

## HB401 INTRODUCED



1 HB401  
2 SLIN955-1  
3 By Representative Datcher  
4 RFD: Ways and Means General Fund  
5 First Read: 05-Feb-26



## 4 SYNOPSIS:

5 Under existing law, a fee is required to record  
6 certain mortgages, deeds of trust, contracts of  
7 conditional sale, or other similar instruments given to  
8 secure the payment of any debt which conveys any real  
9 or personal property.

10 This bill would increase the fee for recording  
11 of certain mortgages, deeds of trust, contracts of  
12 conditional sale, or similar instruments given to  
13 secure the payment of any debt which conveys any real  
14 or personal property.

15 This bill would modify the rate and distribution  
16 of the mortgage record tax in order to provide a  
17 dedicated revenue for the Alabama Housing Trust Fund.

18 This bill would also make nonsubstantive,  
19 technical revisions to update the existing code  
20 language to current style.

21  
22  
23 A BILL  
24 TO BE ENTITLED  
25 AN ACT  
26

27 To amend Section 40-22-2, Code of Alabama 1975; to  
28 increase the fee for recording of certain mortgages, deeds of



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trust, contracts of conditional sale, or other similar instruments given to secure the payment of any debt which conveys any real or personal property; and to modify the rate and distribution of the mortgage record tax to provide a dedicated revenue for the Alabama Housing Trust Fund.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-22-2, Code of Alabama 1975, is amended to read as follows:

"§40-22-2

No mortgage, deed of trust, contract of conditional sale, or other similar instrument ~~of like character which is~~ given to secure the payment of any debt which conveys any real or personal property situated within this state, ~~or~~ any interest ~~therein or~~ in any real or personal property, any security agreement or financing statement provided for by the Uniform Commercial Code, except a security agreement or a financing statement relating solely to security interests in accounts, contract rights, or general intangibles, ~~as such~~ these terms are defined in the Uniform Commercial Code, and except for the re-recording of corrected mortgages, deeds, or instruments executed for the purpose of perfecting the title to real or personal property, specifically, but not limited to, corrections of maturity dates ~~thereof~~, shall be received for record or for filing in the office of any ~~probate~~ judge of probate of this state unless the following privilege or license taxes shall have been paid upon ~~such~~ the instrument before the same shall be received for record or for filing:

(1)a. Upon all ~~such~~ instruments which are executed to



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secure or to evidence the securing of an initial indebtedness which shall not exceed ~~-\$100~~ one hundred dollars (\$100), there shall be paid the sum of ~~-\$0.15~~ thirty cents (\$0.30), and upon all instruments which shall be executed to secure or to evidence the securing of an initial indebtedness of more than ~~\$100~~ one hundred dollars (\$100), there shall be paid the sum of ~~-\$0.15~~ thirty cents (\$0.30) for each ~~-\$100~~ one hundred dollars (\$100) of ~~such the~~ initial indebtedness or fraction ~~thereof~~ of it.

b. Upon all ~~such~~ instruments which are executed to secure or to evidence the securing of an open end or revolving indebtedness with any interest in property, at the option of the person offering the instrument for record or for filing, :

(i) there shall be paid the sum of ~~-\$0.15~~ thirty cents (\$0.30) for each ~~-\$100~~ one hundred dollars (\$100) of ~~such the~~ initial indebtedness or fraction ~~thereof~~ of it and the procedures set forth in paragraphs ~~a, b, and c~~ (2) a., b., and c. ~~of subdivision (2) of this section~~ shall be applicable; or, in lieu ~~thereof~~ of, (ii) there shall be paid the sum of ~~-\$0.15~~ thirty cents (\$0.30) for each ~~-\$100~~ one hundred dollars (\$100) of maximum principal indebtedness, or fraction ~~thereof~~ of it, to be secured by ~~such the~~ instrument at any one time as stated in the instrument or any amendment thereto. In any event, the privilege or license tax to be paid upon such instruments securing or evidencing the securing of open end or revolving indebtedness with any interest in property shall not exceed the amount of ~~-\$0.15~~ thirty cents (\$0.30) for each ~~-\$100~~ one hundred dollars (\$100) of maximum principal indebtedness, or



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fraction~~thereof~~ of it, to be secured by~~such~~ the instrument at any one time as stated in the instrument or any amendment ~~thereto~~ of it, irrespective of the cumulative amount advanced from time to time thereunder.

