



SYNOPSIS:

Under existing law, an improvement district is authorized to petition the appointing government to levy an assessment on property within the district to fund a public infrastructure improvement project. The district is authorized to receive and apply the proceeds of the assessments. If a property owner within a district fails to pay the assessment, the district may commence an action to foreclose and sell the property by judicial proceeding or in the manner provided by law for foreclosure of lands by the power of sale for mortgages.

This bill would remove the board's discretion to charge a higher interest rate on the assessment than the interest rate on the bonds issued to obtain the funds for the public infrastructure improvement project.

This bill would provide an option for a district, by written request, to engage the tax assessing official, the tax collecting official, and the judge of probate of the county in which the district is located, to assist in the collection and enforcement of such assessments by the district in a manner similar to collection and enforcement of local ad valorem taxes in the county.



A BILL
TO BE ENTITLED
AN ACT

Relating to Alabama Improvement Districts; to amend Section 11-99A-14, Code of Alabama 1975, to remove the board's discretion to charge a higher interest rate on the assessment than the allowable rate; and to add Section 11-99A-14.1, Code of Alabama 1975, to further provide for the methods for collection and enforcement of assessment payments made within an improvement district.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 11-99A014, Code of Alabama 1975, is amended to read as follows"

"§11-99A-14

(a) Each assessment shall constitute a lien on the property assessed in the amount of the assessment with respect to that parcel of land, as provided in the final assessment, forecloseable as provided in this chapter. The assessment shall be payable either within 30 days after the final assessment or over such term as may be determined by the board. If the assessment is to be paid over a term, the assessment shall accrue interest and be payable periodically, monthly, quarterly, semiannually, annually, or as otherwise provided by the board, with interest at a rate as may be considered reasonable by the board. In particular, the assessment may bear interest at the same rate or yield borne



57 by the bonds issued to obtain funds to acquire, construct, or
58 install the improvements, ~~but interest may be at a higher rate~~
59 ~~in the discretion of the board~~. Once the amount of a final
60 assessment allocated with respect to a tract is paid in full,
61 with all interest and penalties and costs of collection, if
62 any, such tract shall be released from the lien of the
63 assessment.

64 (b) The proceedings by which an assessment is levied
65 may provide for an increased interest rate with respect to any
66 interest accruing on any payment after the due date ~~thereof~~.

67 (c) In its proceedings, the board may specify that
68 assessments may be prepaid at any time or circumstance. The
69 board may specify that assessments be prepaid upon the sale of
70 the tract of land, or a portion thereof, being assessed. If
71 the obligation to pay is accelerated, the assessment shall
72 include all principal of the assessment then unpaid, plus
73 interest until the next date provided for the payment of
74 principal on any bonds secured by a pledge of the assessments,
75 unless otherwise provided in the proceedings pursuant to which
76 the bonds are issued.

77 (d) Unless otherwise provided in the proceedings of the
78 board with respect to the assessment, any assessment may be
79 voluntarily prepaid by the owner of the land assessed. In that
80 case, the amount prepaid shall be applied first to interest
81 until the first following date on which principal may be paid
82 under the bond, and then to principal. However, if provided in
83 the proceedings of the board with respect to the assessment,
84 prepayments, whether voluntary or mandatory, the amount



prepaid may be applied only to interest accrued to the date of the prepayment, and then to principal.

(e) Alternatively, the proceedings of the board with respect to the assessment may provide that prepayment shall be applied first to accrued interest, and then to the difference between: ~~(1)~~ (i) interest that will accrue from the date of prepayment until the next principal payment on the bonds~~;~~ and ~~(2)~~ (ii) the rate of interest at which the principal paid may be invested by the board to earn interest from the date of prepayment until the principal payment date, with any remaining balance to be applied to principal.

(f) The proceedings of the board with respect to the assessment may provide that any mandatory prepayment may be waived by the board on the terms as may be provided in a proceeding.

(g) If bonds are issued with respect to the final assessment, the assessments shall either: ~~(1)~~ (i) total the principal amount of the bonds to be issued with respect to the assessments; or ~~(2)~~ (ii) total such principal amount multiplied by a coverage ratio (e.g., 1.2 to 1) providing debt service coverage for the bonds in the ratio desired by the board."

Section 2. Section 11-99A-14.1, is added to the Code of Alabama 1975, to read as follows:

§11-99A-14.1

(a) In addition to the collection and enforcement procedures for assessments provided in this chapter, including without limitation Section 11-99A-21, a district may petition the county commission of a county within the district to use



the procedures set forth in subsection (e) for the collection and enforcement of assessments made against the land.

