

ALABAMA DEPARTMENT OF
ECONOMIC AND COMMUNITY AFFAIRS
PLANNING AND ECONOMIC DEVELOPMENT DIVISION
ADMINISTRATIVE CODE

CHAPTER 305-5-3
ALABAMA ENTERPRISE ZONE ACT

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305-5-3-.01 Purpose.

The purpose of this Act is "to stimulate business and industrial growth in the depressed areas of the state, both urban and rural areas, by the relaxation of certain governmental controls, by providing assistance to businesses and industries and by providing state and local tax and nontax incentives in these areas."

Author: Wayne Bovis, Charles Reynolds.

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed January 22, 1988; effective February 26, 1988.

Amended: Filed November 19, 1990; effective December 24, 1990.

305-5-3-.02 Definitions.

(1) "Council" means the Enterprise Zone Advisory Council, which shall be limited to 11 representatives serving at the pleasure of the Governor. The Council shall consist of members of the Alabama Development Office, Southern Development Council, Department of Industrial Relations, Department of Education, Alabama Highway Department, Department of Environmental Management, Department of Agriculture and Industries, Department of Revenue and other qualified individuals or organizations.

(2) "Department" means the Alabama Department of Economic and Community Affairs.

(3) "Governing Authority" means the governing body of a county or municipality.

(4) "Enterprise Zone" means a geographic area which is economically depressed, in need of expansion of business and industry and the creation of jobs and designated to be eligible for the benefits of this Act, and is a target by governments for development by providing tax and nontax incentives to private enterprise.

(5) "New Permanent Employee" means a full-time employee hired pursuant to this Act who remains employed with the firm for a minimum of nine months.

(6) "Rural Enterprise Zone" means an enterprise zone located in a non-MSA county as such is defined by the U.S. Bureau of the Census.

(7) "Urban Enterprise Zone" means an enterprise zone located in an MSA county as such is defined by the U.S. Bureau of the Census.

(8) "Committee" means a Legislative Oversight Committee, appointed by the Lieutenant Governor and the Speaker, consisting of three members from the House of Representatives and three members from the Senate appointed by the respective officers of each body.

(9) "Full-time Employee" means an employee working a minimum of thirty (30) hours per week and receiving appropriate company benefits.

(10) "Unemployable by Traditional Standards" means having no prior work history or job training, having a criminal record, excluding misdemeanors, or having a history of being unable to retain employment after gaining it.

(11) "Lacking in Basic skills" means the lack of a high school degree or a graduate equivalency diploma (G.E.D.) or having reading or computational skills at or below the eighth grade level based on a generally accepted standardized test such as the Test of Adult Basic Education (T.A.B.E.).

(12) "Private Employer" means a business or industry located in or locating in the boundaries of an enterprise zone and operating a private-for-profit-business.

(13) "Date of Endorsement" means the date that a company is endorsed by the appropriate local governing authority to apply for enterprise zone benefits and represents the initial date from which the company can participate in and accrue benefits from the program.

Author: Wayne Bovis, Charles Reynolds.

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed January 22, 1988; effective February 26, 1988.

Amended: Filed November 19, 1990; effective December 24, 1990.

305-5-3-.03 Criteria For Qualification.

(1) A maximum of 27 enterprise zones may be established in Alabama. Each zone shall not exceed a maximum of 10,000 acres and shall have a maximum life not to exceed 15 years. A zone may have three zone divisions, all of which must be located within the jurisdiction of the approved governing authority. Any zone division above three must be approved by both the council and the Department. A minimum of 100 contiguous acres will be required for each division of the zone and the total acreage of the combined divisions of any zone cannot exceed 10,000 acres.

(2) At least one division of the zone must be designated in the application for approval to be considered by the Department. Any undesignated portion of the maximum of 10,000 acres allowed for zone designation may remain undesignated for a period not to exceed the remaining life of the involved zone which began at the date of designation of the zone by the Department and will end no later than 15 years from the date of designation of the zone by the Department. Each division of a designated zone must be approved by the Department.

