and other improvements to make sites “shovel ready”

Other qualifying activities may include capital improvements for inland ports, intermodal facilities, and construction and maintenance for agricultural centers.

Tax Credit accessibility:

New tax credits become available as project applications are approved in Growing Alabama’s biannual meetings.

3.

Contact Companies Interested in Tax Credits

EDO conducts fundraising in support of the project by locating qualified participants (referred to as donors).

Any company or individual with a state tax liability may opt to make a donation to support an approved Growing Alabama project and receive a tax credit for the amount of their donation. (\$1-for-\$1).

The credit can offset up to 50% of the tax liability for the following tax types:

- **Alabama income tax**
- **State portion of the financial institution excise tax (FIET)**
- **State insurance premium tax**
- **State public utility license tax (SPULT)**

4.

Funding Agreement

Upon project approval, the EDO executes a funding agreement with the Alabama Department of Commerce to specify the amount of tax credits allocated. Once the funding agreement is in place, the tax credit portal can open.

Annual funding amounts:

Tax credit amounts set for the Growing Alabama Credit will increase incrementally from \$23M in 2024 to \$35M by 2028.

5.

Donors Reserve Tax Credits

Securing tax credits is a streamlined process conducted in the My Alabama Taxes portal, myalabamataxes.alabama.gov.

The Timeframe:

Credits are available within a specific 30-day window. Donor’s cash remittance is due 21 days after reservation date.

6.

Tax Credits Awarded

The Alabama Department of Revenue sends an official award letter to donors with specific instructions. Credits are claimed through the My Alabama Taxes portal, myalabamataxes.alabama.gov.

EDO will notify donors with key dates.

- **DAY 1:** Tax Credit Portal Opens
- Donors must reserve tax credits within the first 30 days. Cash remittance due from donor 21 days after reservation.
- **DAY 30:** Last day for reservations
- EDO confirms donor claims and payments.
- **DAY 60:** Portal Closes

EDO submits finalized tax credit information to the Alabama Department of Revenue.

FAQ:

Is the company's Growing Alabama Tax credit donation ever at risk?

No, once a tax credit has been awarded by the Alabama Department of Revenue (ALDOR), it cannot be revoked. The performance of the economic development project has no impact on the tax credit purchaser. Making a donation reservation or donation to a project does not guarantee the tax credit. Tax credits are officially confirmed with a credit award letter issued by ALDOR.

Who can purchase credits?

Companies with an Alabama tax liability and individual Alabama taxpayers.

When can credits be used?

Credits must be claimed in the tax year in which they are reserved.

Can the credit be carried forward?

Unused credits can be carried forward for up to five years.

Is there a minimum purchase?

No, purchasers can allocate up to 50% of their tax liability to Growing Alabama and/or Innovate Alabama tax credits. There is no established floor or ceiling for the purchase amount outside of the tax liability parameters.

Why do companies participate in these programs?

Companies primarily participate to impact their community while receiving tax benefits. Many companies consider geography, the type of project by industry or purpose, and/or impact on their customer base when deciding whether to participate.

What taxes are eligible for Growing Alabama tax credits?

The tax credit can be utilized against all of the following state taxes: income tax, financial institution excise tax, insurance premium tax, and state public utility license tax. Alabama taxpayers can receive a dollar-for-dollar reduction on the eligible state taxes for up to 50% of their total tax liability.

How are these tax credits different from normal charitable donations?

These tax credits directly reduce the amount of state tax a taxpayer owes dollar-for-dollar, up to 50% of its total tax liability. Charitable deductions on the other hand, reduce the amount of income that is subject to tax. Taxpayers will not be able to benefit from both the state tax credit and the federal charitable deduction for their donation.

What if I participate in the Alabama Accountability Act Tax Credit program?

This program counts as a separate 50% tax liability cap apart from the Growing Alabama and Innovate Alabama tax credit caps.

How are tax credits claimed?

Credits are claimed through the Alabama Department of Revenue's tax portal (My Alabama Taxes). An award letter with instructions is sent by ALDOR.

What happens if a project has more tax credit purchasers than approved tax credits?

In that case, the EDO is advised to make a pro-rata cut to everyone's allocation and reconfirm participation. For those companies looking to purchase additional tax credits, EDPA will gladly match them with other available opportunities. The donors cannot make donations that exceed the funding awarded to an EDO. Donations are reserved on a first come first serve basis via My Alabama Taxes.

Are there additional considerations for financial institutions? Are there CRA advantages?

Banks can reduce their Alabama Financial Institution Excise Tax (FIET) by 50%. However, because only the state portion (50%) can be reduced, banks can only reduce 25% of their total FIET through this program.

Banks may be able to use donations to nonprofit EDOs as part of their strategy to comply with the Community Reinvestment Act (CRA). Investments in programs that primarily support low/moderate-income individuals or are located in distressed or underserved areas are generally viewed as furthering economic and community development and may be favorably considered by a CRA examiner.

Can the tax credits be used for pass-through entities?

They may be used for pass-through entities per ALDOR. For pass-through entities, the credit may pass through to owners of the pass-through entity. In order to pass the income tax credit to the owner(s), the pass-through entity must submit a credit claim once they receive the tax credit approval letter from ALDOR. For detailed instructions on how to submit a credit claim to pass-through entities, please visit ALDOR's website.

Is the donation eligible for a federal income tax deduction?

Taxpayers will not be able to benefit from both. Consult your tax advisor.

My company is a consolidated tax filer, anything I should keep in mind?

For consolidated tax filers, consult your tax advisor to ensure the entity utilizing the credit is the entity claiming the credit.



For Growing Alabama Tax Credit program contacts, visit:

www.EDPA.org/Tax-Credits

EDPA: Your Resource for Tax Credit Optimization

The Economic Development Partnership of Alabama (EDPA) works with individuals, companies, and EDOs to ensure the success of Alabama's Tax Credit programs. If you are interested in participating, start the conversation at www.EDPA.org/Tax-Credits. Services include the following:



Education & Resource-Sharing

Hosting a call or meeting to answer any questions about economic development tax credit programs.

Facilitating questions with the Alabama Department of Commerce or Alabama Department of Revenue, as needed.



Fundraising Support

Reaching out to companies with a state tax liability: Participants are often motivated by the opportunity to make a positive impact on their communities while receiving tax credits and may be interested in supporting certain regions, industries, or programs.



Matchmaking

Introducing companies with state tax liability to EDOs with available tax credits.

**If you're interested in participating,
start the conversation at edpa.org/Tax-Credits.**