

ALABAMA DEPARTMENT OF REVENUE
**Report of Investment in Project
for Income Tax Capital Credit**

This form is used to report the actual costs of a capital project and date the project was placed in service. The project number originally assigned by the Alabama Department of Revenue must be indicated.

Project Number: _____ Project Name: _____

Project Entity: _____ FEIN: _____

Address: _____ Telephone No.: () _____

City: _____ State: _____ ZIP: _____ NAICS: _____

Project Location (if different from above):

Project filing status: (✓ only one) S Corporation Partnership LLC C Corporation Estate/Trust Sole Proprietorship

1. Type of project: New Expansion Small Business Addition Headquarters Facility
 Favored Geographic Area State Docks

2. Type of trade or business conducted at the project:

3. Description of project (Attach additional sheets if necessary. If project was phased, describe each phase.):

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.....

4. Date project was placed in service (If project was phased, enter actual date last phase placed in service.):

5. Actual Project Costs:		7. Number of new employees employed by this project:	
a. Building		8. Average hourly wage for new employees employed by this project:	
b. Land		9. Average hourly compensation including benefits for new employees employed by this project:	
c. Equipment			
d. Architectural and Engineering			
e. Landscaping			
f. Other			
6a. Total Actual Project Costs			
6b. Annual Credit Available (multiply line 6a by 5%) ..			

10. Has an investing company in the project closed a facility in Alabama in the last two years? Yes No If yes, complete the following:

Date of closure: _____ Number of employees at the date of closure: _____

Location of facility: _____

11. Has any of the property identified in actual project costs (line 5) been previously placed in service in Alabama by an investing company or a related party in the last year?
 Yes No

12. Contact person for capital credit and to whom all correspondence will be sent:

Allocations of Capital Credit

A **complete** list of all participants in the project entity entitled to receive the Capital Credit must be provided. (Attach additional sheets if necessary.)

1. Name: _____	2. Name: _____
Address: _____	Address: _____
City: _____ State: _____ Zip: _____	City: _____ State: _____ Zip: _____
Social Security No. or FEIN: _____	Social Security No. or FEIN: _____
Percentage Allocation of Credit: _____ %	Percentage Allocation of Credit: _____ %

Under penalties of perjury, I declare that I am duly authorized to complete this form and that I have listed all the participants of the project entity. I have examined the above statements and to the best of my knowledge and belief they are true, correct, and complete.

Your Signature: _____ Title: _____ Date: _____

Instructions for Preparing Report of Investment in Project for Income Tax Capital Credit (Form INT-2)

GENERAL INSTRUCTIONS

Title 40, Chapter 18, Articles 7 and 9, *Code of Alabama 1975* provide for an annual capital cost credit against Alabama income tax liability generated by or arising out of a qualifying project in the amount of five percent of capital costs for 20 years, beginning in the year the qualifying project is placed in service. This form is to serve as the written statement of the actual investment (capital costs) in a project in accordance with the provisions of Section 40-18-190 et seq. and Section 40-18-240 et seq., and should be filed when these costs are known and after the project is placed in service. The forms submitted by the project entity will constitute a filing on behalf of all shareholders, partners, members, owners, or beneficiaries of the investing company(ies) entitled to the capital credit. Prior to filing this form, Form INT must have been filed with the Department of Revenue and a project number issued. Additionally, an executed accounting practices agreement must be in place prior to taking the capital credit.

If you have any questions pertaining to the administration of this form or related to the capital credit in general, please contact the Alabama Department of Revenue at (334) 242 - 1175. Mail this completed form to: Alabama Department of Revenue, ATTN: Capital Credit Program Administrator, P.O. Box 327001, Montgomery, AL 36132-7001.

LINE BY LINE INSTRUCTIONS

Project Number – Enter the project number assigned by the Alabama Department of Revenue when the initial report of intent to invest was filed. This number must be used whenever you are corresponding with the Department about this project.

