

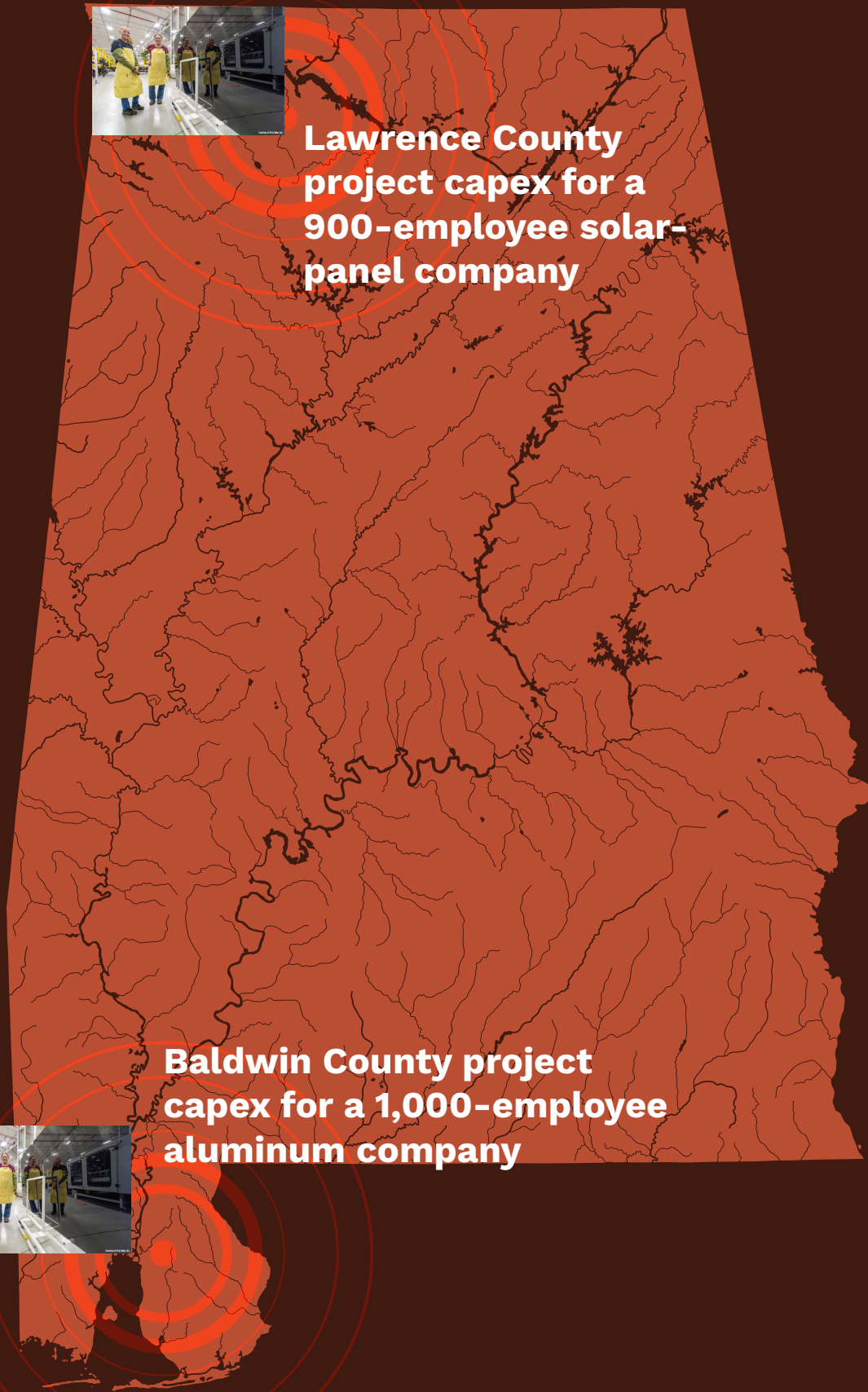
MADE IN  
ALABAMA



**The Investment  
Tax Credit program  
incentivizes  
corporate  
investment through  
tax credits.**



**Lawrence County project capex for a 900-employee solar-panel company**



**Baldwin County project capex for a 1,000-employee aluminum company**



### The Bottom Line

**Investment Tax Credits (ITCs) are awarded to companies making capital investments in Alabama. Companies can use ITCs to offset their state tax liability or transfer them to other Alabama taxpayers. EDPA can assist businesses interested in buying or selling ITCs.**

#### *Program Objective:*

Stimulate job creation and capital investment by offering tax credit incentives to businesses that expand or establish operations in Alabama.

#### *Utilization of Funds:*

Companies can reduce their Alabama income tax burden by leveraging tax credits tied to their qualified capital investments and job creation, freeing up funds for other purposes. Additionally, these credits can be sold to other companies with eligible State tax obligations.

#### *Importance:*

Capital investments and job creation broaden Alabama's economic base, enhance opportunities for our residents, and ensure the State's sustained economic health and global competitiveness.

# The Investment Tax Credit Process: Earning & Transferring

## 1 PROJECT APPLICATION

Company submits a project application to the Alabama Department of Commerce (DCOM) requesting investment tax credits (ITCs).