(3) Eligibility shall be based on the following criteria:

(a) Unemployment - The rate of unemployment in the county over the 1985-86 period based on U.S. Bureau of Labor statistics average annual data for 1985 and 1986 on size of labor force and number unemployed in the county.

(b) Poverty rate - The percentage of the county population living in households with income levels under the poverty level as found by the 1980 U.S. Census of Population.

(c) Per capita income - Per capita personal income for the county as estimated by the U.S. Department of Commerce for 1984.

(d) Migration - The total percentage change in population in the county between the 1970 U.S. Census and the 1980 U.S. Census.

(e) Number of residents receiving public assistance The number of residents in the county receiving food stamps in 1984 as reported by the U.S. Department of Agriculture.

Author: Wayne Bovis, Charles Reynolds.

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed January 22, 1988; effective February 26, 1988.
Amended: Filed November 19, 1990; effective December 24, 1990.

305-5-3-.04 Selection.

Selection of enterprise zones shall be made by the Department, with input from the Advisory Council.

Author: Wayne Bovis, Charles Reynolds.

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed January 22, 1988; effective February 26, 1988.
Amended: November 19, 1990; effective December 24, 1990.

305-5-3-.05 Incentives.

Tax and nontax incentives may be available to private employers who are located in a designated enterprise zone and who comply with the provisions of the act. These incentives may take the form of the following:

- (a) State income tax or corporate franchise tax credit.
- (b) State income tax or corporate franchise tax credit for expenses for training new employees.
- (c) State income tax or corporate franchise tax credit for new investments.
- (d) Local tax credits.
- (e) Regulation exemption.
- (f) Employee training and technical assistance.
- (g) Increased or specialized services provided by local government.
- (h) Exemption from state sales and use tax.
- (i) Certain exemptions from state income taxes.
- (j) Certain exemptions from corporate franchise taxes.

Author: Wayne Bovis, Charles Reynolds.
Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).
History: Filed January 22, 1988; effective February 26, 1988.
Amended: November 19, 1990; effective December 24, 1990.

305-5-3-.06 Conditions.

(1) In order to participate in Section 5 of the Act, a private employer:

- (a) Must expand its labor force, or make a new capital investment or prevent a loss of employment to an existing business.
- (b) May not have closed or reduced employment elsewhere in Alabama in order to expand into the enterprise zone.
- (c) Must obtain an endorsement resolution approved by the appropriate local governing authority.
- (d) Must be located in or locate within the boundaries of an urban or rural enterprise zone.
- (e) Must generally fall into Standard Industrial Classification (SIC) Codes 20-42, 44-49, or consist of major warehousing and distribution centers, be a corporate or regional headquarters, or be a business having the prospect of significantly impacting the revitalization of a municipal urban enterprise zone without adversely affecting businesses in the city or county containing the zone. (Municipal urban enterprise zones are defined as those delineated enterprise zone areas lying inside the corporate limits of Mobile, Prichard, Montgomery, Birmingham and Gadsden.)

(2) In order to participate in Section 11 of the Act, a private employer:

- (a) Must meet the requirements set forth in (1) (a) through (e) above, and
- (b) Must give preference and priority to Alabama manufacturers, suppliers, contractors and labor, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice in operational efficiency.
- (c) Must certify annually that at least thirty-five percent of their employees at the time of their employment are residents of the county hosting the enterprise zone or in the case of the cities of Birmingham, Montgomery and Prichard, residents of the city hosting the enterprise zone, and were receiving some form of public assistance prior to employment; or were considered unemployable by traditional standards or lacking in basic skills.

(3) In order to participate, an appropriate governing authority:

- (a) Must submit a plan or explanation of a program to improve police protection within the zone.
- (b) Must give priority to federal programs for use in enterprise zones.
- (c) Must assist the Department in certifying eligibility of employers within enterprise zones.
- (d) May authorize the Department to supersede certain specified local regulations and ordinances which may discourage economic development within the enterprise zone.
- (e) May assist the Department in evaluating progress made in the enterprise zone.

