

Instructions for Preparing Application to Local Granting Authority for Abatement of Taxes (Form CO: CAAG)

Under Chapter 9G of Title 40, *Code of Alabama 1975*

GENERAL INSTRUCTIONS

Chapter 9G, Title 40, *Code of Alabama 1975*, provides for an abatement of all state and local noneducational property taxes and/or all construction related transaction taxes (sales and use taxes), except those local construction related transaction taxes levied for educational purposes or for capital improvements for education for qualifying projects. A qualifying project under Chapter 9G is any project that 1) spends at least \$2M in capital expenditures as part of any addition, expansion, improvement, renovation, re-opening, or rehabilitation of a facility, or replacement of any existing equipment or tangible personal property, 2) predominately involves an approved activity as defined below, and 3) for which no project agreement has been entered into with the Governor for the provision or other incentives.

This form is to be submitted to the granting authority for consideration in granting an abatement of noneducational sales and use taxes and/or noneducational property taxes. Chapter 9G sales and use tax abatements may be granted by the same granting authority authorized to grant abatements under § 40-9B-5(b)(1). Chapter 9G property tax abatement may be granted as follows: county educational property taxes may be abated only with the consent by resolution of the governing body of the county; municipal noneducational property taxes may be abated only with the consent by resolution of the governing body of the municipality; and State noneducational property taxes may be abated only with the consent of the Governor. The governing body of a county or a municipality may separately authorize one or more public industrial authorities to provide by resolution for such consent on its behalf.

Chapter 9G abatements are subject to and shall follow the same procedures, provisions, limitations and definitions under § 40-9B-1 et al., *Code of Alabama 1975* with the following exceptions. For sales and use tax purposes, capitalized repairs, rebuilds, maintenance, and replacement equipment shall qualify for abatement. For property tax purposes, capitalized repairs, rebuilds, maintenance, and replacement equipment shall qualify for abatement and the amount of the property tax abatement for such property will be equal to the excess amount of property taxes owed for the real or personal property that is being replaced, upgraded or improved, for the applicable tax year that is greater than the amount of property taxes owed on such property for the tax year immediately before the qualifying project was placed in service.

A complete and detailed listing of any and all project costs for the addition, expansion, improvements, renovation, re-opening, or rehabilitation of a facility or replacement of any existing equipment should be attached to this application in order for the granting authority to make a cost/benefit analysis in accordance with Section 40-9B-6(a). For personal property abatement purposes, a listing of all existing personal property, including manufacturing equipment, non-manufacturing equipment, office equipment, and computers, affected by this project must be attached to this application and must be listed by original acquisition date, original acquisition cost and description of asset as reported on Form ADV-40 as of the October 1 lien date immediately preceding the date the project is placed in service. For real property abatement purposes, attach a copy of the assessment sheet, as provided by the tax assessing official, that provides the market value of the existing property affected by this project as of the Oct 1 lien date immediately preceding the date the project is placed in service. The application will not be complete if the required real and/or personal property listing(s) is not attached.

If you have any questions about this form or the abatement of taxes in general, please contact the Alabama Department of Revenue at (334) 242-1175.

APPROVED BUSINESS ACTIVITIES FOR CHAPTER 9G ABATEMENTS

- Any trade or business in the 2007 North American Industrial Classification System (NAICS), promulgated by the Executive Office of the President of the United States, Office of Management and Budget as: Sectors 31 (except National Industry 311811), 32, and 33, 55 (if not for the production of electricity), Subsectors 423, 424, 482, 493, 511, 517, 518, 927, Industry Group 1133, 2121, 4862, 4882, 4883, 5121 (other than 51213), 5415, 5417, Industry 22111, 48691, 48699, 48819, 51221, 51913, 52232, 54133, 54134, 54138, 56291, 56292, 92811, National Industry 115111, 221330, 541614, 561422 (in-bound call centers only), 562213, 611512.
- Any plant, property or facility for the production of biofuel as such term is defined in §2-2-90(c)(2).
- Research & Development Facility – An establishment of original investigations undertaken on a systematic basis to gain new knowledge or the application of research findings or other scientific knowledge to create new or significantly improved products or processes.
- Headquarters Facility – The national or regional headquarters for a company that conducts significant business operations outside the state and that will serve as the principal office of the company's principal operating officer with chief responsibility for the daily business operations of the company.
- Any of the 11 targeted business sectors under the Accelerate Alabama Strategic Economic Development Plan adopted in January 2012 by the Alabama Economic Development Alliance, created by Executive Order Number 21 of the Governor on July 18, 2011, which include Advanced Manufacturing in Aerospace/Defense, Automotive, Agricultural Products/Food Production, Steel/Metal, Forestry Products and Chemicals; Technology