### Eligibility Requirements:

- New company is building a facility in Alabama
  - OR existing business seeks to expand current operations
- Project meets criteria for qualifying business activity
- Estimated expenditure meets a capital investment threshold
- Estimated new jobs meet a job creation threshold
- The company has entered into an agreement with Commerce prior to starting work on the project

## 2. REVIEW PROJECT FOR INCENTIVES

The Governor and the Incentivized Company execute a project agreement outlining incentives and terms.

### Maximum ITC Amounts:

ITCs can be awarded in amounts up to 1.5% annually of a company's qualified capital investment in a qualifying project for up to 10 years (or up to 15 years for qualifying projects in targeted counties and/or underrepresented companies).

## 3. CERTIFICATION

After construction is complete and the requisite job threshold is achieved, the Incentivized Company submits to DCOM a certification of its capital investment. DCOM certifies the information and delivers the same to the Alabama Department of Revenue (ALDOR).

## 4. AWARD LETTER

ALDOR issues an Award Letter to the Incentivized Company. Instructions are provided for allocating and claiming the credit.

### Using Tax Credits:

The investment credit may be taken against 100% of the following tax types or in combination:

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

## 5. OPTION TO SELL OR USE

If specified in the State Project Agreement, tax credits may be transferred to another Alabama taxpayer during the first five years.

### SELL

OR

### USE

## 6.

### TAX CREDIT SALE

An Incentivized Company can sell their tax credits for at least 85% of face value to up to three purchasers with State tax liability. Credits are sold annually.

### Transferring Tax Credits

The purchaser enters into a purchase agreement with the Incentivized Company. Terms of the transfer are specified in the Transfer Agreement.

## 6.

### ALLOCATION

Incentivized Company submits their allocation schedule on My Alabama Taxes following instructions provided in the Award Letter from ALDOR.

## 7.

### ALLOCATION

The Incentivized Company (Seller) submits the following documents to ALDOR with their ITC Allocation Schedule:

- Executed Transfer Agreement
- ALDOR Transfer Statement
- Investment Credit Certification

The Purchasing Company (Buyer) submits their allocation schedule on My Alabama Taxes following instructions provided in the Award Letter from ALDOR.

## \*

### CLAIM

Investment Tax Credits are claimed on the State income tax return. Once the allocation schedule is approved by ALDOR, the business entity can claim the income tax credit on their return.

# FAQ:

## ***Is my ITC purchase at risk?***

Credits are certified annually. Once certified, if the credit is transferable as set out in the State project agreement, it may be sold to another company with state tax liability in a separate purchase agreement between the two companies. The annual credit once certified and transferred cannot be revoked. There is no recapture risk to the tax credit purchaser. There is no guarantee that a credit may be granted in future years as this is subject to performance terms set out in the project agreement as measured by an annual compliance report to the Alabama Department of Commerce.

## ***How do I purchase Investment Tax Credits? How do they trade?***

If provided for in the state project agreement, the first five years of the Investment Credit may be transferred to another taxpayer for at least 85% of its face value.

Credits are purchased annually. The purchasing company enters into a purchase agreement with the transferring company. Terms of the transfer are embodied in the transfer agreement.

To transfer the credit, the transferor must submit the Transfer Agreement and Transfer Statement to ALDOR when submitting their investment credit allocation schedule. Detailed instructions on the transfer procedure can be found at the Alabama Department of Revenue website.

## ***What documents are needed to complete the purchase of an ITC?***

- (1) Executed Transfer Agreement
- (2) Transfer Statement form
- (3) Investment Credit Certificate

## ***How do I claim credits?***

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

## ***What taxes are eligible for the investment tax credit?***

The tax credit can be utilized against all, a portion, or a combination of the following state taxes: income tax, financial institution excise tax, insurance premium tax, utility taxes paid, and utility license tax.

## ***What is the maximum amount of ITCs a company can purchase?***

For ITCs that are transferable, Alabama state taxpayers can purchase credits from an Incentivized Company for up to 100% of their state tax liability for certain tax types (or combinations of those tax types).

## ***Is the credit refundable?***

The annual credit is not refundable, but any unused credit associated with the annual credit can be carried forward for up to 5 years.

## ***Can the credit be carried forward?***

Unused credits can be carried forward for up to 5 years.

## ***What if my company is a consolidated tax filer?***

It is important that you consult your tax advisor to verify tax liability. Only the company awarded the credit can use the credit. It cannot be transferred to a subsidiary. Pass-through entities may allocate to their owners.

## ***What is the maximum number of purchasers in an ITC transaction?***

There can be up to 3 purchasers per year of ITCs from an awarded company.

## ***Are tax credits purchased annually or for a multi-year term?***

Tax credits are purchased annually as the ITC is earned annually.

## ***I was made aware of an ITC award for a company this year, but it won't be earned until 3-5 years from now. I'd like to purchase the ITCs. What do I do?***

Some companies opt to send a nonbinding letter of support. This is recommended but not required.

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

Yes, owners receiving an allocation will be notified by the passthrough entity making the allocation and will directly claim the pro rata portion of the credit on the owner's tax return.



***For Investment Tax Credit contacts, visit:***

***[www.EDPA.org/Tax-Credits](http://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](http://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 the Alabama Department of Revenue, as needed.



## *Matchmaking*

Introducing companies with state tax liability to Incentivized Companies with available tax credits.

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