Author: Wayne Bovis, Charles Reynolds.

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed January 22, 1988; effective February 26, 1988.

Amended: Filed November 19, 1990; effective December 24, 1990.

Amended: Filed May 14, 1993; effective June 18, 1993.

305-5-3-.07 Annual Report.

The Department shall report annually to the Legislature and the Governor and provide an evaluation of the implementation of the enterprise zone law to include numbers of business activity, actual new income for the state after taxes and benefits pursuant to this act, number of new employees, cost to state for each new employee and state/local taxes generated.

Author: Wayne Bovis, Charles Reynolds.

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed January 22, 1988; effective February 26, 1988.

Amended: Filed November 19, 1990; effective December 24, 1990.

305-5-3-.08 Powers And Duties Of The Department.

The Department shall:

- (a) Monitor the implementation and operation of the Enterprise Zone Act and evaluation of each enterprise zone.
- (b) Assist the governing authority of an enterprise zone in obtaining federal assistance.

- (c) Assist the governing authority of an enterprise zone in obtaining assistance from other departments of state government.
- (d) Assist any employer or prospective employer within an enterprise zone in obtaining the benefits of any incentive or inducement program authorized by Alabama law.
- (e) Submit an annual written report evaluating the effectiveness of the program and any suggestions for legislation to the Governor and the Legislature no later than the third day of each regular session.
- (f) Promulgate rules and regulations to effectuate this act in accordance with the Administrative Procedure Act.
- (g) Notify each legislator whose district includes any portion of an enterprise zone when such zone is designated.

Author: Wayne Bovis, Charles Reynolds.

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed January 22, 1988; effective February 26, 1988.

Amended: Filed November 19, 1990; effective December 24, 1990.

305-5-3-.09 Enterprise Zone Procedures Manual.

The enterprise zone procedures manual is incorporated as a rule and attached as a part of the body of the rules.

Author: Charles Reynolds

Statutory Authority: Code of Ala. 1975, §§ 41-23-1 through 41-23-7, 41-23-29(6).

History: Filed November 19, 1990; effective December 24, 1990.

Ed. Note: Adopted as new rule by amendment of chapter.

I. INTRODUCTION

The Alabama Enterprise Zone Act (87-573) was passed by the legislature of the State of Alabama on May 26, 1987, and signed into law on July 22, 1987. The purpose of the legislation is to stimulate business and industrial growth in depressed areas of the state, both urban and rural, by the relaxation of certain governmental controls, by providing assistance to businesses and industries, and by providing state and local tax and non-tax incentives in these areas.

The program is designed to be a partnership with the local governing authorities and the Department of Economic and Community Affairs working together with private sector employers to accomplish the goals of the program and to bolster the local areas as well as the State's economic outlook. As with any new program,

questions concerning procedures and processes will arise. It is our hope here at ADECA that this manual will address a number of these questions and allow for a smooth transition from legislation to operation.

II. ROLES AND RESPONSIBILITIES

A. THE DEPARTMENT

The "Department" for purposes of this program is defined as the Alabama Department of Economic and Community Affairs hereafter referred to as ADECA. ADECA, with input from the Enterprise Zone Advisory Council, shall have the responsibility for the general implementation of the law to include:

1. monitoring the operation of the act and conducting a continuing evaluation of the progress made in the enterprise zones.
2. assisting the appropriate local governing authority of an enterprise zone in obtaining assistance from the Federal Government, including the possible suspension of federal regulations within the enterprise zone.
3. assisting the appropriate local governing authority of an enterprise zone in obtaining assistance from any other department of state government, including assistance in providing training and technical assistance to new businesses and small businesses within an enterprise zone.
4. assisting an employer within an enterprise zone in obtaining the benefits of any incentive or inducement program authorized by Alabama law.
5. submitting an annual written report evaluating the effectiveness of the program to the Governor and the Legislature no later than the third day of each regular session.
6. promulgating rules and regulations to effectuate the act in accordance with the Administrative Procedures Act.
7. acting as the certifying agency to both the Council and State Department of Revenue that a company has met the requirements and is certified as eligible to receive the appropriate tax incentives to be determined through their tax returns.

