



Incentives Tracking and Reporting

2021 FTA Revenue Estimating Conference

Alabama Department of Revenue

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OFFICE OF ECONOMIC DEVELOPMENT

- Established within the Alabama Department of Revenue in 1997
- Work in conjunction with all economic development agencies – Department of Commerce, local developers, economic development organizations, etc.
- Conduit for economic development tax incentives in the state
- Support for state and local economic developers

EVOLUTION OF TAX INCENTIVES

- In 2015 major discretionary incentives legislation was passed.
- In 2016 legislation requiring evaluations of economic development incentives on a four-year cycle passed.
- As more companies started to qualify for the economic development credits, by 2019-2020 more and more projects were placed in service i.e., companies were able to utilize their credits on their returns.
- To advance the economic development incentives processing, we adopted a new project, Business Credit Manager (BCM) that restructures the application, tracking, and reporting of all incentives that ALDOR facilitates.
- With the help of BCM, our office is taking an innovative step toward regular and rigorous assessment of tax incentives.



BUSINESS CREDITS MANAGER (BCM)

- A new credit 'pre-approval' system implemented by ALDOR in Jan of 2020
- A mechanism to help ALDOR review and issue pre-certifications to qualifying tax credit claimants before the tax returns are filed
- Taxpayers claiming certain income tax credits are required to obtain an online "pre-approval" prior to claiming the credit on their tax returns
- These pre-approvals, also called pre-certifications, apply to a specified list of credits, and pertain to both businesses and individuals
- Integrated tool for meeting reporting requirements



BEFORE BCM

- Credits were claimed on the returns when the returns were filed
- Returns with credits were reviewed by an auditor before a taxpayer could receive their refund/credit
- Delay in taxpayers receiving their credit
- Reliance on manual spreadsheets for reporting purposes



POST BCM

- Most credits are required to be pre-certified online through My Alabama Taxes (MAT)
- Credits are reviewed for validity prior to them being claimed on the returns
- When the returns are filed, the taxpayers receive their credits without long time lags
- Reduction in fraudulent credit claims
- Eliminates the reliance on manual spreadsheets



BCM IN A NUTSHELL

- Pre-BCM, returns with credit claims would have to be reviewed by an auditor after the return has been filed. This could take weeks.
- Precertification of credits eliminates a major step in audits when reviewing a return. Auditors can simply refer to the certificates in the system for the approved or available credits.
- Any credit claim on a return without pre-certification gets automatically rejected. This has aided ALDOR in identifying numerous fraud claims.
- Provides concurrent reporting data on all BCM credits.



BUSINESS CREDITS MANAGER EXPLAINED

The screenshot displays the Business Credits Manager interface for a corporation named SUMMERTIME CORP. The interface is divided into several sections:

- Corporation:** SUMMERTIME CORP, 50 N RIPLEY ST, MONTGOMERY AL 36130-1030, Federal Employer ID # 11-1111111.
- Attributes:** Federal Employer ID : 11-1111111 #. An "Explore" button is highlighted.
- Balance:** Balance : 18,266.04, Outstanding : 18,266.04. An "Add Voucher" button is present.
- Open Tasks:** View All. There are no open tasks.
- Recent Notes:** Add Browse. There are no recent notes.

The bottom section shows a navigation menu with tabs: Favorites, Registration, CRM, Task, Collection, Audit, Financial, Adjustment, Federal, Web, Security, Other. The "Financial" tab is active, showing a sub-menu with: Returns, Expectations, SWC⁰, Payments, Refunds, Intercepts, Transactions, Certificates¹, Assessments.

The "Certificates" section includes a table with the following data:

Certificate	Credit Type	Exter	Original	Approved	Remaining	Claimed	Period	Credit End
622690304	Growing Alabama Credit		5,000.00	5,000.00	5,000.00	0.00	31-Dec-2021	31-Dec-2026

- Not an actual 'certificate' – an internal accounting mechanism.
- The certificates created as part of 'pre-approvals' will show how much credit a taxpayer has for a tax period and how much of it has been used, or whether they have any credit carryforwards.
- BCM was designed to ensure the taxpayers in Alabama who are entitled to a credit, receive such credits without delay, and false claims are readily identified and denied.

BUSINESS CREDITS REQUIRING PREAPPROVALS

- Accountability Credit – SGO Portion
- Alabama Small Business and Agribusiness Job Credit
- Apprenticeship Tax Credit
- Coal Credit
- Film Credit
- Full Employment Act 2011
- Growing Alabama Credit
- Historic Rehabilitation Credit 2013
- Historic Rehabilitation Tax Credit of 2017
- Income Tax Capital Credit
- Investment Credit
- Investment Credit Utility
- Qualified Irrigation System / Reservoir System Tax Credit
- Rail Credit
- Veterans Employment Act – Employer Credit
- Veterans Employment Act – Business Start Up Credit



BUSINESS CREDITS MANAGER IN ACTION

- Since the implementation of this new system in January 2020, ALDOR has been able to identify false claims, while also timely processing credits for those taxpayers who are entitled to receive them in an efficient manner.
- With BCM, we've processed close to 700 BCM credit claim cases resulting in ~140,000 certifications.
- 270 of the 700 BCM cases have been rejected.



