



INNOVATE ALABAMA TAX CREDIT

The Innovate Alabama Act, found in Section 41-10-840, *et seq.*, of the Code of Alabama, creates an incentive mechanism to provide funds to Economic Development Organizations (EDOs) to stimulate economic growth for certain qualifying activities.

Alabama taxpayers who make cash contributions to EDOs for qualifying projects receive an Innovate Alabama Tax Credit that can offset up to 50% of the following tax types:

- Income tax (individuals and corporate)
- State portion of the financial institution excise tax
- Insurance premium tax
- State utility license tax

Taxpayers donating to EDOs for approved projects receive a credit equal to their donation and may carry the credit forward for up to five years. The credit may be passed through to individual owners, shareholders, partners, or members of an LLC.

Before receiving any contributions, the EDO must submit an application to Innovate Alabama. All Innovate Alabama Tax Credit funding allocations must be approved by the Innovate Alabama Board of Directors. Funding is capped at \$25 million per calendar year.

For additional information regarding this program, please send all questions to incentives@innovatealabama.org.

CY 2025 APPLICATION DEADLINE AND BOARD MEETING SCHEDULE*

***Application Open – Close Date**

Round 1: March 10, 2025 – May 1, 2025

Round 2: June 10, 2025 – August 1, 2025

***Approvals: Board Meeting Schedule**

June 10, 2025

September 16, 2025

****Schedule is subject to change***



ECONOMIC DEVELOPMENT ORGANIZATION - ELIGIBILITY

“Economic Development Organization” (EDO) is a state or local economic development organization meeting each of these three criteria:

- (1) Is an Alabama entity not operating for a profit; and
- (2) Is charged with improving the state or a region of the state; and
- (3) Has a record of supporting or otherwise participating in economic development efforts in Alabama.

A state EDO must confirm eligibility with Innovate Alabama prior to applying.

QUALIFYING PROJECTS

- Tech Accelerators: Creation, operation, or support of an accelerator program for technology companies.
 - An “accelerator” is defined as a company which, for a fixed term, educates and mentors early-stage technology companies recruited to a location in Alabama, with the goal of accelerating such companies’ development and growth.
 - The program must contain a defined curriculum and mentorship component.
 - Eligible expenditures associated with the program.
- Innovative Companies: Creation, operation, or support of programs designed to provide funding or other resources for innovative companies. An “innovative company” is defined as any company which meets all the criteria in either paragraph (1) or (2) below:
 - 1) The company is a for-profit business headquartered in a community eligible for investment through the federal New Markets Tax Credit program under 26 USC § 45D(e), predominantly conducting an activity in an innovative industry, has fewer than 15 employees, and has average gross revenues of less than \$1,000,000 in the previous three years.
 - 2) The company is a for-profit business, headquartered in Alabama and predominantly conducting an activity in an innovative industry, has fewer than 75 employees, and that is at least 51% owned and controlled by one or more women or African Americans who are citizens of the United States.

As used herein, an “innovative industry” includes advanced manufacturing, aerospace, agriculture, bioscience, biotechnology, electronics, energy and natural resources, engineering, life sciences, and information technology industries, and any other innovative industry as determined by Innovate Alabama in its sole discretion.



APPLYING FOR TAX CREDITS

Step 1 – Apply for EDO Designation

An entity seeking to apply for tax credits must first be designated as a Local Economic Development Organization (LEDO) or a Statewide Economic Development Organization (SEDO) by Innovate Alabama. This is done by submitting a form to Innovate Alabama requesting to be designated as EDO, as those terms are defined in the Alabama Code

To apply for EDO Designation, complete the online form on the website. If you have previously received EDO Designation, you may upload your most recent designation letter to request re-approval of your EDO status. The online fillable form will also require copies of the following documents:

- W-9
- IRS Determination Letter

Step 2 – Submit a Project Application

Applications will be open for online submission once the round begins. Openings and deadlines will be posted on the website. A sample application can be downloaded from our website to outline the information that will be collected through the online form. Please note email submissions will not be accepted.

Once EDO Designation has been assigned, the EDO may submit a project application to Innovate Alabama to request a tax credit allocation as either an Innovative Company or a Tech Accelerator for a qualifying project specified in the application.

Tax Credit Applications must include a letter of support from your donor(s). They can either use their own letter or the template that is provided on the website or from within the online form.

All Tax Credit Applications must be notarized. You can download the Notary Public form on the website or from within the online form.

Step 3 – Project Approvals

Project approvals will be announced during a subsequent Innovate Alabama Board Meeting. Regardless of the outcome of your application, you will receive an email following the meeting to confirm the status of your project.

Step 4 – Reserve Tax Credits

Tax credit reservations are processed through the Alabama Department of Revenue. For step-by-step instructions on how donors can claim their tax credits, visit www.revenue.alabama.gov.



REPORTING

As laid out in the funding agreement, The following reports will be required for approved projects under the Tax Credit Program.

- Audited Financials: Audited financial statements will have a set due date of July 1.
- Initial Report: *This report shall be due even if there is nothing new to report**
 - Applications approved at the June board meeting shall be due on January 31, 2026.
 - Applications approved at the September board meeting shall be due on March 31, 2026.
- Status Report: This report(s) will be due within (1) month after the project's completion. This date will be based off the completion date list on your project application.
- Impact Report This report(s) will be due within (1) month after the project's completion. This date will be based off the completion date list on your project application.