(2)a. If subdivision (1)b.(i) applies and any part of the indebtedness which the mortgagor or debtor in any instrument conveying any real property situated within this state, or related any interest~~therein~~, other than fixtures under the Uniform Commercial Code, is authorized to incur under the terms of the instrument has not been or will not be presently incurred at the time~~such~~ the instrument is offered for record, the tax shall be paid on the amount of indebtedness presently incurred, and the Department of Revenue, upon the petition of the owner of any~~such~~ the instrument or upon the petition of the agent or attorney of ~~such~~ the owner, shall ascertain to its own satisfaction the amount then taxable and the amount to be incurred thereafter and determine the amount upon which the tax shall be paid at the time~~such~~ the instrument is offered and shall endorse its findings on~~such~~ the instrument. Upon the presentation of~~such~~ the instrument with~~such~~ the endorsement~~thereon~~ on it, the ~~probate~~ judge of probate of any county in which the instrument is offered, upon the payment of the tax upon the amount so ascertained by the Department of Revenue and the recording fees of the~~probate~~ judge of probate, shall accept the same for record. The Department of Revenue shall also require the owner of~~such~~ the instrument to execute a bond in an amount sufficient to secure to the state the privilege tax to become



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113 due and payable under this section upon the amount of the  
114 indebtedness to be incurred thereafter, ~~such~~ the bond to be  
115 approved by the Department of Revenue and payable to the State  
116 of Alabama and conditioned that the owner of ~~such~~ the  
117 instrument will promptly report to ~~said~~ the Department of  
118 Revenue and to the ~~probate~~ judge of probate of the county  
119 where ~~said~~ the instrument is first filed for record, whenever  
120 ~~such~~ the owner or his or her successor in interest incurs any  
121 additional indebtedness thereunder, and the amount ~~so~~  
122 incurred; and that the ~~said~~ owner of ~~such~~ the instrument will  
123 pay or cause to be paid to the ~~probate~~ judge of probate of the  
124 county in which ~~said~~ the instrument is first filed the  
125 privilege or license tax required under this section upon the  
126 accrual of any additional indebtedness, and the ~~said~~ owner of  
127 ~~such~~ the instrument will report to the said ~~probate~~ judge of  
128 probate and the Department of Revenue during the month of  
129 September of each year the amount of all indebtedness and all  
130 bonds, debentures, notes, or other forms of indebtedness  
131 incurred or certified and delivered under ~~said~~ the instrument  
132 to ~~such~~ the date, and the amount ~~so~~ certified and delivered  
133 during the preceding 12 months, and the aggregate of all ~~such~~  
134 evidence of indebtedness certified and delivered under ~~such~~  
135 the instrument prior to such year. The bond executed to secure  
136 payment of the tax herein required shall cover a term of five  
137 years; and, after the expiration of ~~said~~ the term of five  
138 years, the owner of the instrument offered for record shall  
139 execute ~~such~~ the further bond as may be required by the  
140 Department of Revenue covering the succeeding term of five



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141 years, and thereafter every term of five years, in the same  
142 manner so long as any of the indebtedness authorized to be  
143 incurred by ~~such~~ the instrument has not been incurred with  
144 like condition and in ~~such~~ the sum as the ~~said~~ department may  
145 prescribe.

146 b. Notwithstanding ~~the provisions of~~ paragraph a. ~~of~~  
147 ~~this subdivision~~, any bank, savings and loan association,  
148 insurance company, or other financial institution organized  
149 and established under the laws of the State of Alabama or the  
150 United States which is the owner of ~~such~~ the instrument, in  
151 lieu of the foregoing procedures, may certify the amount of  
152 indebtedness presently incurred, and the ~~probate~~ judge of  
153 probate of any county in which the instrument is offered, upon  
154 payment of the tax upon the amount ~~so~~ certified and the  
155 recording fees of the ~~probate~~ judge of probate, shall accept  
156 the instrument for record. During the month of September of  
157 each year, any ~~such~~ bank, savings and loan association,  
158 insurance company, or other financial institution which has  
159 recorded ~~such~~ the instruments as described hereinabove shall  
160 report to the appropriate ~~probate~~ judge of probate the amount  
161 of additional indebtedness incurred under the instrument and  
162 pay any tax required upon the additional indebtedness.

163 c. Each ~~probate~~ judge of probate will forward to the  
164 State Banking Department by the end of October a statement  
165 showing the amounts certified to him or her by each forenamed  
166 organization. The State Banking Department will then have the  
167 authority to make unannounced audits on any organization  
168 electing to use this system of reporting indebtedness. Any



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organization which is found to have willfully certified less than the true amount it should have certified shall be required to pay a fine equal to three times the amount of tax due on the amount of indebtedness not certified to the ~~probate~~ judge of probate. This fine shall be paid into the State General Fund ~~of Alabama~~. In addition, any organization ~~so~~ fined must pay an auditing fee in accordance with established State Banking Department audit fees into the funds of the State Banking Department.

