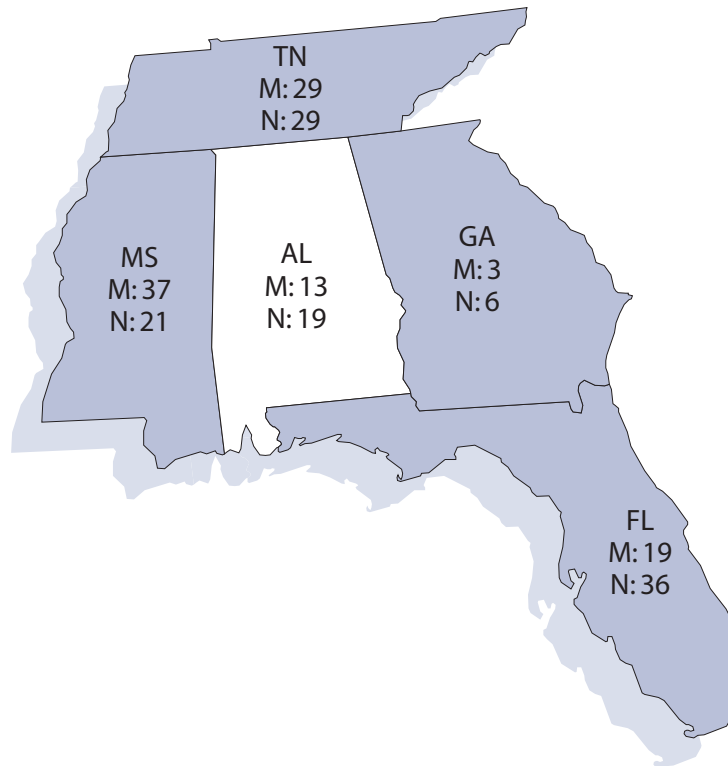


M = Rank for mature firms
N = Rank for new firms



Alabama ranks 13th overall for mature operations and 19th overall for newly established operations. Specifically:

- Alabama has the second-lowest tax bill for a mature distribution center with a total effective tax rate (TETR) of 18.6 percent. The state's lowest-in-the-country property taxes for this operation are a key driver, producing a property tax bill 62 percent below the national average.
- The state also ranks among the lowest tax burden states (fifth) for the mature call center operation with a TETR of 14.5 percent. Contributing to this high ranking is the fact that the state has one of the lowest property tax burdens for this operation in the nation, 62 percent below the national average.
- Alabama ties for 41st with Mississippi for the mature R&D operation, with a TETR of 15.5 percent. This operation has an above-average income tax burden and one of the highest sales tax burdens in the nation.
- For newly established operations, Alabama ranks above-average for distribution centers, call centers and both types of manufacturing operations. In large measure, this is due to the fact that Montgomery's property taxes are among the lowest of all the nearly 100 cities in this study, greatly reducing the tax bills for new operations based there.
- Alabama is one of 21 states with an antiquated capital stock tax, which can greatly hinder capital formation.

Alabama

Corporate income tax

Main tax rate	6.500%
Applies to income over	-
Specific adjustments:	
- s.199 deduction allowed	
- 100% deduction for federal tax paid	

Apportionment	Property	Payroll	Sales
Standard factors	33.3%	33.3%	33.3%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			Yes
Interstate services income apportionment			IPA

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Birmingham	9.000%	1.358%	1.358%	1.358%	-
Tier 2	Montgomery	10.000%	0.730%	0.730%	0.730%	-

a. Manufacturing machinery is taxed at a reduced rate of 3.583% in Montgomery and 4.25% in Birmingham

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.70%	\$8,000	0.175%	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	5% of eligible capital investment x 20 years	✓	✓	✓	✓	✓	✓	
Job creation	n/a							
Withholdings	n/a							
R&D	n/a							
Property tax	73% abatement x 10 years	✓	✓			✓	✓	

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	8.2%	9.1%	18.7%	25.5%	16.0%	16.9%	31.4%		10.4%	10.5%	14.5%	18.6%	14.9%	15.5%	14.3%			
Index	72.3	77.8	74.9	70.4	98.7	114.7	96.3	86.4	81.9	90.1	69.0	60.6	95.1	120.8	84.3	86.0		
Rank	18	13	12	10	24	29	23	19	18	25	5	2	22	41	13	13		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store