

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20 this act would expire and be repealed effective  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.

22  
23 A BILL

24 TO BE ENTITLED

25 AN ACT

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

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

"§40-18-342.

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