



*Alabama Association of  
Tax Administrators  
Summer Conference  
Orange Beach, AL  
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## *Purpose of Abatements*

Tax abatements are designed to encourage economic development by reducing taxes associated with certain industries choosing to locate in Alabama.



## *Abatement Laws*

- Tax Incentive Reform Act of 1992 (§40-9B)
- Brownfield Development Tax Abatement (§40-9C)
- Alabama Economic Incentive Enhancement Act of 2007 (§40-9D)
  - Tax Increment Districts (§40-9E)
  - Rehabilitation of Historic Structures (§40-9F)
- Alabama Reinvestment and Abatements Act (§40-9G)



## *Qualifications for §40-9B*

- New project or major addition – at least \$2M or 30% of original cost of existing property (§40-9B)
- Qualifying project per definitions
- Granting authority approvals
  - Who may grant abatements
  - Maximum exemption periods



## *Qualifications for §40-9G*

- Capitalized Repairs, Rebuilds, Renovations, and Maintenance to existing facility
- Minimum investment
- Qualifying project
- Granting authorities and exemption period
- Limitations



## *40-9G Qualifying Projects*

- Predominantly involves an approved industrial activity
- Includes at least a \$2M expenditure on the addition, expansion, improvement, or renovation of a facility or replacement of any existing equipment or tangible personal property
- Business cannot have entered into any project agreement with the Governor for other incentives



# *Granting Authorities*

- County for county taxes
- City for municipal taxes
- Industrial Development Boards or Authorities (IDB's or IDA's) – can be authorized by city/county to act on their behalf
- State



## *Maximum Exemption Period*

- 10 years – typical initial term
- Years 11-20 – each city, county, and the state must consent separately to the additional term
- 10 additional years – for data processing centers only. Based on investment levels over a 10 and 20 year period



# *New Application Forms CO:CAA*

Two forms available:

1. 40-9B Abatements; New projects and major additions
2. 40-9G Abatements; Capitalized repairs, rebuilds, renovations, and maintenance



## *Tax Abatement Forms*

The taxpayer should provide the following documents to the county with or prior to the October 1 lien date:

- **Tax Abatement Agreement** between the entity requesting an abatement and the granting authority
- **Resolution** from the granting authority publicly formalizes and documents the tax abatement



## *2016 Legislation*

- **HB 169** – Allows a municipality to abate the corresponding county tax if the municipal tax is abated or, if there is no municipal tax to abate, the county tax may be abated with the consent of the county.
- **HB 201** – Provides for the distribution of any payments made in exchange for abatements to municipalities, counties based on the tax proceeds the entity would have been paid if the tax was not abated.