

1 HB260
2 189821-1
3 By Representatives Chesteen, Williams (JW), Tuggle, Millican,
4 Brown, Fincher, Crawford, Lee, Boothe and Clouse
5 RFD: Ways and Means Education
6 First Read: 18-JAN-18

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8 SYNOPSIS: Under existing law, an income tax credit is
9 available for any agricultural trade or business
10 that purchases and installs qualified irrigation
11 equipment or a qualified reservoir. The maximum
12 amount of the credit is \$10,000 for tax years 2011
13 through 2017 and \$50,000 for tax years 2018 through
14 2022.

15 This bill would specify that an eligible
16 taxpayer may claim one credit during tax years 2011
17 through 2017 and one credit during tax years 2018
18 through 2022.

19
20 A BILL
21 TO BE ENTITLED
22 AN ACT
23

24 Relating to the income tax irrigation credit; to
25 amend Section 40-18-342 of the Code of Alabama 1975, as
26 amended by Act 2017-352 of the 2017 Regular Session, to
27 specify that eligible taxpayers may claim one credit during

1 tax years 2011 through 2017 and one credit during tax years
2 2018 through 2022.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

4 Section 1. Section 40-18-342, Code of Alabama 1975,
5 as amended by Act 2017-352 of the 2017 Regular Session, is
6 amended to read as follows:

7 "§40-18-342.

8 "(a) (1) Subject to subdivision (2), for ~~For~~ all tax
9 years beginning after December 31, 2011, until tax year ending
10 December 31, 2017, there shall be allowed to any agricultural
11 trade or business an income tax credit of equal to 20% of the
12 cost of the purchase and installation of any qualified
13 irrigation equipment and any conversion costs related to the
14 conversion of irrigation equipment from fuel to electricity or
15 qualified reservoirs. For a surface water withdrawal
16 irrigation system to be eligible for credit, the irrigation
17 system must operate utilizing a qualified reservoir, except
18 when the surface water withdrawal is directly from any river
19 or stream whose average annual flow exceeds 8,000 cubic feet
20 per second. A qualified reservoir is not required for a ground
21 water withdrawal irrigation system. The credit shall be equal
22 to 20% of the accrued cost of the qualified irrigation
23 equipment and the cost of constructing the qualified
24 reservoir, but shall not exceed \$10,000 and shall not exceed
25 the taxpayer's Alabama income tax liability computed without
26 regard to the credit. The credit shall be taken in the year in

1 which the qualified irrigation equipment or the qualified
2 reservoir is placed in service.

3 "(2) The credit provided in this subsection shall be
4 limited to only one purchase and installation of qualified
5 irrigation equipment or one qualified reservoir per taxpayer.

6 "(b)(1) Subject to subdivision (2), for ~~For~~ all tax
7 years beginning after December 31, 2017, until tax year ending
8 December 31, 2022, unless extended by an act of the
9 Legislature, there shall be allowed to any agricultural trade
10 or business an income tax credit equal to 20 percent of the
11 cost of the purchase and installation of any qualified
12 irrigation equipment and any conversion costs related to the
13 conversion of irrigation equipment from fuel to electricity or
14 qualified reservoirs. For a surface water withdrawal
15 irrigation system to be eligible for credit, the irrigation
16 system must operate utilizing a qualified reservoir, except
17 when the surface water withdrawal is directly from any river
18 or stream whose average annual flow exceeds 8,000 cubic feet
19 per second. A qualified reservoir is not required for a ground
20 water withdrawal irrigation system. The credit shall be equal
21 to a percent of the accrued cost of the qualified irrigation
22 equipment and the cost of constructing the qualified
23 reservoir, as follows: Twenty percent of the accrued cost not
24 to exceed ten thousand dollars (\$10,000) or 10 percent of the
25 accrued cost not to exceed fifty thousand dollars (\$50,000),
26 whichever is greater. The credit shall not exceed the
27 taxpayer's Alabama income tax liability computed without

1 regard to the credit. The credit shall be taken in the year in
2 which the qualified irrigation equipment or the qualified
3 reservoir is placed in service.