B. APPROPRIATE LOCAL GOVERNING AUTHORITY

The "Appropriate Local Governing Authority" for the purpose of this program is defined as the governing body of a county or a municipality in whose jurisdiction an enterprise zone is located and operating.

The "Appropriate Local Governing Authority" shall have the following responsibilities under the act to include:

1. passing a resolution, through the utilization of public hearing/comment format, endorsing a company to participate in the program and make application for the enterprise zone's benefits. The public hearing/comment period should begin with a public notice run in a newspaper of general circulation at least 15 days prior to the hearing. The hearing can be scheduled in conjunction with regularly scheduled council or commission meetings.
2. providing ADECA with any comments received pertaining to endorsing a company.
3. assisting ADECA in certifying eligibility of an employer expanding in or locating within the boundaries of the enterprise zone.
4. putting in place a mechanism through which any local tax and non-tax incentives specified in the application for zone designation will be made available. It is recommended that the appropriate local governing authority might wish to develop its own rules and regulations to deal with provision of the local incentives.
5. assisting ADECA in evaluating progress made in the enterprise zones.
6. giving priority to federal programs for use in the enterprise zones. (UDAG, CDBG, JTPA, EDA, FmHA, SBA, etc.)
7. authorizing ADECA to supersede certain specified local regulations and ordinances which may serve to discourage economic development within the enterprise zone.
8. providing for a local contact person or board to respond to questions and provide information on the day-to-day operation of the enterprise zone.

C. A PRIVATE EMPLOYER

A "Private Employer" for purposes of this program is defined as a business or industry located within the boundaries of an enterprise zone and operating a private-for-profit business.

A "Private Employer" shall have the following responsibilities under the act to include:

1. obtaining an endorsement resolution approved by the appropriate local governing authority in whose jurisdiction (ENTERPRISE ZONE) the establishment is located, or to be located. This represents the private employers effective date for participation in the program.

2. Locating or expanding within the boundaries of an enterprise zone.

3 filing with ADECA the endorsement resolution and an application of intent to apply for the benefits of the enterprise zone and certifying to ADECA that documentation will be made available to verify the areas of certification.

4. expanding its labor force or making a new capital investment or preventing loss of employment.

5. not closing or reducing employment elsewhere in Alabama in order to locate or expand into an enterprise zone.

III. PROCEDURES

SEQUENCES OF EVENTS

PRIVATE EMPLOYER

1. Locates or is located in the boundaries of an enterprise zone.

2. plans to expand its labor force, make a new capital investment, or prevent loss of employment.

3. solicits the appropriate local governing authority for an endorsement resolution as their entry date for participation in the program.

APPROPRIATE LOCAL GOVERNING AUTHORITY

4 considers the private employer's request for endorsement.

5. if favorable, publish notice of public hearing/public comment period in newspaper of general circulation at least 15 days prior to hearing (council or commission meeting).

6. consider public comments and either approve or reject resolution of endorsement.

7. issues approved endorsement resolution to company and a copy of an application of intent provided by ADECA and forwards copy of public notice and any relevant comments to ADECA.

PRIVATE EMPLOYER

8. forwards copy of endorsement resolution and application of intent to ADECA.

ADECA

9. receives copy of endorsement resolution and application of intent from private employer.

*10. issues an identification number to the company and will work with company to identify and define certification requirements.

11. forwards copy of documents to State Department of Revenue as a signal to issue tax forms and requirements to the private employer.

****PRIVATE EMPLOYER**

12. hires employees in the proper areas in order to meet certification requirements and be certified by ADECA to the State Department of Revenue as eligible to receive benefits of the enterprise zone program.