REPORTING TAX INCENTIVES

The data presented here are fictitious and do not contain actual tax return information

Rollout Testing

Credit Type	Begin	End	Total Allowed	Total Approved	Total Claimed	Total Remaining
Accountability Credit - SGO Portion	03-Dec-2017		120,000,000.00	0.00	0.00	120,000,000.00
Accountability Parent Portion	01-Jan-2017		0.00	0.00	0.00	0.00
Adoption Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Alabama Economic Benefit	01-Jul-2020	31-Aug-2020	100,000,000.00	0.00	0.00	100,000,000.00
Apprenticeship Tax Credit	03-Dec-2017		12,000,000.00	3,000,000.00	1,000,000.00	9,000,000.00
Capital/Capital Docks Credit	03-Dec-2017		1,000.00	1,000.00	0.00	1,000.00
Coal Credit	03-Dec-2017		5,000.00	5,000.00	0.00	5,000.00
Credit for taxes paid to other states	03-Dec-2017		0.00	0.00	0.00	0.00
Dual Enrollment Credit	03-Dec-2017		20,000,000.00	3,100.00	2,500.00	19,996,900.00
Enterprise Zone Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Film Rebate Credit	03-Dec-2017		6,000,000.00	6,000,000.00	2,700,000.00	3,300,000.00
Full Employment Credit	03-Dec-2017		500.00	500.00	0.00	500.00
Growing Alabama Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Growing Alabama Credit - 2.2% License	01-Jan-2014		17,600.00	17,600.00	0.00	17,600.00
Growing Alabama Credit - Financial Inst.	01-Jan-2014		0.00	0.00	0.00	0.00
Historic Rehab 2013	01-Jan-2017		0.00	0.00	0.00	0.00
Historic Rehab 2017	03-Dec-2017		5,000.00	5,000.00	0.00	5,000.00
Investment Credit	03-Dec-2017		25,002,500.00	25,002,500.00	6,000,000.00	19,002,500.00
Investment Credit - 2.2% License	01-Jan-2021		8,513,250.00	8,513,250.00	2,554,000.00	5,959,250.00
Investment Credit - Financial Institution	01-Jan-2021		0.00	0.00	0.00	0.00
Investment Credit - Non Resident	01-Jan-2019		2,500.00	2,500.00	1,500.00	1,000.00
Investment Credit - Nonresident	01-Jan-2019		0.00	0.00	0.00	0.00
Investment credit - utility	01-Jan-2018		52,500.00	52,500.00	5,000.00	47,500.00
Irrigation/Reservoir Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Neighborhood Infrastructure Credit	03-Dec-2017		0.00	0.00	0.00	0.00
New Markets Development Credit	03-Dec-2017		0.00	0.00	0.00	0.00
NOL-20CC	01-Jan-2017		0.00	0.00	0.00	0.00
NOL-BIT	01-Jan-2017		50,000,000.00	50,000,000.00	2,500,000.00	47,500,000.00
NOL-FDT	01-Jan-2017		0.00	0.00	0.00	0.00
NOL-FDT ESBT	01-Jan-2017		0.00	0.00	0.00	0.00
NOL-FIE	01-Jan-2017		0.00	0.00	0.00	0.00
NOL-IIT	03-Dec-2017		0.00	0.00	0.00	0.00
Port Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Railroad Modernization 2019	01-Jan-2020	31-Dec-2026	5,000,000.00	5,000,000.00	0.00	5,000,000.00
Rural Physician Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Sales Tax Credit	01-Jan-2017		0.00	0.00	0.00	0.00
Small Business and Agribusiness Jobs Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Taxes paid to a Foreign Country Credit	03-Dec-2017		0.00	0.00	0.00	0.00
Veterans Employment Business start up	01-Jan-2017		0.00	0.00	0.00	0.00
Veterans Employment Credit	03-Dec-2017		2,000.00	2,000.00	0.00	2,000.00

40 Rows



DEPARTMENTWIDE FEEDBACK

- Pre-certifications save time in processing/reviewing returns
- Numerous false claims identified
- Useful in identifying approved, claimed, and remaining credit amounts
- For pass through entities, saves time in reviewing the owner's share of credit without having to track down the pass-through entity's return
- Some struggle with getting individual taxpayers on board with pre-certifications
- Older returns require manual certifications
- Other Internal administrative matters



QUESTIONS AND COMMENTS



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