

1 SB257
2 183085-4
3 By Senators Orr, Dial and Allen
4 RFD: Agriculture, Conservation, and Forestry
5 First Read: 28-FEB-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20 this act would expire and be repealed effective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.

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23 A BILL
24 TO BE ENTITLED
25 AN ACT
26

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 "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%~~ a percent of the accrued cost of the qualified
26 irrigation equipment and the cost of constructing the
27 qualified reservoir, ~~but shall~~ as follows: Twenty percent of

1 the accrued cost not to exceed \$10,000 and ten thousand
2 dollars (\$10,000) or 10 percent of the accrued cost not to
3 exceed fifty thousand dollars (\$50,000), whichever is greater.
4 The credit shall not exceed the taxpayer's Alabama income tax
5 liability computed without regard to the credit. The credit
6 shall be taken in the year in which the qualified irrigation
7 equipment or the qualified reservoir is placed in service.

8 "The credit provided in this article shall be
9 limited to only one purchase and installation of qualified
10 irrigation equipment or one qualified reservoir per taxpayer.

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

18 "The Legislature recognizes that a substantial
19 number of businesses are organized as limited liability
20 companies, partnerships, and other types of business entities
21 and that certain business entities, organized as corporations
22 elect to be treated as "S" corporations under federal and
23 state tax laws, and that it is essential that the irrigation
24 credit amount shall be available on a pass-through basis. The
25 shareholders, partners, members, owners, or beneficiaries of
26 any of the ~~fore mentioned~~ aforementioned businesses claiming

1 the credit allowed in this section shall be allowed their pro
2 rata share of the credit against their income tax levied."

3 Section 2. The amendment of Section 40-18-342, Code
4 of Alabama 1975, by this act shall expire and be repealed
5 effective December 31, 2022.

6 Section 3. This act shall become effective
7 immediately following its passage and approval by the
8 Governor, or its otherwise becoming law.