

1 HB328
2 136179-2
3 By Representatives Fincher, Boothe, Sessions, Williams (P),
4 McCampbell, Laird, Tuggle and Beech
5 RFD: Ways and Means Education
6 First Read: 14-FEB-12

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8 SYNOPSIS: Under existing law, Alabama income taxpayers
9 can elect to expense certain property in accordance
10 with Section 179 of the Internal Revenue Code. This
11 bill would allow certain taxpayers to expense
12 property under Section 179 as it existed on January
13 1, 2011.

14 Currently there are no incentives for
15 businesses in an agricultural trade or business to
16 develop solutions to combat the drought conditions
17 that have prevailed in recent years. This bill will
18 provide an income tax credit of up to \$10,000 for
19 the purchase and installation of irrigation systems
20 and the building and development of water wells and
21 reservoirs by those business entities that engage
22 in agriculture.

23
24 A BILL
25 TO BE ENTITLED
26 AN ACT
27

1 To further provide for the expense allowance
2 provided to Alabama income taxpayers under Section 179 of the
3 Internal Revenue Code for irrigation equipment and to provide
4 for an income tax credit of up to \$10,000 for the purchase and
5 installation of irrigation systems or the development of
6 irrigation reservoirs and water wells.

7 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

8 Section 1. As used in this act, the following terms
9 shall have the following meanings:

10 (1) AGRICULTURAL TRADE OR BUSINESS. Any trade or
11 business described in the 2007 North American Industry
12 Classification System, Sector 11, and includes such trades or
13 businesses that may be hereafter reclassified in any
14 subsequent publication of the North American Industry
15 Classification System.

16 (2) OFF-STREAM UPLAND RESERVOIR. A reservoir that
17 does not dam the stream and is not built within the stream bed
18 or wetlands.

19 (3) QUALIFIED IRRIGATION EQUIPMENT. Equipment used
20 by agricultural trade or business in irrigation systems,
21 including but not limited to equipment used to construct
22 irrigation systems and water wells.

23 (4) QUALIFIED RESERVOIR. An off-stream upland
24 reservoir used as a source of water for irrigation by an
25 agricultural trade or business.

26 Section 2. Notwithstanding any other provision of
27 law to the contrary, for all tax years beginning after

1 December 31, 2011, any agricultural trade or business may
2 elect to expense qualified irrigation equipment under the
3 provisions of 26 U.S.C. §179, as such section existed on
4 January 1, 2011.

5 Section 3. For all tax years beginning after
6 December 31, 2011, there shall be allowed to any agricultural
7 trade or business an income tax credit of up to \$10,000 for
8 the purchase and installation of any qualified irrigation
9 equipment or qualified reservoirs. For a surface water
10 withdrawal irrigation system to be eligible for credit, the
11 irrigation system must operate utilizing a qualified
12 reservoir, except when the surface water withdrawal is
13 directly from any river or stream whose average annual flow
14 exceeds 10,000 (ten thousand) cubic feet per second. A
15 qualified reservoir is not required for a ground water
16 withdrawal irrigation system. The credit shall be equal to the
17 accrued cost of the qualified irrigation equipment and the
18 cost of constructing the qualified reservoir, but shall not
19 exceed \$10,000 in any tax year and shall not exceed the
20 taxpayer's Alabama income tax liability computed without
21 regard to the credit. The credit shall be taken in the year in
22 which the qualified irrigation equipment or the qualified
23 reservoir is placed in service.

24 Section 4. Nothing in this Act changes the
25 applicability of existing environmental and water laws and
26 regulations in the State of Alabama including the Alabama

1 Water Use Reporting Program administered by the Alabama Office
2 of Water Resources.

3 Section 5. The Department of Revenue shall
4 promulgate rules and regulations for the implementation of the
5 credit authorized in this Act and shall coordinate with the
6 Alabama State Soil and Water Conservation Committee (ASWC) for
7 technical service for the eligible applicants.

8 Section 6. This act shall become effective
9 immediately upon its passage and approval by the Governor or
10 its otherwise becoming a law.