Project Entity – Enter the name of the entity that will receive the capital credit. The entity qualifying for the capital credit must be the entity meeting the requirements for the capital credit. If the qualifying project is a joint venture, the joint venture must be in the form of a legal entity.

Single Member Limited Liability Companies (“SMLLC”) will be classified as they are classified for federal income tax purposes under the Internal Revenue Service’s (IRS) “check-the-box” regulations. If the investing company is a SMLLC that elects to be treated as a corporation for federal income tax purposes, enter the SMLLC as the project entity. If the investing company is a SMLLC that does not “check-the-box” for federal income tax purposes, the SMLLC shall be treated as a disregarded entity for Alabama income tax purposes and the parent must be entered as the project entity.

Qualified Subchapter S Subsidiaries (Q-sub) under 26 U.S.C. Section 1361(b)(3) shall be treated as disregarded entities for Alabama income tax purposes. If the investing company is a Q-sub, the parent must be entered as the project entity.

Project Name – If the project is identified internally by a project name, enter the project name. For example, ABC, Inc. is the project entity, but the project is known as Alpha Division. If the project is doing business as (dba), enter the dba name. If the project entity has more than one qualifying project for the capital credit, include a project name that can identify each project. If the qualifying project is a SMLLC treated as a disregarded entity for tax purposes, enter the name of the SMLLC as the project name.

If the qualifying project is a Q-sub, enter the name of the Q-sub as the project name.

Address – Enter the **mailing** address to which **all** correspondence regarding this project should be sent.

Project Location – Enter the project’s physical address.

FEIN – Enter the Federal Employer Identification Number.

NAICS Code – Enter the North American Industry Classification System (NAICS) code for the new, expansion, small business addition, favored geographic area, or state docks project at which the predominate activity conducted will constitute an industrial, warehousing, or research activity as defined in Section 40-18-190(7) or 40-18-240(4). If the qualifying project is a Headquarters Facility, enter 000000.

Act 2001-965, which was signed into law on September 26, 2001, amended the existing income tax capital credit, changing the qualifying Standard Industrial Classification (SIC) codes to the NAICS codes, covering the same types of businesses. Projects that were originally approved using a SIC code must convert to the NAICS code.

Project Filing Status – Check the applicable box.

Line 1 – Indicate whether this project is a new, expansion, small business addition, headquarters facility, favored geographic area, or a state docks project as originally filed on the project’s Form INT.

New or Expansion Capital Credit Project – A project with capital costs which are not less than \$2,000,000, a minimum of 20 jobs for new employees created, the average hourly wage of new employees shall be at least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-190(7) as NAICS Sectors 31 (other than National Industry 311811), 32, 33, and 42; Subsector 511; Industry Groups 5142 and 5415; Industries 54138, 54171; and National Industry 514191, or any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product.

Small Business Addition Capital Credit Project – A project with capital costs which are not less than \$1,000,000, a minimum of 15 jobs for new employees created, and the average hourly wage of new employees shall be at least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-190(7) NAICS Sectors 31 (other than National Industry 311811), 32, 33, and 42; Subsector 511; Industry Groups 5142 and 5415; Industries 54138, 54171; and National Industry 514191, or any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product. A small business addition is an addition of any land, building or other improvement, and all real and personal properties deemed necessary or useful in connection therewith, whether or not previously in existence, to be used

as a part of any existing facility of a business located in the state that, prior to the date on which the addition is placed in service, had 100 or fewer full-time employees.

Headquarters Facility Capital Credit Project – A project with capital costs which are not less than \$2,000,000, a minimum of 20 jobs for new employees created, and the average hourly wage of new employees shall be at least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits. A headquarters facility is a facility that will serve as either the national, regional, or state headquarters for an investing company that conducts significant business operations outside the state of Alabama and will serve as the principal office of the principal operating officer of the qualifying project. The principal operating officer is the person with chief responsibilities for the daily business operations of a qualifying project.

