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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)



Tax Incentive Reform Act of 1992 §40-9B

Qualifications -

- 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



Brownfield Abatements – 40-9C

- Allows county and municipal governments to provide tax incentives to private users recovering land pursuant to 22-30E, the Alabama Land Recycling and Economic Redevelopment Act.
- Includes qualifying real property and any personal property acquired in connection with the cleanup and redevelopment of the real property
- Requires a voluntary cleanup plan to be approved by the Alabama Department of Environmental Management



Tax Increment Districts - §40-9E

Real property located in a tax increment district

- A contiguous geographic area within the boundaries of a public entity defined and created by resolution of the local governing body

in which not less than 50 percent, by area, of the real property within the tax increment district is an enhanced use lease area subject to a project plan

- for the development or redevelopment of a tax increment district, including all property approved amendments



Tax Increment Districts - §40-9E

Qualified property shall be entitled to an abatement of state property taxes provided certain conditions are satisfied

- the state property tax increment must be paid to the public entity that created the tax increment district
- Payments received by the public entity must be used to
 - Pay for project costs
 - Repay tax increment obligations issued to fund project costs.



Alabama Reinvestment and Abatement Act - §40-9G

Qualifications -

- 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



GASB Statement 77

- As of December 2015
- Requires disclosure of tax abatement information about:
 - a reporting government's own tax abatement agreements and
 - those that are entered into by other governments and that reduce the reporting government's tax revenues.
- Requires governments that enter into tax abatement agreements



GASB Statement 77

- Information to be disclosed about the agreements:
 - Brief descriptive information,
 - the tax being abated
 - the authority under which tax abatements are provided
 - eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes
 - types of commitments made by tax abatement recipients
 - The gross dollar amount of taxes abated during the period
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.



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.