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SYNOPSIS:

Under existing law, an occupational license tax based on income may be levied by a municipality on certain persons gainfully employed in the municipality.

This bill would enact the "Family Income Protection Act."

This bill would incrementally reduce any occupational license tax levied by a municipality greater than one percent based on an annual reduction in the percent of the tax until the tax would be one percent.

This bill would provide that any occupational license tax levied by any municipality would not apply to any person performing an occupation in the police jurisdiction of the municipality or on any property that is an industrial megasite consisting of 1,000 or more acres annexed into the municipality after January 1, 2023.

This bill would provide a referendum under certain conditions in any county in which two or more municipalities levied an occupational license tax greater than one percent on January 1, 2023.

This bill would prohibit any municipality from levying a new occupational license tax or increasing any existing occupational license tax.



29                   This bill would provide certain exceptions from  
30                   occupational license taxes for certain temporary  
31                   workers and for severance pay.

32                   This bill would also specify that the power of a  
33                   municipality to license an exhibition, trade, business  
34                   vocation, occupation, or profession only applies to  
35                   activity engaged in or carried on in the municipality;  
36                   would further provide for refund procedures for any  
37                   remittances based on activities of licensees outside of  
38                   the jurisdiction of a municipality; and would further  
39                   provide for remittance procedures by employers.

40

41

A BILL

42

TO BE ENTITLED

43

AN ACT

44

45                   Relating to municipal occupational license taxes; to  
46                   add Section 11-51-91.1 to the Code of Alabama 1975, to reduce  
47                   any municipal occupational license tax greater than one  
48                   percent based on an annual reduction in the tax until the tax  
49                   would be one percent; to provide that any occupational license  
50                   tax levied by any municipality would not apply to any person  
51                   performing an occupation in the police jurisdiction of the  
52                   municipality or on any property that is an industrial megasite  
53                   consisting of 1,000 or more acres annexed into the  
54                   municipality after January 1, 2023; to provide for a  
55                   referendum under certain conditions in certain counties in  
56                   which two or more municipalities levied an occupational tax



57 greater than one percent on January 1, 2023; to prohibit a  
58 municipality from levying a new occupational license tax or  
59 increasing the rate of any existing municipal occupational  
60 license tax; to provide for certain exceptions from any  
61 occupational taxes for certain temporary workers and for  
62 severance pay; to specify the power of a municipality pursuant  
63 to Section 11-51-90 of the Code of Alabama 1975, to license an  
64 exhibition, trade, business, vocation, occupation, or  
65 profession only within the corporate limits and jurisdiction  
66 of the municipality, to further provide for refunds and  
67 collections of the license fees and taxes, and to provide that  
68 these provisions are retroactive and declaratory of existing  
69 law.

70 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

71 Section 1. Section 11-51-91.1 is added to the Code of  
72 Alabama 1975, to read as follows:

73 §11-51-91.1

74 (a) This section shall be known and may be cited as the  
75 "Family Income Protection Act."

76 (b) (1) Effective October 1, following the effective  
77 date of this section, the rate of any occupational license tax  
78 on the income of a natural person levied by a municipality in  
79 this state and imposed on a natural person derived from the  
80 conduct of a vocation, occupation, calling, or profession  
81 shall be incrementally reduced as follows: The maximum tax  
82 rate in any municipality shall be capped at the tax rate in  
83 effect on January 1, 2023, except as further provided in this  
84 subsection. In any municipality where the maximum tax rate of



85 the levy on January 1, 2023, is greater than one percent, the  
86 maximum tax rate of the levy shall be reduced to a maximum  
87 rate of one percent by subtracting not less than two-tenths of  
88 one percent from the maximum tax rate of the levy on October 1  
89 following the effective date of this act and each October 1  
90 thereafter until the occupational tax is reduced to one  
91 percent. For example, if the rate of the levy of the  
92 occupational tax is two percent, for the first year, the  
93 maximum tax rate of the levy applicable in the municipality  
94 would be reduced to 1.8 percent; for the second year, the  
95 maximum rate of the levy applicable in the municipality would  
96 be reduced to 1.6 percent; and continuing for each year  
97 thereafter until the maximum rate of the levy applicable in  
98 the municipality would be one percent.

99 (2) Any municipality that has voluntarily reduced the  
100 rate of occupational license tax in the municipality by  
101 two-tenths of one percent or more prior to October 1 of any  
102 year shall not be required to make a further reduction in its  
103 rate of levy for that year.