Favored Geographic Area Project – A project with capital costs which are not less than \$500,000, a minimum of 5 jobs for new employees created, the average hourly wage of new employees shall be at least eight dollars (\$8) per hour or the average hourly compensation shall be at least ten dollars (\$10) per hour, including benefits, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-190(7) as NAICS Sectors 31 (other than National Industry 311811), 32, 33, and 42; Subsector 511; Industry Groups 5142 and 5415; Industries 54138, 54171; and National Industry 514191, or any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product.

Act 2001-965, which was signed into law on September 26, 2001, amends the existing income tax capital credit law to include lower thresholds for the requirements for new employees and for capital costs for projects that locate in “Favored Geographic Areas.” The provisions of Act 2001-965 became effective December 1, 2001. Any project in a “Favored Geographic Area” that was placed into service prior to December 1, 2001 will not be eligible for the capital credit under the provisions of Act 2001-965.

A “Favored Geographic Area” is defined as either any area designated or created as an enterprise zone by law or that is governed by the Alabama Enterprise Zone Act, or any Alabama county which is considered to be less developed as determined by Section 40-18-190(5) per Act 2001-965. The Department of Industrial Relations is responsible for determining what counties are considered less developed based on statutory criteria and must re-determine these counties every January 1. A current “Favored Geographic Area” listing is available on the Department of Revenue’s Web site at www.ador.state.al.us under Tax Incentives. A project that qualifies in a “Favored Geographic Area” will continue to be a qualified project, even if the county later loses its designation as a “Favored Geographic Area,” as long as the project otherwise remains in compliance with the law.

Alabama State Docks Capital Credit Project – A project with capital costs which are not less than \$8,000,000, and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or research activity as defined in Section 40-18-240(4) as NAICS Subsector 493 (Warehousing and Storage), Industry Number 488310 (Port and Harbor Operations), or Industry Number 488320 (Marine Cargo Handling), when the trade or business is conducted on premises in which

the Alabama State Port Authority has an ownership, leasehold, or other possessory interest and such premises are used as part of the operations of the Alabama State Port Authority.

The Alabama State Docks Capital Credit Project is provided under Section 40-18-240 et seq., **Code of Alabama 1975**, which became effective August 1, 2001.

Line 2 – Briefly describe the type of trade or business that the project is engaged in. If the project is a headquarters facility, describe the investing company’s significant business operations outside the state of Alabama, specify the type of headquarters (national, regional, or state), and provide the title of the principal operating officer at the project. If the project is a SMLLC or Q-sub, please include this information here. Attach additional sheets if necessary.

Line 3 – Enter a full description of the activities of the project. Please be very detailed in the activities of the project. If the project was completed in multiple stages (i.e., phases), all phases must be identified in the description of the project. Please note the project’s Form INT must have been filed with the Department before any stages of investment were placed in service. Attach additional sheets if necessary.

Line 4 – Enter the date the project was placed in service. The capital credit begins on the actual placed in service date of the project. If the project was completed in multiple stages (i.e., phases), enter the date the last phase was placed in service. Placed in service is defined as the earlier of the date on which either a) the period for depreciation with respect to the project begins; or b) the project begins a specifically designed function for the production of revenue. **NOTE: If the project is a phased project, the capital credit will not begin until the last phase is placed in service and any tax liability incurred prior to the last phase being placed in service will not be subject to the credit.**

Line 5 – Enter the actual capital costs for the project. If the project is a phased project, enter the actual costs of all phases. Capital costs shall not include property previously owned or leased by the investing company or a related party before the commencement of the acquisition, construction, installation or equipping of the qualifying project unless such property was physically located outside the state for a period of at least one year prior to the date on which the qualifying project was placed in service. Additionally, any costs incurred after the placed in service date (if project is phased, date last phase is placed in service) cannot be included as capital costs for capital credit purposes. Costs incurred under leases that are characterized as capital leases for federal income tax purposes with a term of not less than five (5) years can be included as capital costs. Costs incurred under operating leases shall not be included as capital costs **unless** the project is a headquarters facility project; at which the capital costs shall include the net present value of the payments made by the investing company under the lease (using the applicable federal rate for the month in which the qualifying project is placed in service and the approximate term of the lease). For specific inclusions and exclusions of capital costs, see Section 40-18-190(2), Departmental Rule 810-2-7-.01(2)(c), or Section 40-18-240(1).