LINE BY LINE INSTRUCTIONS

Item 1. Indicate the type(s) of abatement(s) being requested.

Sales and Use Taxes – Chapter 9G, Title 40, *Code of Alabama 1975*, provides for the abatement of certain noneducational sales and use taxes imposed by Chapter 23 of Title 40, *Code of Alabama 1975*. The abatement applies to the tangible personal property and taxable services incorporated into the project, to include capitalized repairs, rebuilds, maintenance, and replacement equipment, the cost of which may be added to the capital account with respect to the project. However, only the state and local noneducational sales and use taxes may be abated. No sales and use tax

abatements shall extend beyond the date the project is placed in service. The abatement may be granted by the granting authority.

Property Taxes – Chapter 9G, Title 40, *Code of Alabama 1975*, provides for the abatement of noneducational property taxes imposed by the state, counties, municipalities and other taxing jurisdictions in Alabama. For any property abatement that is granted, the noneducational municipal taxes can only be abated by the City Government, noneducational county taxes can only be abated by the County Government, and state taxes can only be abated by the Governor. The governing body of the municipality and

county can authorize a public industrial authority to provide by resolution for such consent on its behalf. The amount of the property tax abatement will be equal to the excess amount of property taxes owed for the property for the applicable tax year that is greater than the amount of property taxes owed on such property for the tax year immediately before the qualifying project was placed in service.

Item 2. If the predominant business activity is an approved business activity as defined in *Code of Alabama 1975* Section 40-9G-1(a), enter the 2007 North American Industrial Classification System (NAICS) code for the project.

Item 3. Indicate if project costs meet or exceed \$2,000,000 in accordance with Section 40-9G-1(4), *Code of Alabama 1975*.

Item 4. Enter the name of the private user requesting abatement. If project is doing business under another name, also enter the name of the company under "Doing Business As (DBA)."

Item 5. Enter the address of the private user requesting abatement.

Item 6. Enter the name, email address, and telephone number of the person to which all correspondence should be directed regarding the abatement.

Item 7. Enter the date the company was organized.

Item 8. Enter the physical location of the project. Please include a detailed location, including the City, County and Zip Code.

Item 9. Describe the type of business that the project will be engaged in. For projects that do not require a NAICS code, provide a detailed description that will identify the activities as qualifying activities. Attach a complete and detailed listing of any and all project costs for the addition, expansion, improvements, renovation, re-opening, or rehabilitation of a facility or replacement of any existing equipment in order for the granting authority to make a cost/benefit analysis in accordance with Section 40-9B-6(a).

Item 10. Enter the estimated date the construction of the project will begin.

Item 11. Enter the estimated date the construction of the project will be completed.

Item 12. Enter the estimated date the project will be placed in service. If revenue bonds are issued, "placed in service," for property tax purposes, is determined as of the date of the initial issuance of such bonds. Otherwise, "placed in service" for sales and use tax and property tax purposes is determined as the later of 1) the date on which title to the property was acquired by or vested in a county, city, or public authority, or 2) the date on which the property is or becomes owned, for federal income tax purposes, by a private user.

Item 13. Indicate if bonds have been issued in financing the project. If bonds have been issued, enter the issuance date.

Item 14. Indicate if bonds will be issued for financing the project. If bonds will be issued, enter the projected issuance date.

Column 15. Enter the estimated number of new employees to be hired at the project. The law requires the number of employees to be employed at the project initially and in each of the succeeding three years.