4 "(2) The credit provided in this subsection shall be
5 limited to only one purchase and installation of qualified
6 irrigation equipment or one qualified reservoir per taxpayer.

7 "(c)(1) Subject to subdivision (2), for ~~For~~ all tax
8 years beginning after December 31, 2022, there shall be
9 allowed to any agricultural trade or business an income tax
10 credit equal to 20 percent of the cost of the purchase and
11 installation of any qualified irrigation equipment and any
12 conversion costs related to the conversion of irrigation
13 equipment from fuel to electricity or qualified reservoirs.
14 For a surface water withdrawal irrigation system to be
15 eligible for credit, the irrigation system must operate
16 utilizing a qualified reservoir, except when the surface water
17 withdrawal is directly from any river or stream whose average
18 annual flow exceeds 8,000 cubic feet per second. A qualified
19 reservoir is not required for a ground water withdrawal
20 irrigation system. The credit shall be equal to 20 percent of
21 the accrued cost of the qualified irrigation equipment and the
22 cost of constructing the qualified reservoir, but shall not
23 exceed \$10,000 and shall not exceed the taxpayer's Alabama
24 income tax liability computed without regard to the credit.
25 The credit shall be taken in the year in which the qualified
26 irrigation equipment or the qualified reservoir is placed in
27 service.

1 "(2) The credit provided in this subsection shall be
2 limited to only one purchase and installation of qualified
3 irrigation equipment or one qualified reservoir per taxpayer.

4 "~~(d) The credit provided in this article shall be~~
5 ~~limited to only one purchase and installation of qualified~~
6 ~~irrigation equipment or one qualified reservoir per taxpayer.~~

7 "~~(e)~~ (d) The credit may be carried to each of the
8 five years following the taxable year the qualified irrigation
9 system or reservoir is placed in service. The portion of the
10 credit which shall be carried to each of the other taxable
11 years shall be the excess, if any, of the amount of credit
12 over the sum of the income tax due for each of the prior
13 taxable years to which the credit may be carried.

14 "~~(f)~~ (e) The Legislature recognizes that a
15 substantial number of businesses are organized as limited
16 liability companies, partnerships, and other types of business
17 entities and that certain business entities, organized as
18 corporations elect to be treated as "S" corporations under
19 federal and state tax laws, and that it is essential that the
20 irrigation credit amount shall be available on a pass-through
21 basis. The shareholders, partners, members, owners, or
22 beneficiaries of any of the aforementioned businesses claiming
23 the credit allowed in this section shall be allowed their pro
24 rata share of the credit against their income tax levied.

25 "~~(g)~~ (f) (1) Effective for tax years beginning after
26 December 31, 2017, the ~~The~~ agricultural trade or business
27 receiving tax credits pursuant to this ~~chapter~~ section shall

1 file an annual informational report in a manner as prescribed
2 by the Department of Agriculture and Industries prior to
3 claiming the credits on a tax return. All information
4 submitted to the Department of Agriculture and Industries by
5 taxpayers claiming or seeking certification of a credit shall
6 be subject to the confidentiality provisions of Section
7 40-2A-10.

8 "(2) The information on the reports required by this
9 subsection shall be consistent with the information required
10 by the Legislature pursuant to Section 40-1-50, and rules
11 adopted thereunder. ~~Information~~ Aggregated information
12 provided pursuant to this section is exempt from the
13 confidentiality provisions of Section 40-2A-10, and shall be
14 provided by the Department of Agriculture and Industries to
15 the Legislature in accordance with Section 40-1-50 and rules
16 adopted by the Department of Revenue."

17 Section 2. All laws or parts of laws which conflict
18 with this act are repealed.

19 Section 3. This act shall become effective for tax
20 years beginning on or after December 31, 2018, following its
21 passage and approval by the Governor, or upon its otherwise
22 becoming law.