

1 SB13  
2 164811-1  
3 By Senator Pittman  
4 RFD: Finance and Taxation Education  
5 First Read: 08-SEP-15

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8 SYNOPSIS: Existing law requires that the ad valorem  
9 tax due at the time of registration on a new motor  
10 vehicle registered for the first time with a  
11 manufacturer's certificate of origin where the  
12 motor vehicle meets the definition of Class IV  
13 property shall be deferred until the first renewal  
14 or other subsequent registration, whichever comes  
15 first.

16 The bill would remove the deferral of ad  
17 valorem taxes on a new motor vehicle registered for  
18 the first time with a manufacturer's certificate of  
19 origin where the motor vehicle meets the definition  
20 of Class IV property.

21  
22 A BILL  
23 TO BE ENTITLED  
24 AN ACT

25  
26 To amend Section 40-12-253 of the Code of Alabama  
27 1975, relating to the deferral of ad valorem taxes on a new

1 motor vehicle registered for the first time with a  
2 manufacturer's certificate of origin where the motor vehicle  
3 meets the definition of Class IV property; to remove such  
4 deferral of ad valorem taxes on a new motor vehicle registered  
5 for the first time with a manufacturer's certificate of origin  
6 where the motor vehicle meets the definition of Class IV  
7 property.

8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

9 Section 1. This act shall be known as the "Motor  
10 Vehicle Ad Valorem Tax Fairness Act."

11 Section 2. The Legislature finds that there is a  
12 loophole in the current ad valorem tax collection system for  
13 motor vehicles. The current allowance for deferral of ad  
14 valorem taxes on motor vehicles allows some individuals to not  
15 remit the taxes due. The Legislature finds that it is in the  
16 best interest of the state to remove such provisions allowing  
17 for the deferral of ad valorem taxes on motor vehicles.

18 Section 3. Section 40-12-253 Code of Alabama 1975,  
19 is amended to read as follows:

20 "§40-12-253.

21 "(a) Effective January 1, 2000, ad valorem taxes on  
22 motor vehicles shall be assessed and the tax collected forward  
23 on a current basis to coincide with the collection of motor  
24 vehicle license taxes and registration fees.

25 "(1) Ad valorem taxes on motor vehicles shall become  
26 due and payable on the first day of the registration renewal  
27 month of the owner, the date the motor vehicle enters the

1 State of Alabama, the date the motor vehicle is removed from  
2 the inventory of a dealer, or the date on which the motor  
3 vehicle is otherwise determined to be taxable, whichever comes  
4 first. Ad valorem taxes on motor vehicles shall become  
5 delinquent on the first day of the month following the  
6 registration renewal month for the owner or as otherwise  
7 provided by law. ~~However the ad valorem tax due at the time of~~  
8 ~~registration on a new motor vehicle registered for the first~~  
9 ~~time with a manufacturer's certificate of origin where the~~  
10 ~~motor vehicle meets the definition of Class IV property as~~  
11 ~~defined in subsection (a) of Section 40-8-1, and subdivision~~  
12 ~~(3) of subsection (b) of Section 40-8-1 shall be deferred~~  
13 ~~until the first renewal or other subsequent registration,~~  
14 ~~whichever comes first. The first renewal or other subsequent~~  
15 ~~registration shall include the ad valorem tax that would have~~  
16 ~~been due at the time of the first registration and the next~~  
17 ~~year's ad valorem tax to be paid in advance.~~

18 "(2) Ad valorem tax on motor vehicles shall be  
19 collected through the last day of the month which precedes the  
20 assigned registration renewal month for the owner as provided  
21 in Section 32-6-61. The definition of owner shall be as  
22 defined in subdivision (14) of Section 40-12-240.

23 "(3) No license shall be issued to operate a motor  
24 vehicle on the public highways of this state, nor shall any  
25 transfer be made by the license issuing official under this  
26 article, until the ad valorem tax on the motor vehicle is paid  
27 in the county, as evidenced either by a receipt of the tax

1 collecting official where the owner of the motor vehicle  
2 resides, if the motor vehicle is owned by an individual, or by  
3 the receipt of the tax collecting official in the county where  
4 the motor vehicle is based, if the motor vehicle is owned by a  
5 firm, corporation, or association. The definition of the base  
6 of a vehicle shall be the place where a vehicle is most  
7 frequently dispatched, garaged, serviced, maintained,  
8 operated, or otherwise controlled, and from which it  
9 ordinarily departs and to which it ordinarily returns.

