



Alabama Department of Revenue

Business Essentials for State Taxpayers

Income Tax Credits Available to Small Businesses for Creating Jobs

Full Employment Act of 2011 Credit

Sections 40-18-290 through 40-18-293, Code of Alabama 1975, allows small businesses, which employ 50 or fewer employees and create new jobs paying more than ten dollars (\$10) per hour, to qualify for an income tax credit. Employers will receive an income tax credit equal to \$1,000 and shall be available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full time employees in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama as of the last day of the tax year immediately preceding the first employment year. The income tax credit may be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer's state tax liability for which the credit is claimed. This credit is not refundable or transferable. An Employer is not allowed to receive both a credit under this provision and a credit provided under the Full Employment Act of 2011.

Alabama Small Business and Agribusiness Jobs Act Credit

Section 40-18-390 through Section 40-18-394, Code of Alabama 1975, allows small businesses, which employ 75 or fewer employees and creates new jobs paying more than \$40,000 annually, to qualify for an income tax credit. Employers will receive an income tax credit equal to \$1,500 and shall be available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full time employees residing in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama on July 24, 2016. This tax credit is not transferable and shall not exceed the amount of the taxpayer's state tax liability for which the credit is claimed. Any unused credit can be carried forward three years.

Veteran's Employment Act Employer Credit

Sections 40-18-321 and 40-18-322, Code of Alabama 1975, allows a \$1,000 income tax credit to qualifying businesses for each unemployed veteran or combat veteran hired for a full-time position. The full-time position must pay at least \$14 per hour and the majority of duties must be at a business location within Alabama. The credit will only be available in the tax year during which the newly hired employee completes 12 consecutive months of employment.

Veteran's Employment Act Business Start-Up Expense Credit

Section 40-18-323, Code of Alabama 1975, allows for a nonrefundable tax credit against the income tax liability to recently deployed unemployed veterans in an amount up to \$2,000 for expenses associated with one start-up business in which the veteran holds at least 50% ownership interest. The credit is only applicable for businesses: started after April 2, 2012, located within Alabama, and showing a net profit of at least \$3,000 for the year in which the tax credit is taken.

Apprenticeship Tax Credit

Section 40-18-422, Code of Alabama 1975, provides a \$1000 income tax credit for employers that employ an apprentice and limits employers to 5 apprentice credits per year. The credit limits credit-availability for an individual apprentice to no more than 4 years and mandates the apprentice tax credit to sunset in 2021.

For more information on these tax credits, go to <https://revenue.alabama.gov/tax-incentives/> or contact Mr. Neal Hearn with ADOR's Individual & Corporate Tax Division at (334) 242-4575 or by email at Neal.Hearn@revenue.alabama.gov.