



The 2009 State of the State Address

The Alabama Economic Recovery Plan

While Alabama's economy is weathering the current economic slowdown better than many other states, we are not immune to the difficult times our nation is facing. That's why we must redouble our efforts to grow our existing industry and recruit new businesses to our state. The Alabama Economic Recovery Plan will spur new job creation to put Alabama's hardworking citizens back to work, while also making the state more competitive in the pursuit of the high-paying jobs of the future.

Back to Work Tax Credit

Due to the state of the national economy, many businesses are not hiring new workers or filling open positions, making it difficult for Alabamians who have lost their jobs to find work. The Back to Work Tax Credit will provide a \$500 income tax credit to employers that hire an Alabama worker who is currently on the state's unemployment roll. In order to accelerate the benefits of this plan, the worker must be hired before July 1, 2010, and be employed for at least six months in order for the employer to receive the credit. The Back to Work Tax Credit will provide a temporary incentive to encourage businesses not only to hire new employees but to fill positions by hiring an Alabamian that is currently without a job.

Targeted Job Creation Tax Credit

While Alabama's unemployment rate has remained below the national average and below our neighboring states, many counties in the Black Belt and other rural areas of Alabama have seen significant increases in their unemployment rates. The Targeted Job Creation Tax Credit provides a \$500 income tax credit for three years to a company for every new job created in the 25 counties with the highest unemployment rate. This incentive will encourage employers to create new jobs in counties with high unemployment and also provide an industry recruitment tool for these rural areas.

21st Century Economic Incentives

While Alabama remains competitive in recruiting high-end manufacturing jobs, our efforts in other industry sectors are handicapped by the limited nature of our recruitment incentives. This proposal will expand Alabama's statutory economic development incentives to include incentives for corporate headquarters, research and development facilities, and "green" employers. Passage of this proposal is critical due to the fact that Alabama is competing for 7,200 prospective jobs in these industry sectors right now. In order to compete for these jobs and thousands more in the future, we must bring Alabama's recruitment arsenal into the 21st century.

✓ Knowledge-based Incentives

In order to continue Alabama's economic growth, we must work to attract more high-paying, knowledge-based jobs, such as corporate headquarters, financial and

data center operations, and research and development facilities. Alabama's incentives have historically focused on manufacturing jobs. While those jobs are still very important to the state, we must continue to diversify our economy. Our competing states, including Georgia, Florida, North Carolina, South Carolina, and Tennessee, have already made these changes, and we cannot allow Alabama to lose its competitive edge. A balanced approach will not only serve Alabama well in future years but it will also make us more competitive in projects we are pursuing today. We will propose legislation to adapt Alabama's tax abatement incentives to accomplish these outcomes.

✓ **Green Incentives**

Alabama is blessed with a variety of natural resources that can be used to create new, cheaper forms of energy, but currently Alabama does not provide competitive tax incentives to attract the quality alternative and renewable energy producers and manufacturers to the state. To provide for the growth of alternative and renewable energy producers and other types of "green" employers in Alabama, we will propose legislation to allow alternative and renewable energy producers to utilize the same incentives currently provided to new and expanding industries.

✓ **Extended Incentive for New and Expanding Industries**

Today, Alabama's statutory incentives offer new and expanding industries the opportunity to recover their capital investment through an annual tax credit that equals 5% of their initial capital investment for 20 years. Given the size of the investments being made in Alabama today, it has become much more difficult for companies to fully recoup the capital cost of their project. To maintain the value of this incentive, we will propose legislation to extend the maximum period over which credits may be taken to 30 years, with the following caveats:

- The maximum amount allowed in any one tax year, within the above extended period, shall not exceed five percent (5%) of the capital cost of the qualifying project, such amount to be credited or allowed against the state income tax liability generated by or arising out of the qualifying project in each of the 30 years commencing with the year during which the qualifying project is placed in service and continuing for 29 consecutive years thereafter; and
- The total amount utilized over the extended period shall not exceed 100% of the capital cost of the project.
- The extension will only apply to new projects going forward.