

AEP ECONOMIC & BUSINESS DEVELOPMENT

STATE TAXES & 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 customized comprehensive tax and incentive consultation for your business.

Arkansas



- Corporate Income Tax: 5.9% on income >\$25,000
- Sales Tax: 6.5% + 2.97% (avg local tax)
- Unemployment Insurance Tax: taxable wage base = \$7,000; rate = 0.3% - 14.2%
- Property Tax as a % of Personal Income = 1.69%
- AEP's Economic Development incentive provides reductions in electric rates
- 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 4.9% (4.9% as of 7/1/21)
- Sales Tax: 7%
- Unemployment Insurance Tax: taxable wage base = \$9,500; rate = 0.5% - 7.4%
- Property Tax as a % of Personal Income = 2.19%
- AEP's Economic Development incentive provides a discount for up to 7 years for qualifying customers.
- 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 redevelopment
- Training grants
- Sales tax 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 = \$10,800; rate = 0.3% - 10%
- Property Tax as a % of Personal Income = 1.91%
- AEP's Economic Development 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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Sources: The Tax Foundation, AEP, State Economic Development Organizations

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Louisiana



- Corporate Income Tax: 7.5% on income > \$150,000
- Sales Tax: 4.45% + 5.10% (avg local tax)
- Unemployment Insurance Tax: taxable wage base = \$7,700; rate = 0.09% - 6.2%
- Property Tax as a % of Personal Income = 1.80%
- AEP's Economic Development 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 = \$9,500 (\$9,500); rate = 0.06% - 10.30% 0.06% - 10.3%*
- Property Tax as a % of Personal Income = 2.99%
- Taxable wage base changed in 2021 – is tied to the Trust Fund Balance
- AEP's Economic Development incentive provides a discount for up to 5 years for qualifying customers.
- State grants, loans and other assistance for qualifying projects
- Training grants through Going Pro; includes apprenticeships and skills certification programs
- Sales and Use tax exemption on energy used in for the manufacturing process
- Property tax abatements for manufacturers and other high tech businesses

*<https://www.michiganbusiness.org/services/incentives-and-taxes/>

Ohio



- Commercial Activity Tax: 0.26% of taxable gross receipts above \$1M
- Sales Tax: 5.75% + 1.49% (avg local tax)
- Unemployment Insurance Tax: taxable wage base = \$9,000; rate = 0.8% - 10.2%
- Property Tax as a % of Personal Income = 2.72%
- Job creation tax credits
- R&D Investment tax credits
- Grants for public roadwork improvements
- Discretionary incentives for substantial capital investment and job creation
- R&D Center grants
- Sales tax exemptions for data center equipment, manufacturing machinery and equipment, material handling equipment, R&D equipment
- Job training grants
- Customized Talent Acquisition Services including candidate screening, recruiting services, marketing, and other related services

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Oklahoma



- Corporate Income Tax: 6%
- Sales Tax: 4.5% + 4.49% (avg local tax)
- Unemployment Insurance Tax: taxable wage base = \$24,800; rate = 0.3% - 7.5%
- Property Tax as a % of Personal Income = 1.75%
- 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% + 2.55% (avg local tax)
- Unemployment Insurance Tax: taxable wage base = \$7,000; rate = 0.01% - 10%
- Property Tax as a % of Personal Income = 1.61%
- 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% + 1.95% (avg local tax)
- Unemployment Insurance Tax: taxable wage base = \$9,000; rate = 0.31% - 6.31%
- Property Tax as a % of Personal Income = 3.99% (Local governments and special taxing districts levy taxes; no state property tax)
- AEP's Economic Development incentive in SWEPCO (SPP) provides reductions in electric rates
- Grants to public community and technical colleges for customized job training program creation
- Local property tax abatements, tax limitations on school property tax, and freeport property tax exemptions
- "Deal closing" cash grants
- Enterprise zones
- Sales tax exemptions for data centers, materials used in manufacturing, and on natural gas/ electricity used in manufacturing
- 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%
 - Gross Receipts Tax locally levied, typically between 0.02% - 0.58%
 - Sales Tax: 5.3% + 0.45% (avg local tax)
 - Unemployment Insurance Tax: taxable wage base = \$8,000; rate = 0.33% - 6.43%
 - Property Tax as a % of Personal Income = 2.94%
- AEP's Economic Development 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% + 0.55% (avg local tax)
 - Unemployment Insurance Tax: taxable wage base = \$9,000; rate = 1.5% - 8.5%
 - Property Tax as a % of Personal Income = 2.22%
- AEP's Economic Development incentive provides reductions in electric rates
 - 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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