13. maintain appropriate documentation from company's date of endorsement forward to verify areas of certification to ADECA.

APPROPRIATE LOCAL GOVERNING AUTHORITY

14. assists ADECA in certifying eligibility of private employer to receive the benefits of the enterprise zone.

15. puts a system in place on the local level to ensure that local tax and non-tax incentives are provided and sets requirements for the granting of these benefits.

ADECA

16. certifies a private employer through the use of a questionnaire format, as eligible to receive the benefits of the enterprise zone program to the Department of Revenue.

17. issues a certification number to the private employer on their ADECA-EZ1 form to utilize when filing tax return claiming tax incentives under Section 5 of the Act or issues an approved contract to the company under Section 11 of the Act.

18. updates certification on an annual basis for continued reception of benefits by the private employer.

*If questions exist concerning a private employer's eligibility, the endorsement resolution and the application of intent will be taken to the Enterprise Zone Advisory Council for their review and input.

**The certification areas will be adequately addressed in other sections of this document; however, the definitions of new permanent and full-time employee are important to the certification areas required of a private employer. These definitions are published in the Enterprise Zone rules and are as follows:

"NEW PERMANENT EMPLOYEE" - a full-time employee hired pursuant to this act who remains employed with the firm for a minimum of nine months.

"FULL TIME EMPLOYEE" - an employee working a minimum of thirty (30) hours per week and receiving appropriate company benefits.

IV. PUBLIC NOTICE**(SAMPLE)**

An example of a public notice that would be appropriate is shown below:

The _____ request
COUNTY COMMISSION/CITY COUNCIL
comments concerning the endorsement of _____ to make
NAME OF COMPANY
application for the State and local tax and non-tax
incentives
available through the Alabama Enterprise Zone Program.

Any written comments should be forwarded to: _____
NAME
on or before _____ and/or public
DATE
comment may be made at _____ on _____ in _____
TIME DATE LOCATION

If you should desire additional information prior to the
hearing date please contact

_____ at _____

Once again, this notice should be run at least fifteen (15) days prior to the scheduled meeting in a newspaper of general circulation and the date for receiving written comments should be the same as that of the hearing. If the hearing coincides with a regularly scheduled Council or Commission meeting. an extra called meeting would be avoided.

V. ENDORSEMENT RESOLUTION AND APPLICATIONS OF INTENT

Copies of an ENDORSEMENT RESOLUTION and APPLICATIONS OF INTENT are included as part of this package to assist in simplifying the initial applications.

RESOLUTION OF ENDORSEMENT

Whereas, an industry prior to participating in the Alabama Enterprise Zone Program or accruing any benefit from the program

must obtain an endorsement resolution approved by the appropriate local governing authority, and

Whereas, the appropriate governing authority must assist the Alabama Department of Economic and Community Affairs in certifying eligibility of industries expanding or locating within enterprise zones, and

Whereas, it has been determined through a public hearing/public comment period that the granting of this endorsement by this governing authority as well as the potential benefits to be received by this company will not threaten the well-being of existing industries located within the county/municipality, and

Whereas, it has been established that the said company operation falls into Standard Industrial Classification (SIC) codes 20 - 42, 44 - 49, Or consist of major warehousing and distribution centers or regional and/or corporate headquarters of companies whose standard industrial classification (SIC) codes are 20 - 42, 44 - 49 or such other activities having a prospect of significantly impacting the areas economy without adversely affecting the well-being of existing industries located within the city/county hosting the enterprise zone.

Therefore, be it resolved that we, the members of

COUNTY COMMISSION/CITY COUNCIL

endorse _____

NAME OF COMPANY

to apply for the benefits of the enterprise zone and will assist them in meeting certification requirements as set forth through procedures established by the Alabama Department of Economic and Community Affairs, the Alabama Department of Revenue and/or other state agencies.

Adopted this _____ day of _____

Nineteen Hundred and _____.

