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SYNOPSIS:

Under existing law, an occupational license tax based on income may be levied by a municipality on certain persons gainfully employed in the municipality.

This bill would enact the "Family Income Protection Act."

This bill would incrementally reduce any occupational license tax levied by a municipality greater than one percent based on an annual reduction in the percent of the tax until the tax would be one percent.

This bill would provide that any occupational license tax levied by any municipality would not apply to any person performing an occupation in the police jurisdiction of the municipality or on any property that is an industrial megasite consisting of 1,000 or more acres annexed into the municipality after January 1, 2023.

25 This bill would provide a referendum under certain
26 conditions in any county in which two or more
27 municipalities levied an occupational license tax
28 greater than one percent on January 1, 2023.

29 This bill would prohibit any municipality from levying
30 a new occupational license tax or increasing any
31 existing occupational license tax.

32 This bill would provide certain exceptions from
33 occupational license taxes for certain temporary
34 workers and for severance pay.

35 This bill would also specify that the power of a
36 municipality to license an exhibition, trade, business
37 vocation, occupation, or profession only applies to
38 activity engaged in or carried on in the municipality;
39 would further provide for refund procedures for any
40 remittances based on activities of licensees outside
41 of the jurisdiction of a municipality; and would
42 further provide for remittance procedures by
43 employers.

44

45 A BILL

46 TO BE ENTITLED

47 AN ACT

48

49 Relating to municipal occupational license taxes; to
50 add Section 11-51-91.1 to the Code of Alabama 1975, to
51 reduce any municipal occupational license tax greater
52 than one percent based on an annual reduction in the
53 tax until the tax would be one percent; to provide
54 that any occupational license tax levied by any
55 municipality would not apply to any person performing
56 an occupation in the police jurisdiction of the
57 municipality or on any property that is an industrial
58 megasite consisting of 1,000 or more acres annexed
59 into the municipality after January 1, 2023; to
60 provide for a referendum under certain conditions in
61 certain counties in which two or more municipalities
62 levied an occupational tax greater than one percent on
63 January 1, 2023; to prohibit a municipality from
64 levying a new occupational license tax or increasing
65 the rate of any existing municipal occupational
66 license tax; to provide for certain exceptions from
67 any occupational taxes for certain temporary workers
68 and for severance pay; to specify the power of a
69 municipality pursuant to Section 11-51-90 of the Code
70 of Alabama 1975, to license an exhibition, trade,
71 business, vocation, occupation, or profession only
72 within the corporate limits and jurisdiction of the

73 municipality, to further provide for refunds and
74 collections of the license fees and taxes, and to
75 provide that these provisions are retroactive and
76 declaratory of existing law.

77 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

78 Section 1. Section 11-51-91.1 is added to the Code of
79 Alabama 1975, to read as follows:

80 §11-51-91.1

81 (a) This section shall be known and may be cited as
82 the "Family Income Protection Act."

83 (b) (1) Effective October 1, following the effective
84 date of this section, the rate of any occupational
85 license tax on the income of a natural person levied
86 by a municipality in this state and imposed on a
87 natural person derived from the conduct of a vocation,
88 occupation, calling, or profession shall be
89 incrementally reduced as follows: The maximum tax rate
90 in any municipality shall be capped at the tax rate in
91 effect on January 1, 2023, except as further provided
92 in this subsection. In any municipality where the
93 maximum tax rate of the levy on January 1, 2023, is
94 greater than one percent, the maximum tax rate of the
95 levy shall be reduced to a maximum rate of one percent
96 by subtracting not less than two-tenths of one percent

97 from the maximum tax rate of the levy on October 1
98 following the effective date of this act and each
99 October 1 thereafter until the occupational tax is
100 reduced to one percent. For example, if the rate of
101 the levy of the occupational tax is two percent, for
102 the first year, the maximum tax rate of the levy
103 applicable in the municipality would be reduced to 1.8
104 percent; for the second year, the maximum rate of the
105 levy applicable in the municipality would be reduced
106 to 1.6 percent; and continuing for each year
107 thereafter until the maximum rate of the levy
108 applicable in the municipality would be one percent.

109 (2) Any municipality that has voluntarily reduced the
110 rate of occupational license tax in the municipality
111 by two-tenths of one percent or more prior to October
112 1 of any year shall not be required to make a further
113 reduction in its rate of levy for that year.

