

1 HB387  
2 183040-3  
3 By Representatives Chesteen, Blackshear, Patterson, Boothe,  
4 Lee, Sanderford, Williams (JW), Ledbetter, Grimsley, Lovvorn,  
5 McMillan, Crawford, Howard, Ainsworth, McCampbell, Davis,  
6 Standridge and Sessions  
7 RFD: Ways and Means Education  
8 First Read: 09-MAR-17

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

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20 this act would expire and be repealed effective  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

23  
24 A BILL  
25 TO BE ENTITLED  
26 AN ACT  
27

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

8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

11           "§40-18-342.

12           "(a) For all tax years beginning after December 31,  
13 2011, there shall be allowed to any agricultural trade or  
14 business an income tax credit of equal to 20% of the cost of  
15 the purchase and installation of any qualified irrigation  
16 equipment and any conversion costs related to the conversion  
17 of irrigation equipment from fuel to electricity or qualified  
18 reservoirs. For a surface water withdrawal irrigation system  
19 to be eligible for credit, the irrigation system must operate  
20 utilizing a qualified reservoir, except when the surface water  
21 withdrawal is directly from any river or stream whose average  
22 annual flow exceeds 8,000 (~~eight thousand~~) cubic feet per  
23 second. A qualified reservoir is not required for a ground  
24 water withdrawal irrigation system. The credit shall be equal  
25 to 20% of the accrued cost of the qualified irrigation  
26 equipment and the cost of constructing the qualified  
27 reservoir, but shall not exceed \$10,000 and shall not exceed

1 the taxpayer's Alabama income tax liability computed without  
2 regard to the credit. The credit shall be taken in the year in  
3 which the qualified irrigation equipment or the qualified  
4 reservoir is placed in service.

5 "(b) In lieu of the tax credit authorized in  
6 subsection (a) and at the option of the taxpayer, for all tax  
7 years beginning after December 31, 2017, there shall be  
8 allowed to any agricultural trade or business an income tax  
9 credit of up to 20 percent of the cost of the purchase and  
10 installation of any qualified irrigation equipment and any  
11 conversion costs related to the conversion of irrigation  
12 equipment from fuel to electricity or qualified reservoirs.  
13 For a surface water withdrawal irrigation system to be  
14 eligible for credit, the irrigation system must operate  
15 utilizing a qualified reservoir, except when the surface water  
16 withdrawal is directly from any river or stream whose average  
17 annual flow exceeds 8,000 cubic feet per second. A qualified  
18 reservoir is not required for a ground water withdrawal  
19 irrigation system. The credit shall be equal to a percent of  
20 the accrued cost of the qualified irrigation equipment and the  
21 cost of constructing the qualified reservoir as follows:  
22 Twenty percent of the accrued cost of the qualified irrigation  
23 equipment and the cost of constructing the qualified reservoir  
24 not to exceed ten thousand dollars (\$10,000) or 10 percent of  
25 the accrued cost not to exceed fifty thousand dollars  
26 (\$50,000), whichever is greater. The credit shall not exceed  
27 the taxpayer's Alabama income tax liability computed without

1 regard to the credit. The credit shall be taken in the year in  
2 which the qualified irrigation equipment or the qualified  
3 reservoir is placed in service.

4 "(c) The credit provided in this article shall be  
5 limited to only one purchase and installation of qualified  
6 irrigation equipment or one qualified reservoir per taxpayer.

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

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

25 Section 2. Subsection (b) of Section 40-18-342, Code  
26 of Alabama 1975, as amended by this act, shall expire and be

1 repealed effective December 31, 2022, unless extended by a  
2 joint resolution enacted by the Legislature.

3 Section 3. This act shall become effective for tax  
4 years beginning on or after December 31, 2017, immediately  
5 following its passage and approval by the Governor, or its  
6 otherwise becoming law.