Column 16. Enter the estimated annual payroll for employees at the project. The law requires the estimated payroll of new employees initially and in each of the succeeding three years.

Column 17.

17a. Enter all costs or value for project land. If land is donated, enter the market value of the land.

17b. Enter all costs or value for existing building(s), if any. Only real prop-

erty not previously placed in service by the private user or a related party can be included. Capitalized renovations, remodeling, rehabilitation and/or maintenance to a building that has been placed in service by the owner of the property shall be included on line 17e.

17c. Enter all costs or value for existing personal property to be incorporated into project. Only personal property not previously placed in service in Alabama by the private user or a related party can be included. If a private user is including existing equipment from outside of Alabama, the existing equipment should be entered here at its original cost.

17d. Enter the total cost for new building(s) and/or new additions to existing building(s). Total cost includes building materials, construction costs, engineering costs, etc. Costs associated with improving, renovating, remodeling, re-opening or rehabilitating an existing facility(ies) of an operating industrial or research enterprise should be included on 17e.

17e. Enter the total costs for capitalized improvements, renovations, remodeling, re-opening, rehabilitation, and/or maintenance to existing building(s). The amount of property taxes that can be abated shall be equal to the excess amount of property taxes owed for the applicable tax year that is greater than the amount of taxes owed for the existing property for the tax year immediately before the qualifying project is placed in service. Attach a copy of the assessment sheet, as provided by the tax assessing official, that provides the market value of the existing property affected by this project as of the Oct 1 lien date immediately preceding the date the project is placed in service, and include the market value in the space provided.

17f. Enter the total cost for new manufacturing equipment to be incorporated into the project. Replacement equipment and new equipment that is defined as upgraded equipment should be included on 17g.

17g. Enter the total costs for replacement equipment and/or upgraded equipment. Upgraded equipment is equipment that replaces existing equipment, and performs not only the same functions, but also an additional function. A listing of all existing manufacturing equipment affected by this project must be attached to this application and must be listed by **original** acquisition date, **original** acquisition cost and description of asset as reported on Form ADV-40 as of the October 1 lien date immediately preceding the date the project is placed in service.

17h. Enter the total cost for all other new personal property. Other new personal property may include, but is not limited to, non-manufacturing machinery, office equipment, computers, vehicles, etc. Replacement and/or upgraded personal property costs should be included on 17i. Only personal property that is a depreciable item can be included.

17i. Enter the total cost for all other new property that is replacing and/or upgrading existing personal property. Other new personal property may include, but is not limited to, non-manufacturing machinery, office equipment, computers, vehicles, etc. Only personal property that is a depreciable item can be included. A listing of all existing other personal property affected by this project must be attached to this application and must be listed by **original** acquisition date, **original** acquisition cost and description of asset as reported on Form ADV-40 as of the October 1 lien date immediately preceding the date the project is placed in service.

17j. Add 17a through 17i and enter total here. This is the total amount on which the initial property taxes will be based. This total must be the total value of the cost or investment in the project. This total must agree with the total investment amount in the abatement resolution and the total investment amount in the abatement agreement.

Column 18.

18d. Enter the cost of the building materials (subject to sales tax) that become a part of realty for new building(s) and/or new additions to existing building(s). Other building costs (labor, engineering) are not subject to sales tax.

18e. Enter the cost of the building materials (subject to sales tax) for the

capitalized improvements, renovations, remodeling, re-opening, rehabilitation and/or maintenance that become a part of realty of the existing building(s). Other building costs (labor, engineering) are not subject to sales tax.

18f. Enter the cost of new manufacturing equipment for the project. For sales tax purposes, manufacturing equipment is taxed at a lower rate. Equipment that is purchased used from another company in an isolated transaction is not subject to sales tax and should not be included. Replacement and/or upgraded manufacturing equipment should be included on 18g.

18g. Enter the cost of replacement and/or upgraded manufacturing equipment.

18h. Enter the cost of all other new personal property. Replacement and/or upgraded other personal property should be included on 18i.

18i. Enter the cost of all other personal property that is replacing and/or upgrading existing personal property.

18j. Add 18d through 18i and enter total here.