(b) The district shall file its petition with the county commission of the county in which the district is located and the petition shall be accompanied by: (i) certified copies of the proceedings of the appointing government, which may be the county commission with which the petition is filed, for the assessments within such district, including all petitions, attachments, consents, and other documentation submitted to the appointing government for the assessments, and documentation evidencing the validation, by a circuit court of competent jurisdiction from which no further appeal may be taken by law, of the assessments levied within the district; (ii) a certification that the owners of lands within the district that are, or would be, subject to the assessments within the district, and any other individual or entity with an enforceable interest in the lands, to include mortgages and other lenders of record, have been notified in writing of the district's intent to request the county commission to utilize the procedures of subsection (e) for the collection and enforcement of assessments within the district; and (iii) all certifications, documentation, information, and insurance policies required by this section. A district may file a petition at any time and from time to time. The district may specify in its petition a specific period in which the procedures of subsection (e) shall be effective. The district shall be solely responsible for the accuracy of the information and all supporting documentation set forth in the



petition.

(c) The county commission shall approve a petition submitted in accordance with this section.

(d) Upon approval of a petition, the county commission shall give written notice to the district, the tax assessing official of the county, the tax collecting official of the county, and the judge of probate of the county.

(e) (1) Upon the county commission approving the district's petition to use the alternative procedures listed in this subsection, it shall be the duty: (i) of the tax assessing official to include the current outstanding assessments certified by the district in the book of assessments of local ad valorem taxes delivered by the official to the tax collecting official for the county; (ii) of the tax collecting official to collect the assessments simultaneously with, and in the manner and method provided for the collection of local ad valorem by such official, and immediately upon receipt, segregate and account separately for the proceeds of the assessments and deliver the proceeds to the district, or at the written direction of the district, promptly report in writing to the district and the judge of probate the assessments which have been paid, which have not been paid in part or in full, or which have been collected; and (iii) of the judge of probate of the county to timely enforce the payment of a delinquent or unpaid assessment as provided in Chapter 10 of Title 40.

(2) No later than March 1 of each calendar year after a district that has opted into tax collections on the property



tax bills shall certify in writing to the tax assessing official and tax collecting official of the county, in form and content as prescribed by such officials, the assessments that have become due and payable, with all information necessary to provide for the billing, collecting, and enforcement of the assessments and as may be required by law.

(3) The tax assessing official and tax collecting official of the county, upon receipt of the certified list of assessments from the district, shall include the amounts of the respective assessments in the next regular bill for ad valorem taxes levied against the lands in the district subject to the assessments.

(4) If a tax bill that includes an assessment becomes delinquent, the remedy and procedures for collection of the delinquent assessment shall be by the same methods and procedures as a tax sale or tax lien auction used by the county in accordance with Chapter 10 of Title 40.

(f) The tax collecting official shall recoup the cost of collection and the enforcement of payment of assessments in an amount equal to three percent of the total amount of assessments collected. This fee collected shall be deposited in a segregated account of the office of the tax collecting official for use in furtherance of their official duties.

(g) (1) The district shall be solely responsible for the accuracy of the information, including without limitation, the amounts of the assessments and land assessed, certified to the county officials as provided in this section. The commission, the tax assessing official, the tax collecting official, and



the judge of probate shall have no duty or obligation to investigate, review, or verify the initial or continuing accuracy of the information in compliance with this chapter.

(2) The district shall be the proper party in any litigation arising from the operation of this section. The county, the tax assessing official of the county, the tax collecting official of the county, and the judge of probate of the county shall not be made parties to any litigation and shall not be liable for damages for any challenge to any assessment included in any ad valorem tax bill under Chapter 7 of Title 40, or in a tax lien sale conducted in accordance with this section.

(3) The district for which a certified assessment is made subject to collection in accordance with this section shall reimburse, indemnify, and hold harmless the county, the tax assessing official of the county, the tax collecting official of the county, and the judge of probate of the county, for any costs, including reasonable attorney fees, defenses, judgments, and settlements incurred as a result of any dispute or other matter arising out of or related to the operation of this section.

(h) Anything in this chapter to the contrary notwithstanding, the district and its board may at any time, when the procedures of subsection (e) are not effective for the district, have and exercise the rights and remedies of the district set forth in Section 11-99A-21. At any time when the procedures of subsection (e) are in effect for the district, the district and its board may not have or exercise the rights



225 and remedies under Section 11-99A-21.

226 (i) The Alabama Department of Revenue may adopt and
227 enforce reasonable rules supplementing this section with
228 advice and input from the Alabama Association of Tax
229 Administrators.

230 Section 3. This act shall become effective on October
231 1, 2025.