

1 HB178  
2 203965-1  
3 By Representative Sorrell  
4 RFD: Ways and Means General Fund  
5 First Read: 06-FEB-20

2  
3  
4  
5  
6  
7  
8 SYNOPSIS: Under existing law, ad valorem taxes are  
9 assessed on taxable property by class.

10 This bill would reduce ad valorem tax  
11 assessment ratios on certain taxable property over  
12 a ten-year period beginning in the tax year 2020.

13  
14 A BILL  
15 TO BE ENTITLED  
16 AN ACT

17  
18 To amend Section 40-8-1, Code of Alabama, 1975,  
19 relating to the assessment of property for ad valorem tax  
20 purposes; to eliminate state ad valorem taxes on certain  
21 taxable property over a ten-year period beginning in the tax  
22 year 2020.

23 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

24 Section 1. Section 40-8-1, Code of Alabama 1975, is  
25 amended to read as follows:

26 "§40-8-1.

1           "(a) On and after October 1, 1978, with respect to  
2 ad valorem taxes levied by the state, and, unless otherwise  
3 provided, with respect to ad valorem taxes levied by a county,  
4 municipality, or other taxing authority other than the state,  
5 all taxable property shall be divided into the following  
6 classes and no other and shall be assessed for ad valorem tax  
7 purposes at the following ratios of assessed value to the fair  
8 and reasonable market value of such property, or, as may be  
9 provided by law, to the current use value of such property:

10           "CLASS I. All property of utilities used in the  
11 business of such utilities, 30 percent.

12           "CLASS II. All ~~property not otherwise classified~~  
13 real and personal property, 20 percent. For taxable years of  
14 taxpayers that begin after December 31, 2020 through December  
15 31, 2029, the personal property rate of tax for each tax year  
16 shall be the following corresponding rate as set forth below.

17           "(1) In tax year 2021, eighteen percent (18%);

18           "(2) In tax year 2022, sixteen percent (16%);

19           "(3) In tax year 2023, fourteen percent (14%);

20           "(4) In tax year 2024, twelve percent (12%);

21           "(5) In tax year 2025, ten percent (10%);

22           "(6) In tax year 2026, eight percent (8%);

23           "(7) In tax year 2027, six percent (6%);

24           "(8) In tax year 2028, four percent (4%);

25           "(9) In tax year 2029, two percent (2%);

1           "(10 ) For all taxable years of taxpayers that begin  
2           after December 31, 2029, the tax levied by this article shall  
3           no longer be assessed.

4           "CLASS III. All agricultural, forest, and  
5           residential property, and historic buildings and sites, 10  
6           percent.

7           "CLASS IV. All private passenger automobiles and  
8           motor trucks of the type commonly known as "pickups" or  
9           "pickup trucks" owned and operated by an individual for  
10          personal or private use and not for hire, rent, or  
11          compensation, 15 percent.

12          "(b) As used herein, the following terms shall have  
13          the following meanings, respectively, unless the context  
14          clearly indicates otherwise:

15          "(1) AGRICULTURAL AND FOREST PROPERTY. All real  
16          property used for raising, harvesting, and selling crops or  
17          for the feeding, breeding, management, raising, sale of, or  
18          the production of livestock, including beef cattle, sheep,  
19          swine, horses, ponies, mules, poultry, fur-bearing animals,  
20          honeybees, and fish, or for dairying and the sale of dairy  
21          products, or for the growing and sale of timber and forest  
22          products, or any other agricultural or horticultural use or  
23          animal husbandry and any combination thereof.

24          "(2) HISTORIC BUILDINGS AND SITES. Regardless of the  
25          use to which such property is put, all buildings or structures  
26          (i) determined eligible by the state historic preservation  
27          officer for listing on the National Register of Historic

1 Places; or (ii) located in a registered historic district and  
2 certified by the United States Secretary of the Interior as  
3 being of historic significance to the district.

4 "(3) PRIVATE PASSENGER AUTOMOBILES AND MOTOR TRUCKS  
5 OF THE TYPE COMMONLY KNOWN AS "PICKUPS" OR "PICKUP TRUCKS"  
6 OWNED AND OPERATED BY AN INDIVIDUAL FOR PERSONAL OR PRIVATE  
7 USE AND NOT FOR HIRE, RENT, OR COMPENSATION. All private  
8 passenger automobiles, as that term is defined in Sections  
9 40-12-240, subdivision (17), and 40-12-241; and all motor  
10 trucks of the type commonly known as "pickups" or "pickup  
11 trucks," weighing not exceeding 8,000 pounds gross weight.

12 ~~"(4) PROPERTY NOT OTHERWISE CLASSIFIED. All real and~~  
13 ~~personal property which does not fall within any one or more~~  
14 ~~of Classes I, III, and IV. (4) REAL PROPERTY. Buildings,~~  
15 improvements, fixtures, and the rights and privileges  
16 associated with land which do not fall within any one or more  
17 of Classes I, III and IV.

18 "(5) PERSONAL PROPERTY. Goods, wares, merchandise,  
19 chattels and effects that have marketable value which are not  
20 included in real property and do not fall within any one or  
21 more of Classes I, III and IV.

22 ~~"(5)~~ (6) PROPERTY OF UTILITIES. All property  
23 assessed for taxation by the Department of Revenue pursuant to  
24 the provisions of Chapter 21 of this title; provided, that  
25 after September 30, 1979, and only to the extent required by  
26 Title III, §306 of Pub. L. 94-210 (the Railroad Revitalization  
27 and Regulatory Reform Act of 1976, codified as 49 U.S.C.

