

1 SB257  
2 183499-5  
3 By Senators Orr, Dial and Allen  
4 RFD: Agriculture, Conservation, and Forestry  
5 First Read: 28-FEB-17

1 SB257

2  
3  
4 ENROLLED, An Act,

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

12 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

13 Section 1. Section 40-18-342 of the Code of Alabama  
14 1975, is amended to read as follows:

15 "§40-18-342.

16 "(a) For all tax years beginning after December 31,  
17 2011 until tax year ending December 31, 2017, there shall be  
18 allowed to any agricultural trade or business an income tax  
19 credit of equal to 20% of the cost of the purchase and  
20 installation of any qualified irrigation equipment and any  
21 conversion costs related to the conversion of irrigation  
22 equipment from fuel to electricity or qualified reservoirs.  
23 For a surface water withdrawal irrigation system to be  
24 eligible for credit, the irrigation system must operate  
25 utilizing a qualified reservoir, except when the surface water

1 withdrawal is directly from any river or stream whose average  
2 annual flow exceeds 8,000 ~~(eight thousand)~~ cubic feet per  
3 second. A qualified reservoir is not required for a ground  
4 water withdrawal irrigation system. The credit shall be equal  
5 to 20% of the accrued cost of the qualified irrigation  
6 equipment and the cost of constructing the qualified  
7 reservoir, but shall not exceed \$10,000 and shall not exceed  
8 the taxpayer's Alabama income tax liability computed without  
9 regard to the credit. The credit shall be taken in the year in  
10 which the qualified irrigation equipment or the qualified  
11 reservoir is placed in service.

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

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

11 "(c) For all tax years beginning after December 31,  
12 2022, there shall be allowed to any agricultural trade or  
13 business an income tax credit of equal to 20% of the cost of  
14 the purchase and installation of any qualified irrigation  
15 equipment and any conversion costs related to the conversion  
16 of irrigation equipment from fuel to electricity or qualified  
17 reservoirs. For a surface water withdrawal irrigation system  
18 to be eligible for credit, the irrigation system must operate  
19 utilizing a qualified reservoir, except when the surface water  
20 withdrawal is directly from any river or stream whose average  
21 annual flow exceeds 8,000 cubic feet per second. A qualified  
22 reservoir is not required for a ground water withdrawal  
23 irrigation system. The credit shall be equal to 20% of the  
24 accrued cost of the qualified irrigation equipment and the  
25 cost of constructing the qualified reservoir, but shall not

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

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

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

16 "(f) The Legislature recognizes that a substantial  
17 number of businesses are organized as limited liability  
18 companies, partnerships, and other types of business entities  
19 and that certain business entities, organized as corporations  
20 elect to be treated as "S" corporations under federal and  
21 state tax laws, and that it is essential that the irrigation  
22 credit amount shall be available on a pass-through basis. The  
23 shareholders, partners, members, owners, or beneficiaries of  
24 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 agricultural trade or business  
4 receiving tax credits pursuant to this chapter shall file an  
5 annual informational report in a manner as prescribed by the  
6 Department of Agriculture and Industries prior to claiming the  
7 credits on a tax return. The information on the reports shall  
8 be consistent with the information required by the Legislature  
9 pursuant to Section 40-1-50, Code of Alabama 1975, and rules  
10 adopted thereunder. Information provided pursuant to this  
11 section is exempt from the confidentiality provisions of  
12 Section 40-2A-10, Code of Alabama 1975, and shall be provided  
13 by the Department of Agriculture and industries to the  
14 Legislature in accordance with Section 40-1-50 and rules  
15 adopted by the Department of Revenue.

16 Section 3. This act shall become effective  
17 immediately following its passage and approval by the  
18 Governor, or its otherwise becoming law.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

---

President and Presiding Officer of the Senate

---

Speaker of the House of Representatives

SB257

Senate 06-APR-17

I hereby certify that the within Act originated in and passed the Senate.

Patrick Harris,  
Secretary.

---

House of Representatives  
Amended and passed 18-MAY-17

---

Senate concurred in House amendment 19-MAY-17

---

By: Senator Orr