Line 6a – Total all costs from lines 5a-5f. The qualifying project must meet the minimum capital investment for the type of project indicated. The capital credit will be determined by the amount of the actual capital costs of the qualifying project.

Line 6b – Multiply line 6a by 5%. This is the maximum amount of capital credit available to be applied against the income tax liability generated by or arising out of the qualifying project each year for 20 years, beginning in the year the project is placed in service.

Line 7 – For new, expansion, small business addition, headquarters facility, or favored geographic area projects, enter the number of new employees hired at this project. For new, expansion or headquarters facility projects, there is a minimum requirement of 20 jobs for new employees. For small business addition projects, there is a minimum requirement of 15 jobs for new employees. For favored geographic area projects, there is a minimum requirement of 5 jobs for new employees. New employees are those persons who have not previously been employed at the site on which the project is or will be placed in service or have not been employed by the investing company or companies in this state; will be employed full-time as a direct result of the project being placed in service; and will be subject to the personal income tax imposed by Section 40-18-2, **Code of Alabama 1975**, upon commencement of employment at the project. Jobs must be provided beginning with the date which is not later than one (1) year after the project is placed in service and continuing each year thereafter.

Line 8 – For new, expansion, small business addition, headquarters facility, or favored geographic area projects, enter the average hourly wage of the new employees of the project. The base wage requirement for the project requires that either an average hourly wage of not less than eight dollars (\$8) per hour or an average total compensation of not less than ten dollars (10) per hour, including benefits. This requirement does not include employees of direct processors of agriculture food products. These employees wages shall be determined by the local labor market or a source established by the Department of Revenue if reliable local labor market statistics are not available.

Line 9 – For new, expansion, small business addition, headquarters facility, or favored geographic area projects, enter the average hourly compensation of the new employees of the project.

Line 10 – Check the applicable box. If an investing company has closed a facility in Alabama in the last two years, list the date of the closure for the facility, the number of employees at the facility on the date of closure, and the location of the facility. If an

investing company closes an existing facility in this state and within two (2) years following the closing places a qualifying project in service, only the number of new employees in excess of the number of employees who worked at the existing facility at the time of the closure shall be treated as new employees for the purpose of meeting the employee requirements as described in Section 40-18-190 et seq.

Line 11 – Check the applicable box. Property previously owned or leased before the commencement of the acquisition, construction, installation or equipping of the qualifying project by the investing company or a related party shall not be included as a part of the project's capital cost unless such property was located outside of Alabama at least one year prior to the date the project is placed in service.

Line 12 – Enter the name of the person to be contacted if additional information is needed regarding the capital credit and to whom all correspondence for the capital credit will be sent. Include a telephone number if different from the number indicated on the top of this form.

Allocations of Capital Credit – List all participants of the project entity entitled to receive the capital credit. For example, if the project entity is a C corporation, enter the name of the C corporation; if the project entity is an LLC, enter the names of all its members; if the project entity is a partnership, enter the names of all its partners. Additionally, include the entities' addresses, social security numbers or federal employer identification numbers, and percentages of credit allocated to each entity. This list will serve as the agreement between the Alabama Department of Revenue and the investing company or companies specifying the allocation and treatment of the capital credit provided by Section 40-18-190 et seq. and Section 40-18-240 et. seq.

The capital credit shall be allocated among shareholders, partners, members, owners, or beneficiaries of the investing company or companies entitled to the capital credit based on their distributive share, whether or not distributed, of the project's Alabama taxable apportionable income. If an investing company is not listed on this schedule, they will not be allowed to take the capital credit.

Attach additional sheets if necessary. Additional forms, including an Allocations of Capital Credit Schedule, can be downloaded from the Alabama Department of Revenue's Web site at www.ador.state.al.us under Tax Incentives.