114 (3) In any county in which two or more municipalities
115 levied an occupational license tax above one percent
116 on January 1, 2023, a county-wide referendum shall be
117 held at the first primary election in 2028 in the
118 county on the continued levy of the occupational
119 license tax by any municipalities in the county after
120 the rate of the levy in the municipalities is reduced

121 to one percent. The question on the ballot shall be as
122 follows: "Shall municipalities be allowed to continue
123 collecting occupational license taxes in Etowah
124 County? ___Yes ___No." The judge of probate of the
125 county shall prepare the ballot question on the ballot
126 and tabulate the results. If a majority of the votes
127 are "Yes" and in favor of the continued authorization
128 for the levy of an occupational license tax by the
129 municipalities, the municipalities may continue to
130 levy the tax up to the rate of one percent. If a
131 majority of the votes are "No" and against the
132 continued authorization for the levy of the tax, the
133 continued authorization for the levy of the
134 occupational license tax shall be phased out by an
135 additional two-tenths of one percent each October 1
136 thereafter until the municipalities in the county
137 shall no longer be authorized to levy an occupational
138 license tax in the municipalities.

139 (c) Any occupational license tax levied on the income
140 of a natural person by a municipality shall not apply
141 to any natural person conducting a vocation,
142 occupation, calling, or profession in the police
143 jurisdiction of the municipality or on any property
144 that is an industrial megasite of 1,000 or more acres

145 annexed into the municipality after January 1, 2023.

146 (d) After the effective date of this section,
147 notwithstanding the provisions of Section 11-51-90, no
148 municipality may levy a new occupational license tax
149 pursuant to Section 11-51-90 or otherwise on the
150 income of any natural person engaging in any
151 occupation or increase the rate of any occupational
152 license tax on the income of any natural person
153 engaging in any occupation.

154 (e) Notwithstanding any other provision of law, after
155 the effective date of this act, any occupational
156 license tax levied in a municipality shall not apply
157 to any employee providing services in the municipality
158 for a period of 90 days or less if the employee's base
159 for employment purposes is outside of the municipality
160 or to any employee or other worker providing services
161 in the municipality in response to a natural disaster
162 or other state of emergency declared by the Governor
163 or the President of the United States if the
164 employee's base for employment purposes is outside of
165 the municipality.

166 (f) Notwithstanding any other provision of law, after
167 the effective date of this act, any occupational
168 license tax levied in a municipality in the county

169 shall not apply to any severance payments,
170 supplemental unemployment payments, retirement
171 incentive payments, or any similar payments paid by an
172 employer to an employee.

173 Section 2.(a) A municipality shall not have the power,
174 authority, or jurisdiction pursuant to Section
175 11-51-90 of the Code of Alabama 1975, to license any
176 exhibition, trade, business vocation, occupation, or
177 profession based on gross receipts or income or any
178 portion of the gross receipts or income from any
179 exhibition, trade, business, vocation, occupation, or
180 profession engaged in or carried on outside of the
181 corporate limits and jurisdiction of the municipality.

182 (b) Any municipality that collects any license fees or
183 taxes based on any gross receipts or income of any
184 licensee pursuant to Section 11-51-90 shall provide a
185 reasonable procedure by ordinance for the refund of
186 any portion of the gross receipts or income from any
187 exhibition, trade, business, vocation, occupation, or
188 profession engaged in or carried on outside of the
189 corporate limits or jurisdiction of the municipality
190 for any gross receipts or income on behalf of the
191 licensee which were remitted to the municipality.

192 (c) The employer of any taxpayer or licensee or any

193 licensee licensed pursuant to Section 11-51-90 shall
194 not remit nor be required to remit any license fees or
195 taxes on any gross receipts or income of a licensee
196 from any exhibition, trade, business, vocation,
197 occupation, or profession engaged in or carried on
198 outside of the corporate limits or jurisdiction of the
199 municipality. The employer shall be held harmless for
200 its remittances under this section provided the
201 employer gives a signed statement that remittances are
202 accurate to the best of the knowledge and belief of
203 the employer.

204 (d) This paragraph is declaratory of existing law and
205 intended to specify and clarify that a municipality
206 may only collect license fees and taxes pursuant to
207 Section 11-51-90 based on activity that is
208 specifically engaged in or carried out in the
209 municipality and the municipality has no jurisdiction
210 to levy or collect license fees on activities outside
211 of the corporate limits or jurisdiction of the
212 municipality.

213 Section 3. All laws or parts of laws which conflict
214 with this act are repealed.

215 Section 4. This act shall become effective immediately
216 following its passage and approval by the Governor, or

217 its otherwise becoming law.