

APPLICATION GUIDE: INNOVATE ALABAMA TAX CREDIT

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The Innovating Alabama Act, [Alabama Code § 41-10-842](#), creates an incentive mechanism to provide funds to Economic Development Organizations (EDOs) to stimulate economic growth for certain qualifying activities.

Before receiving any cash contributions, organizations must complete a two-step process, outlined below. 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.

Please ensure your organization is eligible for EDO status *and* that your project qualifies as either a tech accelerator or program for innovative companies. These are defined with clear criteria in each section below.

STEP 1: APPLY FOR EDO DESIGNATION

An EDO is an Alabama nonprofit entity that is charged with improving a region of the state or the state as a whole and has a track record of supporting economic development in Alabama. EDO designation does not guarantee or qualify for funding allocation.

EDO designation remains active for three years, provided the organization remains in good standing and continues to meet eligibility requirements. If you have previously received EDO designation, even after three years, move on to Step 2.

You should not apply for EDO designation unless you are prepared to submit a project application that qualifies as either a tech accelerator or program for innovative companies. Eligible projects are defined clearly in Step 2.

To qualify for EDO designation, an organization must be 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.

EDO Designation Application Checklist

- ☐ Check criteria above and confirm eligibility
- ☐ Download and review a [sample EDO Designation application](#)
- ☐ Prepare your W-9
- ☐ Prepare your IRS Determination Letter (if applicable)

If you are not prepared to submit a project application for tax credits within 12 months, please consider seeking EDO designation at a later date.



STEP 2: SUBMIT A PROJECT APPLICATION

Within 12 months of designation, an EDO should submit an online application to Innovate Alabama to request a tax credit allocation for a qualifying project.

If your EDO designation was granted more than three years ago and therefore no longer active, please submit your most recent EDO designation letter alongside your project application so Innovate Alabama may renew your designation.

There are two categories of qualifying projects:

- (1) 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.
- (2) Programs for Innovative Companies: Creation, operation, or support of programs designed to provide funding or other resources for innovative companies, which are defined as:
 - Headquartered in a New Markets Tax Credit eligible area, in an innovative industry*, employing fewer than 15 people, and having earned under \$1 million in average gross revenue over the past 3 years; OR
 - Headquartered in Alabama, in an innovative industry*, employing fewer than 75 people, and at least 51% owned and controlled by women or African Americans who are U.S. citizens.

* 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

Project Application Checklist

- ☐ Check criteria above and confirm eligibility
- ☐ Download and review a [sample project application](#)
- ☐ Secure letter(s) of support from your donor(s)
 - Donors may use [this template](#) or create their own
- ☐ Prepare your [Notary Public Form](#)