1 §26c), "transportation property," as that term is defined in  
2 the aforesaid statute, as heretofore or hereafter amended, or  
3 in any subsequent statute of similar import, shall not be  
4 assessed as Class I property and customer-owned coin-operated  
5 telephone companies shall not be assessed as Class I property.

6 ~~"(6)~~ (7) RESIDENTIAL PROPERTY. a. Real property,  
7 used by the owner thereof exclusively as the owner's  
8 single-family dwelling. This includes an owner who resides on  
9 the property and remains in possession of the property after  
10 it is sold at a tax sale.

11 "b. Residential property shall include single-family  
12 dwellings and the fully-developed underlying lot owned by a  
13 home builder holding a valid and current license from the Home  
14 Builders Licensure Board or who is otherwise authorized by the  
15 board to construct single-family homes until sold or used for  
16 a purpose other than as a single-family dwelling; provided  
17 that this classification shall not exceed a period of 24  
18 months from the date the owner home builder applies for the  
19 classification as provided herein.

20 "(c) The single-family dwelling and the  
21 fully-developed underlying lot as described in paragraph b. of  
22 subdivision (6) of subsection (b) may be reclassified as Class  
23 III, rather than Class II, as authorized by Act 2011-544 based  
24 on the property owner filing documentary evidence of the date  
25 construction begins or the date the lot is fully developed  
26 pursuant to rules promulgated by the Department of Revenue,  
27 which rules shall include what documents may be accepted to

1 qualify as Class III. The property shall be reclassified as  
2 Class II property until approved documentation is properly  
3 filed with the tax assessing official pursuant to the rules of  
4 the department. The authorization for the property to be  
5 reclassified as residential property shall not exempt the  
6 property from the provisions of Section 40-7-25.3, which shall  
7 apply to all property seeking the reclassification as  
8 residential property authorized by Act 2011-544.

9 "(d) The reclassification of property authorized by  
10 subsection (c) shall terminate when one of the following  
11 occurs:

12 "(1) The classification has been in place for 24  
13 months.

14 "(2) The owner no longer holds a valid license or  
15 authorization from the Home Builders Licensure Board.

16 "(3) The sale, transfer, or any other action or  
17 inaction resulting in the single-family dwelling or the  
18 fully-developed underlying lot no longer being held by the  
19 person, firm, or corporation first seeking the  
20 reclassification.

21 "(e) Fully-developed lots that on September 1, 2011,  
22 are within a platted and recorded subdivision and fully comply  
23 with the subdivision regulations applying to the subdivision,  
24 classified as Class II property, and owned by the person or  
25 firm originally platting the subdivision or owned by a person  
26 or firm authorized or licensed by the Home Builders Licensure  
27 Board to construct single-family homes may be reclassified as

1 Class III property for the two tax years immediately following  
2 September 1, 2011. Notwithstanding the foregoing, in order to  
3 qualify for the reclassification, the owner shall properly  
4 file with the tax assessing official documentation required  
5 pursuant to the rules of the department.

6 "(f) Wherever any statute provides for, limits, or  
7 measures the power or authority of any county, municipality,  
8 or other taxing authority to levy taxes, borrow money, or  
9 incur indebtedness in relation to the assessment of property  
10 therein for state taxes or for state and county taxes, such  
11 provision shall mean as assessed for county or municipal  
12 taxes.

13 "(g) The following property shall be exempted from  
14 ad valorem taxation: The real and personal property of the  
15 state, counties, and municipalities and real and personal  
16 property devoted exclusively to religious, education, or  
17 charitable purposes. The property of Masonic lodges, Knights  
18 of Columbus homes, and union halls shall be exempt when used  
19 exclusively for the purposes and business of such  
20 organizations. All property now exempt by law shall continue  
21 to be exempt from taxation until changed by law.

22 "(h) The Department of Revenue shall have authority  
23 to promulgate rules and regulations for the uniform  
24 identification and assessment of manufactured homes.

25 "(i) In the event an owner's single-family dwelling  
26 is destroyed or damaged to the extent that the dwelling is  
27 uninhabitable, the property shall retain its classification as



1 residential property while the dwelling is being rebuilt or  
2 restored to an inhabitable state for a period of not to exceed  
3 24 months from the date of the destruction or damage. If the  
4 destroyed or damaged dwelling is not rebuilt or restored to an  
5 inhabitable state as the owner's single-family dwelling within  
6 24 months from the date of the destruction or damage or the  
7 property is converted at any time to a use other than as the  
8 owner's single-family dwelling, the property shall lose its  
9 classification as residential property.

10 "The owner may request an extension not to exceed an  
11 additional 24 months upon submission of proof that the work  
12 necessary to rebuild or restore the destruction or damage  
13 could not be contracted or if contracted could not be  
14 completed within 24 months from the date of the destruction or  
15 damage.

16 "(j) Property classified as residential property  
17 shall not lose its classification as residential property for  
18 a period of 24 months if the property is not used as the  
19 owner's single-family dwelling because the property is not  
20 inhabitable or is otherwise under repair after being damaged  
21 by a natural disaster such as a tornado or hurricane."

22 Section 2. All laws or part of laws which conflict  
23 with this act are hereby repealed.

24 Section 3. The provisions of this act are severable.  
25 If any part of this act is declared invalid or  
26 unconstitutional, that declaration shall not affect the part  
27 that remains.

1                   Section 4. This act shall become effective January  
2    1, 2020, following its passage and approval by the Governor or  
3    upon its otherwise becoming law.