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3 SENATE AGRICULTURE, CONSERVATION AND FORESTRY COMMITTEE
4 SUBSTITUTE FOR SB257

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9 SYNOPSIS: Under existing law, an agricultural trade or
10 business is allowed an income tax credit of 20
11 percent of the cost not to exceed \$10,000 of tax
12 liability for the purchase and installation of
13 irrigation equipment and for the conversion of
14 irrigation equipment from fuel to electricity or
15 for qualified reservoirs.

16 This bill would increase the amount of the
17 income tax credit by authorizing an alternative
18 income tax credit of 10 percent of the cost not to
19 exceed \$50,000 of tax liability. The bill would
20 provide that the income tax credit authorized by
21 this act would expire and be repealed effective
22 December 31, 2022.

23
24 A BILL
25 TO BE ENTITLED
26 AN ACT

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2 Relating to agriculture; to amend Section 40-18-342
3 of the Code of Alabama 1975, relating to the income tax credit
4 on irrigation equipment, fuel conversions, and reservoirs; to
5 authorize an agricultural trade or business to be eligible for
6 an increased cap on the amount of a credit based on a lower
7 percent of the costs of a project; and to provide for the
8 sunset of this income tax credit under certain conditions.

9 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

10 Section 1. Section 40-18-342 of the Code of Alabama
11 1975, is amended to read as follows:

12 "§40-18-342.

13 "(a) For all tax years beginning after December 31,
14 2011 until tax year ending December 31, 2017, there shall be
15 allowed to any agricultural trade or business an income tax
16 credit of equal to 20% of the cost of the purchase and
17 installation of any qualified irrigation equipment and any
18 conversion costs related to the conversion of irrigation
19 equipment from fuel to electricity or qualified reservoirs.
20 For a surface water withdrawal irrigation system to be
21 eligible for credit, the irrigation system must operate
22 utilizing a qualified reservoir, except when the surface water
23 withdrawal is directly from any river or stream whose average
24 annual flow exceeds 8,000 ~~(eight thousand)~~ cubic feet per
25 second. A qualified reservoir is not required for a ground
26 water withdrawal irrigation system. The credit shall be equal

1 to 20% of the accrued cost of the qualified irrigation
2 equipment and the cost of constructing the qualified
3 reservoir, but shall not exceed \$10,000 and shall not exceed
4 the taxpayer's Alabama income tax liability computed without
5 regard to the credit. The credit shall be taken in the year in
6 which the qualified irrigation equipment or the qualified
7 reservoir is placed in service.

8 "(b) For all tax years beginning after December 31,
9 2017 until tax year ending December 31, 2022, unless extended
10 by an act of the Legislature, there shall be allowed to any
11 agricultural trade or business an income tax credit of equal
12 to 20% of the cost of the purchase and installation of any
13 qualified irrigation equipment and any conversion costs
14 related to the conversion or irrigation equipment from fuel to
15 electricity or qualified reservoirs. For a surface water
16 withdrawal irrigation system to be eligible for credit, the
17 irrigation system must operate utilizing a qualified
18 reservoir, except when the surface water withdrawal is
19 directly from any river or stream whose average annual flow
20 exceeds 8,000 cubic feet per second. A qualified reservoir is
21 not required for a ground water withdrawal irrigation system.
22 The credit shall be equal to a percent of the accrued cost of
23 the qualified irrigation equipment and the cost of
24 constructing the qualified reservoir, as follows: Twenty
25 percent of the accrued cost not to exceed ten thousand dollars
26 (\$10,000) or 10 percent of the accrued cost not to exceed

1 fifty thousand dollars (\$50,000), whichever is greater. The
2 credit shall not exceed the taxpayer's Alabama income tax
3 liability computed without regard to the credit. The credit
4 shall be taken in the year in which the qualified irrigation
5 equipment or the qualified reservoir is placed in service.

6 "(c) For all tax years beginning after December 31,
7 2022, there shall be allowed to any agricultural trade or
8 business an income tax credit of equal to 20% of the cost of
9 the purchase and installation of any qualified irrigation
10 equipment and any conversion costs related to the conversion
11 of irrigation equipment from fuel to electricity or qualified
12 reservoirs. For a surface water withdrawal irrigation system
13 to be eligible for credit, the irrigation system must operate
14 utilizing a qualified reservoir, except when the surface water
15 withdrawal is directly from any river or stream whose average
16 annual flow exceeds 8,000 cubic feet per second. A qualified
17 reservoir is not required for a ground water withdrawal
18 irrigation system. The credit shall be equal to 20% of the
19 accrued cost of the qualified irrigation equipment and the
20 cost of constructing the qualified reservoir, but shall not
21 exceed \$10,000 and shall not exceed the taxpayer's Alabama
22 income tax liability computed without regard to the credit.
23 The credit shall be taken in the year in which the qualified
24 irrigation equipment or the qualified reservoir is placed in
25 service.

1 "(d) The credit provided in this article shall be
2 limited to only one purchase and installation of qualified
3 irrigation equipment or one qualified reservoir per taxpayer.

4 "(e) The credit may be carried to each of the five
5 years following the taxable year the qualified irrigation
6 system or reservoir is placed in service. The portion of the
7 credit which shall be carried to each of the other taxable
8 years shall be the excess, if any, of the amount of credit
9 over the sum of the income tax due for each of the prior
10 taxable years to which the credit may be carried.

11 "(f) The Legislature recognizes that a substantial
12 number of businesses are organized as limited liability
13 companies, partnerships, and other types of business entities
14 and that certain business entities, organized as corporations
15 elect to be treated as "S" corporations under federal and
16 state tax laws, and that it is essential that the irrigation
17 credit amount shall be available on a pass-through basis. The
18 shareholders, partners, members, owners, or beneficiaries of
19 any of the ~~fore-mentioned~~ aforementioned businesses claiming
20 the credit allowed in this section shall be allowed their pro
21 rata share of the credit against their income tax levied."

22 Section 2. This act shall become effective
23 immediately following its passage and approval by the
24 Governor, or its otherwise becoming law.