



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 (\$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.

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 an income tax credit for employers that employ an apprentice for at least 7 months of the prior taxable year. For tax years beginning on or after January 1, 2020, eligible employers may receive a \$1,250 credit for each apprentice employed, not to exceed 10. The credit shall not be available for an individual apprentice for more than 4 tax years. This credit is scheduled to sunset after the 2025 tax year, unless further extended by the Legislature.

Investment Credit (AL Jobs Act)

Section 40-18-376, Code of Alabama 1975, provides an investment credit to qualifying businesses for approved projects that create jobs in Alabama. This is a discretionary credit depending upon the qualifications of the approved company's capital investment and the requirements set forth in Section 40-18-371. Only taxpayers that have been approved by the Alabama Department of Commerce for qualifying projects are eligible to claim the credit as allowed by the executed State Project Agreement. For more information regarding eligibility, qualifications, and procedures for a new or expansion project, please contact Ted Clem, Director of Recruitment and Retention at ted.clem@commerce.alabama.gov or 334-242-0400.

For more information on these tax credits, go to <https://revenue.alabama.gov/tax-incentives/>