(3) When any deed is filed for record which recites that part of the purchase money is unpaid, such deed to the extent of such unpaid balance shall be held and treated as a mortgage, and the mortgage tax shall be collected by the ~~probate~~ judge of probate in addition to the tax for recording the instrument as a deed before recording ~~the same~~ it, unless the balance of purchase money shall be secured by mortgage or deed of trust which has already been filed for record, and the tax ~~thereon~~ paid, and the fact of such prior payment shall be endorsed on the deed. When any such deed is recorded and the tax ~~thereon~~ is paid, and thereafter a mortgage securing the debt is filed for record, the same shall be admitted to record without the payment of the mortgage tax and the fact of ~~such~~ the prior payment shall be endorsed on the deed.

(4) The privilege taxes herein imposed shall not be required on or for the filing of any ~~such~~ instrument, providing additional or substitute security for any indebtedness secured by, or the securing of which is evidenced by, an instrument previously filed, upon the filing of which





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the taxes provided by law have been paid or which ~~was~~ were filed at a time when no such privilege taxes were required by law ~~+~~ , provided ~~,~~ that the secured indebtedness remains unchanged in amount and in time of maturity.

(5) Upon the filing for record of ~~such~~ the instrument and upon the payment of the tax thereon, the ~~probate~~ judge of probate or his or her clerk shall certify on the instrument the fact that the ~~said~~ tax has been paid, and when ~~so~~ certified by the ~~probate~~ judge of probate or his or her clerk, ~~such~~ the instrument shall be admitted to record in any county wherein any of the property mentioned in the instrument is situated without the payment of any further tax ~~thereon~~, except the fee to the ~~probate~~ judge of probate for recording ~~such~~ the instrument, and ~~such~~ the certificate of the ~~probate~~ judge of probate shall be recorded by such ~~probate~~ judge of probate when ~~such~~ the instrument is recorded. Upon the filing for record of any instrument which has been exempted by law from the payment of the tax provided for in this section, the ~~probate~~ judge of probate shall certify ~~thereon~~ that no tax has been paid and shall stamp in bold letters on the face of ~~said~~ the instrument "No Tax Collected," and the certificate shall be recorded with and as a part of ~~such~~ the instrument, and thereafter ~~such~~ the instrument shall be received for record in any county in this state without the payment of any further tax ~~thereon~~, when submitted by a tax-exempt institution, but if submitted by or transferred to an institution or person not exempt from the payment of the tax levied under this section, the ~~probate~~ judge of probate shall collect the tax levied by



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this section upon the then unpaid balance of the secured debt together with the fee of the ~~probate~~ judge of probate for recording ~~such~~ the instrument before it will be admitted to record. The tax ~~herein~~ provided for shall be paid upon all contracts for the sale of real or personal property, whether the same are in the nature of a conditional sale or a bond for title, and no ~~such~~ contract shall be received for record until ~~such~~ the tax shall have been paid.

(6) When the time for the payment of the indebtedness secured by, or the securing of which is evidenced by, any ~~such~~ instrument is extended or renewed, and the extension or renewal contract is offered for filing or for record, the tax required in this section shall be paid on the amount of indebtedness ~~so~~ extended or renewed; and the same shall be governed in all respects by ~~the provisions of~~ this article. No state, county, or municipal ad valorem tax shall be payable on any ~~such~~ instrument upon which the tax prescribed by this section shall have been paid, on the debt secured or evidenced thereby or on the security agreement evidenced thereby.

(7) ~~Of the taxes collected by the probate judge under this section there shall be paid to the county treasurer of the county in which such taxes are collected one-third of the amount collected, to be accounted for by the judge of probate, and the remaining two-thirds of the amount collected to the State Treasury. The probate judge shall receive five percent of the amount collected as compensation for services in collecting the money and certifying the instrument, the five percent to be retained by the judge of probate out of the~~



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~~money collected under this section; but when the property described in the instrument is situated within different counties within this state, then the probate judge who collects the taxes shall pay over to the county treasurer of each of the different counties in which the property is situated an amount of the taxes that would be in proportion to the value of the property therein as compared to the whole property within this state described in the instrument.~~

Revenues from the mortgage record tax shall be divided between four recipients: The judges of probate, the Alabama Housing Trust Fund, county treasuries, and the State Treasury. Five percent of all mortgage record taxes collected shall be distributed to the judge of probate, 25 percent of all mortgage record taxes collected shall be distributed to the Alabama Housing Trust Fund, 33 percent of all mortgage record taxes collected shall be distributed to the county treasurer in the county in which the tax is collected, and 37 percent of all mortgage record taxes collected shall be distributed to the State Treasury. If the property described in the instrument is situated within different counties within this state, then the judge of probate who collects the taxes shall pay over to the county treasurer of each of the different counties in which the property is situated an amount of the taxes that would be in proportion to the value of the property therein as compared to the whole property within this state described in the instrument.

