

AEP ECONOMIC & BUSINESS DEVELOPMENT

State Taxes and Incentives

AEP's 11-state service territory offers a variety of "pro-business" tax structures and incentive programs to attract and retain investment. Basic business taxes and a sample of incentives are listed below. Contact us for a custom and comprehensive tax and incentive consultation for your business.

Arkansas



- Corporate Income Tax: 6.5% on income >\$100,000
- Sales Tax: 6.5% + 2.92% (avg local tax) = 9.42%
- Unemployment Insurance Tax: taxable wage base = \$10,000; rate = 0.4% - 14.3%
- Property Tax as a % of Personal Income = 1.75%
- Income tax credits for job creation, investment and R&D
- Annual cash payments based on a company's annual payroll for new, full time employees
- Sales and use tax refunds and exemptions for qualifying investments in building materials and machinery/equipment
- Goods manufactured in the state and stored for shipment outside Arkansas will not be assessed for taxation
- Infrastructure grants for manufacturers

Indiana



- Corporate Income Tax: 5.5% as of July 1, 2019; scheduled to decrease to 4.9% by 2022
- Sales Tax: 7%
- Unemployment Insurance Tax: taxable wage base = \$9,500; rate = 0.5% - 7.4%
- Property Tax as a % of Personal Income = 2.26%
- AEP's Economic Development Rider incentive provides reductions in electric rates
- Industrial development grants to offset public infrastructure costs to support a project site
- Tax credits for qualifying job creation, capital investment, headquarters relocations, R&D expenses and industrial recovery
- Training grants
- Sales exemptions for data centers, manufacturing and R&D equipment
- No gross receipts tax or inventory tax

Kentucky



- Corporate Income Tax: 5%
- Sales Tax: 6%
- Unemployment Insurance Tax: taxable wage base = \$10,200; rate = 0.4% - 9.25%
- Property Tax as a % of Personal Income = 2.00%
- AEP's Economic Development Rider incentive provides reductions in electric rates
- Income tax credits and refunds for qualifying job creation and capital investment
- Sales tax refunds for building and construction materials
- Property tax exemptions
- Sales tax exemptions for qualifying equipment and machinery
- Skills training grants and tax credits

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Louisiana



- Corporate Income Tax: 8% on income > \$200,000
- Sales Tax: 4.45% + 5.00% (avg local tax) = 9.45%
- Unemployment Insurance Tax: taxable wage base = \$7,700; rate = 0.1% - 6.2%
- Property Tax as a % of Personal Income = 2.05%
- AEP's Economic Development Rider incentive provides reductions in electric rates
- Cash rebates to companies that create jobs that meet wage and payroll requirements
- R&D expenditure tax credits
- Income and franchise tax credits via enterprise zone program
- Property tax abatement for manufacturer's investment
- Sales tax exemption on business utilities and manufacturing machinery & equipment
- Job training for new and expanding businesses

Michigan



- Corporate Income Tax: 6%
- Sales Tax: 6%
- Unemployment Insurance Tax: taxable wage base = \$9,000; rate = 0.78% - 12.77%
- Property Tax as a % of Personal Income = 3.12%
- AEP's Economic Development Rider incentive provides reductions in electric rates
- Grants, loans and other assistance for qualifying projects
- Discretionary incentives that allows businesses to retain new employee tax withholdings
- Border county tax abatements
- Renaissance zone tax exemptions
- Workforce development programs including candidate screening and training grants
- Sales tax exemptions on manufacturing machinery & equipment
- Property tax abatements for manufacturers and high tech businesses

Ohio



- Commercial Activity Tax: 0.26% of taxable gross receipts above \$1M
- Sales Tax: 5.75% + 1.40% (avg local tax) = 7.15%
- Unemployment Insurance Tax: taxable wage base = \$9,500; rate = 0.3% - 9.0%
- Property Tax as a % of Personal Income = 2.85%
- Job creation tax credits
- R&D Investment tax credits
- Discretionary incentives for substantial capital investment and job creation
- R&D Center grants
- Sales tax exemptions for data centers, manufacturing machinery and equipment, material handling equipment, R&D equipment
- Job training grants

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Oklahoma



- Corporate Income Tax: 6%
- Sales Tax: 4.5% + 4.43% (avg local tax) = 8.93%
- Unemployment Insurance Tax: taxable wage base = \$17,600; rate = 0.1% - 5.5%
- Property Tax as a % of Personal Income = 1.58%
- Job creation grants
- Discretionary incentives for substantial capital investment and job creation
- Tax credits for insurance companies and manufacturers
- Job training program
- Enterprise zones
- Sales tax exemption on manufacturing machinery and equipment, and on tangible personal property that becomes part of a finished product
- Ad valorem tax exemptions for qualifying projects

Tennessee



- Corporate Income Tax: 6.5%
- Sales Tax: 7% + 2.46% (avg local tax) = 9.46%
- Unemployment Insurance Tax: taxable wage base = \$7,000; rate = 0.01% - 10.0%
- Property Tax as a % of Personal Income = 1.98%
- FastTrack program helps companies locating or expanding in TN through three grant programs for job training, infrastructure development and a special economic development fund
- Tax credits for job creation, industrial machinery,
- Sales tax exemptions for data centers, warehouses, industrial machinery, energy, fuel and water used in manufacturing

Texas



- Franchise (Margins) Tax: Generally, 0.75% on gross receipts less certain deductions
- Sales Tax: 6.25% + 1.92% (avg local tax) = 8.17%
- Unemployment Insurance Tax: taxable wage base = \$9,000; rate = 0.46% - 6.46%
- Property Tax as a % of Personal Income = 3.69%
- "Deal closing" cash grants
- Grants to public community and technical colleges for customized job training program creation
- Enterprise zones
- Sales tax exemptions for data centers, materials used in manufacturing, and on natural gas/ electricity used in manufacturing
- Freeport property tax exemptions
- R&D tax credits
- Financing for qualified projects by allowing communities to leverage future sales tax revenues

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Virginia



- Corporate Income Tax: 6%
- Locally levied, typically between 0.02% - 0.58%
- Unemployment Insurance Tax: taxable wage base = \$8,000; rate = 0.11% - 6.21%
- Sales Tax: 5.3% + 0.35% (avg local tax) = 5.65%
- Property Tax as a % of Personal Income = 2.86%
- AEP's Economic Development Rider incentive provides reductions in electric rates
- "Deal closing" cash grants
- Tax credits and exemptions for job creation, R&D facilities, data centers
- Port volume increases, international trade facilities, barge and rail usage, green jobs, recyclable material processing
- Performance based incentives for qualifying capital investments
- Financial assistance to establish adequate rail and road access near new or expanded industrial and commercial projects
- Job training programs
- Enterprise and technology zones
- Tobacco region opportunity funds
- Sales tax exemptions for manufacturers, R&D facilities and datacenters

West Virginia



- Corporate Income Tax: 6.5%
- Sales Tax: 6% + 0.38% (avg local tax) = 6.38%
- Unemployment Insurance Tax: taxable wage base = \$12,000; rate = 1.5% - 8.5%
- Property Tax as a % of Personal Income = 2.44%
- Corporate headquarter relocation tax credits
- Tax credits based on job creation and investment
- High-tech manufacturing tax credits
- Sales tax exemptions for data centers and materials and equipment used in manufacturing and R&D
- Low interest loans and financing for land, buildings and equipment
- Job training

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