MAYOR/CHAIRMAN OF COUNTY COMMISSION

CERTIFICATION:

I do hereby certify that this Resolution of Endorsement was duly

adopted at a _____

meeting of the _____

CITY COUNCIL/COUNTY COMMISSION

held on the _____ day of _____,

DAY

MONTH

YEAR

CLERK OF CITY COUNCIL/COUNTY COMMISSION

APPLICATION OF INTENT TO APPLY FOR SECTION 5

(CODE OF ALABAMA 41-23-24) BENEFITS

ADECA PRE-APP NUMBER _____

DATE OF APPLICATION: _____

NAME OF COMPANY: _____

LOCATION: _____

RESOLUTION OF ENDORSEMENT PASSED BY:

DATE OF RESOLUTION: _____

In filing this application of intent to apply for the benefits of the Enterprise Zone Program,

NAME OF COMPANY

will provide appropriate documentation to the Department of Economic and Community Affairs to certify that our Company:

1. a. Expanded its labor force, or
 - b. Made a new capital investment, or
 - c. Prevented loss of employment.
2. Did not close or reduce total employment elsewhere in Alabama in order to expand into the zone.
3. Is located within the boundaries of the (Urban/Rural) Enterprise Zone.

If certifying Part 1.a. (expansion of labor force), our Company will further certify and document that at least 30% of our new permanent, full-time employees were formerly unemployed for at least 90 days prior to this employment, or

If certifying Part 1.b. made a new capital investment, our Company will further certify and document that at least five new permanent full-time employees have been hired, and
If applying for a credit for expenses of training new permanent full-time employees that the training provided was in new skill areas.

I am filing this application of intent to apply for Section 5 benefits of the enterprise zone for my company and will provide necessary documentation to verify my company's eligibility to be certified to both the Council and the State Department of Revenue as eligible to receive the benefits of the Enterprise Zone Program .

Signature:

OWNER, PRESIDENT, CHIEF EXECUTIVE OFFICER
APPLICATION OF INTENT TO APPLY FOR SECTION 11

(CODE OF ALABAMA 41-23-30) BENEFITS

ADECA PRE-APP NUMBER: _____

DATE OF APPLICATION: _____

NAME OF COMPANY: _____

LOCATION: _____

CITY/COUNTY: _____

RESOLUTION OF ENDORSEMENT PASSED BY:

DATE OF RESOLUTION: _____

In filing this application of intent to apply for the benefits of the Enterprise Zone Program,

NAME OF COMPANY

will provide appropriate documentation to the Department of Economic and Community Affairs to certify that our Company:

1. a. Expanded its labor force, or
b. Made a new capital investment, or
c. Prevented loss of employment.
2. Did not close or reduce total employment elsewhere in Alabama in order to expand into the zone.
3. Is located within the boundaries of the (urban/Rural) Enterprise Zone.
4. Will certify annually that at least 35% of our employees in our Zone operation at the time of employment were:
 - a. Residents of the urban enterprise zone (city limit to city limit) or a. 1. Residents of the same county in which a rural enterprise zone is located, and
 - b. Receiving some form of public assistance prior to employment, or
 - c. Considered unemployable by traditional standards, or

- d. Lacking in basic skills.
- 5. Will give preference and priority to Alabama manufacturers, suppliers, contractors and labor. except where not reasonably possible to do so without added expense, substantial inconvenience. or sacrifice in operational efficiency.

I am filing this Application of Intent to apply for benefits of the enterprise zone and will provide the necessary documentation to participate in a contract with the Department of Economic and Community Affairs for available benefits under this section of the act and understand this certification must be updated on an annual basis for my company's continued participation in the program.

Signature: _____
OWNER, PRESIDENT, CHIEF EXECUTIVE OFFICER

VI. TAX CREDIT INCENTIVES PROVIDED THROUGH SECTION 5 OF THE ACT**A. INTRODUCTION**

The maximum tax credit available to any private employer locating in an enterprise zone is \$2,500 per new permanent employee hired pursuant to the act and hired on or after the date of endorsement. The \$2,500 figure may be attained through the utilization of the various tax credits made available through the act. The choice of which credits to pursue and which will be of maximum benefit should be made by the private employer. Each incentive may stand alone or may be paired with another in order to arrive at the maximum available benefit for the private employer's zone operation.