10 "(4) Every person, firm, or corporation that plans  
11 to operate a motor vehicle shall first return the motor  
12 vehicle for ad valorem taxation to the tax assessing official  
13 of the county where the individual resides or, if a firm or  
14 corporation, where the vehicle is based, and the tax assessing  
15 official shall deliver to the person making the return a  
16 certificate of assessment on a form prescribed by the  
17 Department of Revenue, and the certificate shall be the  
18 warrant of the tax collecting official to collect the tax as  
19 shown on the assessment form.

20 "(5) Valuation for ad valorem tax assessment  
21 purposes shall be based, as specified by law, on the value of  
22 the motor vehicle on October 1, as provided by the Department  
23 of Revenue. The October 1 valuation shall be used for  
24 calculating ad valorem taxes for the next succeeding year  
25 beginning January 1 and continuing through December 31.

26 "(6) Before any motor vehicle can be assessed, the  
27 tax assessing official shall determine the amount of ad

1       valorem taxes due on the motor vehicle from information  
2       provided by the owner. If the number of months for which taxes  
3       are delinquent cannot be determined, the motor vehicle shall  
4       be presumed to have been in the state for one preceding year  
5       in addition to the current tax year for ad valorem tax  
6       assessing and collecting purposes. Motor vehicles with  
7       delinquent registrations shall be subject to payment of  
8       escaped ad valorem taxes for up to two prior years plus the  
9       current year, except for the ad valorem taxes that would have  
10      been due in arrears in 1999 during the transition year.

11               "(b) The license issuing official shall require the  
12      applicant to surrender the receipt of the tax collecting  
13      official which shall be kept on file in the license issuing  
14      official's office. The license plate shall be evidence of the  
15      payment of the license and the ad valorem tax due as provided  
16      under this article. The license issuing official may issue a  
17      motor vehicle license plate upon receiving certification from  
18      the tax assessing official that there is no ad valorem tax due  
19      on the motor vehicle.

20               "(c) Ad valorem taxes on a motor vehicle shall be  
21      collected on an annual current basis in the registration  
22      renewal month of the owner thereof, in conjunction with  
23      registration of the motor vehicle; provided, however, that ad  
24      valorem taxes due at the time of registration shall be  
25      prorated on a monthly basis from the date the motor vehicle  
26      enters the State of Alabama, from the date the motor vehicle  
27      is removed from the inventory of a dealer, from the date of

1 transfer of ownership of the motor vehicle, or upon the date  
2 the motor vehicle otherwise becomes subject to taxation.

3 "(d) Upon the sale, trade, total destruction,  
4 permanent removal from Alabama, theft without recovery, or  
5 other transfer of a motor vehicle, hereafter referred to as a  
6 "demitted motor vehicle" constituting Class I, Class II, or  
7 Class IV Property under Section 40-8-1, the owner of the  
8 demitted motor vehicle shall be entitled to a pro rata credit  
9 for the ad valorem taxes paid with respect thereto for the  
10 remainder of the then current period for which the taxes have  
11 been paid. In determining the credit available, the total ad  
12 valorem taxes previously paid for the then current  
13 registration period shall be determined by a ratio, the  
14 numerator of which shall be the number of full calendar months  
15 from the date the motor vehicle is demitted to the last day of  
16 the month which precedes the assigned registration renewal  
17 month for the owner as provided in Section 32-6-61, and the  
18 denominator of which shall be the number of months for which  
19 ad valorem taxes shall have been paid with respect to the  
20 motor vehicle. The ad valorem tax credit shall be evidenced by  
21 a serially numbered credit voucher, the form of which shall be  
22 specified by the department, bearing the name of the person  
23 entitled to the credit. The ad valorem tax credit so  
24 determined shall either (i) be allowed at the election of the  
25 owner on a pro rata basis against all ad valorem taxes payable  
26 on another motor vehicle or vehicles acquired by the owner in  
27 conjunction with the sale or trade of the motor vehicle in

1 respect of which the credit is allowable under this  
2 subsection, or (ii) be allowed by the tax collecting official  
3 on a pro rata basis against all ad valorem taxes payable on  
4 another motor vehicle or vehicles owned by the owner or a  
5 member of the owner's immediate family. No interest shall be  
6 allowable on the amount of any credit allowable hereunder. A  
7 credit issued shall be creditable only against ad valorem  
8 taxes levied by those taxing authorities whose ad valorem  
9 taxes had been paid by the owner with respect to the motor  
10 vehicle for which a credit is allowed. No credit shall be  
11 allowable against any ad valorem taxes levied by the state  
12 unless the credit shall be eligible for application and  
13 applied against ad valorem taxes levied by taxing authorities  
14 other than the state. A credit voucher must be used at the  
15 time of issuance. In the event a voucher is presented for  
16 credit against ad valorem taxes due and the amount of the  
17 voucher is in excess of the taxes due, a new voucher for the  
18 excess amount shall be issued referencing the date of issuance  
19 of the voucher so presented. The new voucher shall be  
20 designated a receipt for credit for reporting purposes with a  
21 copy given to the owner. Immediately upon issuance of a  
22 receipt for credit and no later than the twentieth day of the  
23 month following the month in which the new voucher was issued,  
24 the tax collecting official shall remit to the owner a refund  
25 credit payment in the amount of the receipt for credit. When a  
26 credit voucher is issued and no ad valorem taxes payable on a  
27 vehicle are available for credit to the owner, the voucher



