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TAX INCENTIVE REFORM ACT OF 1992 ABATEMENTS

SUMMARY

The **Tax Incentive Reform Act of 1992 (Chapter 9B, Title 40, [Code of Alabama 1975](#))** gives cities, counties, and public industrial authorities the ability to abate the following:

- State sales and use taxes;
- Non-educational county and city sales and use taxes;
- Non-educational state, county, and city property taxes - up to 10 years;
- Mortgage and recording taxes.

To receive an abatement for any or all of these taxes, a business must meet certain qualifications and follow certain procedures, as determined by law and regulation.

The Alabama Department of Revenue publishes the "[Abatement Booklet](#)", an informative guide to assist with the application and filing procedures for an abatement. The booklet contains the procedures, forms and instructions to apply for an abatement of the taxes mentioned above.

STATUTORY REQUIREMENTS FOR ABATEMENTS

Standard Industrial Classification (SIC) Code Requirement

The predominant activity conducted at the project must constitute an "industrial or research enterprise," defined as any trade or business described in the [1987 Standard Industrial Classification Manual published by the United States Government Office of Management and Budget](#) as:

- Major Groups 20 to 39, inclusive, (manufacturing)
- Major Groups 50 and 51 (wholesale trade of durable & nondurable goods)
- Industry Number 0724 (cotton ginning)
- Industry Number 4613 (pipelines for refined petroleum products)
- Industrial Group number 737 (computer services for customers for a fee)
- Industry Number 8731 (commercial physical and biological research)
- Industry Number 8733 (noncommercial research organizations)
- Industry Number 8734 (testing laboratories)

CAPITAL INVESTMENT REQUIREMENT

New Company

There is no threshold or limiting investment amount for a new abatement project. The total amount of the capital investment by a company that is locating a facility in Alabama is eligible for the tax abatements, if the predominant business activity meets the Standard Industrial Classification criteria.

Major Addition

The additional capital investment by an industry that is **expanding their current facilities in Alabama** must equal the **lesser** of:
 30% of the original cost of the currently existing industrial property (sum total of the original facilities and equipment or any expansions or additions prior to the abatement request), **or** \$2,000,000.

BROWNFIELD DEVELOPMENT TAX ABATEMENTS

SUMMARY

The Brownfield Development Tax Abatement Act (Chapter 9C, Title 40, Code of Alabama 1975) gives cities and counties the ability to abate the following:

- Non-educational city and county sales and use taxes;
- Non-educational state, city and county property taxes – up to 20 years;
- Mortgage and recording taxes.

To receive an abatement for any or all of these taxes, a business must meet certain qualifications and follow certain procedures, as determined by law and regulation.

STATUTORY REQUIREMENTS FOR BROWNFIELD ABATEMENTS

The property must be in the Alabama Department of Environmental Management's voluntary cleanup program to qualify for Brownfield abatements.

CAPITAL INVESTMENT REQUIREMENT

New Company

There is no threshold or limiting investment amount for new Brownfield abatement project. The total amount of the capital investment by a company that is locating in Alabama is eligible for the tax abatements.

Major Addition

The additional capital investment by a company that is expanding their current facilities on Brownfield development property must equal the lesser of: 30 percent of the original cost of the property as remediated **or** \$2,000,000.

CONTACT US:

Questions regarding tax abatements should be directed to:

Angela Till, Abatement Program Administrator

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