104 (3) In any county in which two or more municipalities  
105 levied an occupational license tax above one percent on  
106 January 1, 2023, a county-wide referendum shall be held at the  
107 first primary election in 2028 in the county on the continued  
108 levy of the occupational license tax by any municipalities in  
109 the county after the rate of the levy in the municipalities is  
110 reduced to one percent. The question on the ballot shall be as  
111 follows: "Shall municipalities be allowed to continue  
112 collecting occupational license taxes in Etowah County? \_\_\_Yes



113 \_\_\_No." The judge of probate of the county shall prepare the  
114 ballot question on the ballot and tabulate the results. If a  
115 majority of the votes are "Yes" and in favor of the continued  
116 authorization for the levy of an occupational license tax by  
117 the municipalities, the municipalities may continue to levy  
118 the tax up to the rate of one percent. If a majority of the  
119 votes are "No" and against the continued authorization for the  
120 levy of the tax, the continued authorization for the levy of  
121 the occupational license tax shall be phased out by an  
122 additional two-tenths of one percent each October 1 thereafter  
123 until the municipalities in the county shall no longer be  
124 authorized to levy an occupational license tax in the  
125 municipalities.

126 (c) Any occupational license tax levied on the income  
127 of a natural person by a municipality shall not apply to any  
128 natural person conducting a vocation, occupation, calling, or  
129 profession in the police jurisdiction of the municipality or  
130 on any property that is an industrial megasite of 1,000 or  
131 more acres annexed into the municipality after January 1,  
132 2023.

133 (d) After the effective date of this section,  
134 notwithstanding the provisions of Section 11-51-90, no  
135 municipality may levy a new occupational license tax pursuant  
136 to Section 11-51-90 or otherwise on the income of any natural  
137 person engaging in any occupation or increase the rate of any  
138 occupational license tax on the income of any natural person  
139 engaging in any occupation.

140 (e) Notwithstanding any other provision of law, after



141 the effective date of this act, any occupational license tax  
142 levied in a municipality shall not apply to any employee  
143 providing services in the municipality for a period of 90 days  
144 or less if the employee's base for employment purposes is  
145 outside of the municipality or to any employee or other worker  
146 providing services in the municipality in response to a  
147 natural disaster or other state of emergency declared by the  
148 Governor or the President of the United States if the  
149 employee's base for employment purposes is outside of the  
150 municipality.

151 (f) Notwithstanding any other provision of law, after  
152 the effective date of this act, any occupational license tax  
153 levied in a municipality in the county shall not apply to any  
154 severance payments, supplemental unemployment payments,  
155 retirement incentive payments, or any similar payments paid by  
156 an employer to an employee.

157 Section 2.(a) A municipality shall not have the power,  
158 authority, or jurisdiction pursuant to Section 11-51-90 of the  
159 Code of Alabama 1975, to license any exhibition, trade,  
160 business vocation, occupation, or profession based on gross  
161 receipts or income or any portion of the gross receipts or  
162 income from any exhibition, trade, business, vocation,  
163 occupation, or profession engaged in or carried on outside of  
164 the corporate limits and jurisdiction of the municipality.

165 (b) Any municipality that collects any license fees or  
166 taxes based on any gross receipts or income of any licensee  
167 pursuant to Section 11-51-90 shall provide a reasonable  
168 procedure by ordinance for the refund of any portion of the



169 gross receipts or income from any exhibition, trade, business,  
170 vocation, occupation, or profession engaged in or carried on  
171 outside of the corporate limits or jurisdiction of the  
172 municipality for any gross receipts or income on behalf of the  
173 licensee which were remitted to the municipality.

174 (c) The employer of any taxpayer or licensee or any  
175 licensee licensed pursuant to Section 11-51-90 shall not remit  
176 nor be required to remit any license fees or taxes on any  
177 gross receipts or income of a licensee from any exhibition,  
178 trade, business, vocation, occupation, or profession engaged  
179 in or carried on outside of the corporate limits or  
180 jurisdiction of the municipality. The employer shall be held  
181 harmless for its remittances under this section provided the  
182 employer gives a signed statement that remittances are  
183 accurate to the best of the knowledge and belief of the  
184 employer.

185 (d) This paragraph is declaratory of existing law and  
186 intended to specify and clarify that a municipality may only  
187 collect license fees and taxes pursuant to Section 11-51-90  
188 based on activity that is specifically engaged in or carried  
189 out in the municipality and the municipality has no  
190 jurisdiction to levy or collect license fees on activities  
191 outside of the corporate limits or jurisdiction of the  
192 municipality.

193 Section 3. All laws or parts of laws which conflict  
194 with this act are repealed.

195 Section 4. This act shall become effective immediately  
196 following its passage and approval by the Governor, or its



197 otherwise becoming law.