B. VARIOUS INCENTIVES AND CERTIFICATION REQUIREMENTS

- 1. Private employer may choose to apply for incentives as follows:
 - a. an Alabama Income or Franchise Tax Credit on taxes due from the zone operation if the private employer can certify that at least 30% of new permanent employees hired pursuant to the act were formerly unemployed for at least 90 days prior to this employment, or
 - b. an Alabama Income or Franchise Tax Credit for new investments in the zone or improvements to existing facilities in the zone provided that at least five new permanent employees are hired, or

c. an Alabama Income or Franchise Tax Credit of up to \$1,000 per new permanent employee for expenses of training those employees in new skills.

C. LIMITATIONS

A private employer prior to applying for the benefits of the act should consider which credit or combination of credits would allow for the maximum benefit and create the least paperwork in terms of providing proper certification. The keys to reception of the benefits are good up-front planning by the private employer and a coordinated, cooperative effort to comply with the areas of certification they have chosen to pursue. If a private employer chooses to certify part VI. B. 1 a., then the 30% requirement will be relevant to any reception of benefits. If a private employer chooses to certify VI. B.1.b., then the making of a new capital investment and hiring a minimum of five new permanent employees (see definitions in Section III.) will be relevant to any reception of benefits. If a private employer chooses to certify part VI. B.1.c., then either the 30% and/or the minimum of five new permanent employees hired would be relevant to any reception of benefits, as would a certification that the training was in new skills.

VII. TAX EXEMPTIONS PROVIDED THROUGH SECTION 11 OF THE ACT**A. INTRODUCTION**

The exemptions available through this Section of the Alabama Enterprise Zone Act are not tied to the \$2,500 per new permanent employee referenced in Section 5, but requires a contract between the employer and ADECA that must be presented to the Council and approved by the Governor. The benefits of this Section require a great deal of certification areas to be verified and also these areas to be updated on an annual basis for continued participation of a company in the program. The decision to pursue this area of benefits should be weighed carefully by the employer due to the number of certification areas required for participation in this section's benefits.

B. AVAILABLE BENEFITS

If a contract is entered into with an eligible company, the following benefits may be derived:

1. An exemption from sales and use tax imposed by the State of Alabama on the purchases of the material used in the construction of a building, or any addition or improvement thereon, for housing any legitimate zone business enterprise and machinery and equipment used in that enterprise, and/or
2. Certain exemptions from income taxes levied by the State of Alabama on eligible corporations and individuals, for a period of up to five years, and/or
3. Certain exemptions of corporate franchise taxes levied by the State of Alabama for a period of up to five years.

Note: If a private employer is part of a Taxable/non-Taxable bond issue, the Sales and Use exemption is usually provided in conjunction with the issue and if the exemptions are already being received, through another program, then the enterprise zone benefit could be gained through another exemption area.

After the original certification of the private employer to receive the benefits of the enterprise zone and a contract is in place, the 35% annual certification requirement is mandated in order for the private employer to continue receiving any benefits of the enterprise zone program connected to Section 11.

VIII. CONCLUSION

This manual has been compiled to assist local zone managers, appropriate local governing authorities and private employers in preparing applications and starting the process toward obtaining the benefits of the Enterprise Zone. As additional questions develop or if you require additional information, contact either Charles R. Reynolds or William H. Wallace at (205) 284-8784 or address written request and appropriate forms to:

**ALABAMA DEPARTMENT OF ECONOMIC AND COMMUNITY AFFAIRS 3465 NORMAN
BRIDGE ROAD P.O.BOX 250347 MONTGOMERY, AL 36125-0347 ATTENTION:
CHARLES R. REYNOLDS**