(8) If any part of the property embraced or described in any instrument which is required under this section to pay



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281 a record privilege tax is located ~~without~~ outside of this  
282 state, the indebtedness upon which the tax shall be paid for  
283 the privilege of recording ~~such~~ the instrument shall be that  
284 proportion of the indebtedness secured by the instrument which  
285 the value of the property located in this state bears to the  
286 whole property described in the instrument. The Department of  
287 Revenue may ascertain the value of the whole property and of  
288 that part of it which is located within this state for the  
289 purpose of ascertaining the amount of the indebtedness upon  
290 which the tax shall be paid, and the value of that part of the  
291 property located within this state and the amount of the  
292 indebtedness upon which ~~such~~ the tax shall be paid shall be  
293 ascertained in the following manner: ~~First, the~~ (i) The owner  
294 of any such instrument or his or her agent or attorney may  
295 petition the Department of Revenue to ascertain the value of  
296 the whole property and of that part of which is located within  
297 this state and the amount of the indebtedness upon which ~~such~~  
298 the tax shall be paid, and the Department of Revenue, after  
299 hearing such evidence as may be offered or as may be before  
300 it, shall fix and determine the value of that part of the  
301 property located within this state and the amount of the  
302 indebtedness upon which the tax shall be paid and shall  
303 endorse its findings on such instrument, and upon the  
304 presentation of the instrument, with such endorsements to the  
305 ~~probate~~ judge of probate of the county in which any part of  
306 the property is located, such instrument shall be accepted for  
307 record upon the payment of the tax upon the amount of such  
308 indebtedness as so ascertained by the Department of Revenue



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and of the recording fees of the ~~probate~~ judge of probate; or, ~~second, the~~ (ii) The owner of any ~~such~~ instrument or his or her agent or attorney may have ~~such~~ the instrument recorded by paying to the ~~probate~~ judge of probate of the county in which the instrument is offered for record the privilege tax on the entire amount of the indebtedness secured by ~~such~~ the instrument, and may thereupon present a petition to the Department of Revenue within 30 days after ~~such~~ the instrument is recorded, and it shall be the duty of the Department of Revenue to ascertain the value of the whole property and of that part of it located within this state, and to fix and determine the amount of the indebtedness upon which the tax shall be paid, and the department shall thereupon ascertain ~~such~~ the valuation and fix and determine ~~such~~ the indebtedness and shall order the ~~probate~~ judge of probate to refund the excess of privilege tax collected-, and the ~~probate~~ judge of probate shall comply with ~~such~~ the order; and the tax paid upon the entire amount of ~~such~~ the indebtedness shall be held by the ~~probate~~ judge of probate until the Department of Revenue determines the amount of the indebtedness upon which ~~such~~ the tax shall be paid.

(9) Any ~~probate~~ judge of probate who shall file for record or shall receive any such instrument for record or for filing, without collecting the recording or registration tax provided for the filing, recording, or registration of ~~such~~ the instrument, or who shall fail to certify the fact that ~~such~~ the tax has been paid before filing ~~such~~ the instrument shall be guilty of a misdemeanor and, upon conviction, shall



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337 be fined not less than ~~\$10~~ ten dollars (\$10) nor more than  
338 ~~\$1,000~~ one thousand dollars (\$1,000).

339 (10) Every petition filed with the Department of  
340 Revenue to ascertain the amount of the mortgage tax due to be  
341 paid under this section shall, when the property conveyed in  
342 the instrument offered for record is located in more than one  
343 county of the state, show the value of the property conveyed  
344 in each county in which the instrument is to be recorded.

345 (11) Any ~~probate~~ judge of probate who fails to keep the  
346 abstract of mortgages or other instruments intended to secure  
347 the payment of ~~moneys~~ monies which are filed in his or her  
348 office for filing or for record, as he or she is required by  
349 law to keep, shall be guilty of a misdemeanor and, upon  
350 conviction, shall be fined not less than ~~\$10~~ ten dollars (\$10)  
351 nor more than ~~\$500~~ five hundred dollars (\$500)."

352 Section 2. This act shall become effective on October  
353 1, 2026.