1 shall be designated a receipt for credit for reporting  
2 purposes with a copy given to the owner. Immediately upon  
3 issuance of a receipt for credit and no later than the  
4 twentieth day of the month following the month in which the  
5 new voucher was issued, the tax collecting official shall  
6 remit to the owner a refund credit payment in the amount of  
7 the receipt for credit.

8 "(e) The credit provided under subsection (d) may be  
9 claimed by the owner of a motor vehicle pursuant to the  
10 procedure and upon presentation of the evidence of payment of  
11 tax and eligibility for credit pursuant to subsection (d) as  
12 specified by regulations issued by the Department of Revenue,  
13 including a sworn affidavit of the buyer in the case of a sale  
14 or trade of the motor vehicle. The tax collecting official  
15 shall charge and collect as a condition to the redemption of a  
16 credit voucher or the remittance of a refund credit payment a  
17 commission in order to defray the costs thereof at a flat rate  
18 of two dollars (\$2) for each credit voucher redeemed or refund  
19 remitted, which shall be collected by the tax collecting  
20 official at the time of the transaction. One-half of the  
21 commissions and fees so collected shall be deposited into the  
22 general fund of the county in which the fees are collected and  
23 the balance shall be remitted to the State General Fund. There  
24 is hereby appropriated for the use of the department in  
25 carrying out its responsibilities hereunder in each fiscal  
26 year a sum as the Legislature shall appropriate to the  
27 department for this purpose.

1           "(f) In no event may a credit be claimed under  
2 subsection (d), whether in conjunction with the sale or trade  
3 of a motor vehicle or pursuant to the issuance of a credit  
4 voucher as provided for in subsection (d), later than 12  
5 months after the date a motor vehicle is demitted.

6           "(g) The tax assessing officials and tax collecting  
7 officials of the counties in this state, in addition to  
8 assessing and collecting the ad valorem taxes due the state  
9 and counties on motor vehicles, shall collect the ad valorem  
10 taxes on motor vehicles due all cities in this state.

11           "(1) The tax collecting official shall report and  
12 pay the money collected for cities at the same time and in the  
13 same manner as state and county taxes are reported and paid by  
14 the official. The tax assessing and tax collecting officials  
15 shall each receive a commission of two and one-half percent of  
16 the amount of city taxes collected. The tax collecting  
17 officials shall deduct this commission from the amount  
18 collected before paying the city treasury and, at the same  
19 time, pay to the tax assessing official any commissions due  
20 him or her under this article.

21           "(2) The license issuing official shall not issue a  
22 license to operate a motor vehicle on the highways of this  
23 state until all ad valorem taxes due the state, counties, and  
24 cities are paid as evidenced by a receipt of the tax  
25 collecting official.

26           "(h) Motor vehicles assessed under this section  
27 shall not be included in any assessment made by any person,

1 firm, or corporation under Section 40-11-1, and the motor  
2 vehicles shall not be considered an escape property by reason  
3 of the failure to include the property value of the motor  
4 vehicle in any tax return as of October 1. All motor vehicles  
5 shall be assessed and the taxes shall be collected on the  
6 motor vehicles as herein provided. The foregoing  
7 notwithstanding, any machinery or equipment including, but not  
8 limited to, cement mixers, wrecker rigs, and box-type bodies  
9 which may be added to a motor vehicle after it leaves the  
10 original manufacturer and may be moved from one motor vehicle  
11 to another shall be separately valued and assessed with the  
12 tax assessing official as personal property.

13 "(i) In addition to the refunds provided for in  
14 subsection (d), refunds shall be granted for ad valorem taxes  
15 on motor vehicles for monies collected in error, as provided  
16 in Section 40-7-9.1, or upon evidence of valuation change or  
17 adjustment by the county board of equalization.

18 "(j) All millage rate levies and changes affecting  
19 ad valorem taxes on motor vehicles shall become effective on  
20 the January 1 following the levy or rate change.

21 "(k) The Department of Revenue may promulgate and  
22 implement rules and regulations for the administration of this  
23 section."

24 Section 4. This Act shall become effective on  
25 January 1, 2016, following its passage and approval by the  
26 Governor, or its otherwise becoming law.