

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

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4 ENGROSSED

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7 A BILL  
8 TO BE ENTITLED  
9 AN ACT

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

18 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

19 Section 1. Section 40-18-342 of the Code of Alabama  
20 1975, is amended to read as follows:

21 "§40-18-342.

22 "(a) For all tax years beginning after December 31,  
23 2011 until tax year ending December 31, 2017, there shall be  
24 allowed to any agricultural trade or business an income tax  
25 credit of equal to 20% of the cost of the purchase and  
26 installation of any qualified irrigation equipment and any  
27 conversion costs related to the conversion of irrigation

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

16 "(b) For all tax years beginning after December 31,  
17 2017 until tax year ending December 31, 2022, unless extended  
18 by an act of the Legislature, there shall be allowed to any  
19 agricultural trade or business an income tax credit of equal  
20 to 20% of the cost of the purchase and installation of any  
21 qualified irrigation equipment and any conversion costs  
22 related to the conversion or irrigation equipment from fuel to  
23 electricity or qualified reservoirs. For a surface water  
24 withdrawal irrigation system to be eligible for credit, the  
25 irrigation system must operate utilizing a qualified  
26 reservoir, except when the surface water withdrawal is  
27 directly from any river or stream whose average annual flow

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

13 "(c) For all tax years beginning after December 31,  
14 2022, there shall be allowed to any agricultural trade or  
15 business an income tax credit of equal to 20% of the cost of  
16 the purchase and installation of any qualified irrigation  
17 equipment and any conversion costs related to the conversion  
18 of irrigation equipment from fuel to electricity or qualified  
19 reservoirs. For a surface water withdrawal irrigation system  
20 to be eligible for credit, the irrigation system must operate  
21 utilizing a qualified reservoir, except when the surface water  
22 withdrawal is directly from any river or stream whose average  
23 annual flow exceeds 8,000 cubic feet per second. A qualified  
24 reservoir is not required for a ground water withdrawal  
25 irrigation system. The credit shall be equal to 20% of the  
26 accrued cost of the qualified irrigation equipment and the  
27 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  
25 the credit allowed in this section shall be allowed their pro  
26 rata share of the credit against their income tax levied."

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

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2  
3 Senate  
  
4 Read for the first time and referred to the Senate  
5 committee on Agriculture, Conservation, and For-  
6 estry..... 28-FEB-17  
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8 Read for the second time and placed on the calen-  
9 dar with 1 substitute and..... 09-MAR-17  
10  
11 Read for the third time and passed as amended .... 06-APR-17  
  
12 Yeas 29  
13 Nays 0  
  
14  
15 Patrick Harris,  
16 Secretary.  
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