

HB387 INTRODUCED



1 HB387
2 RBBUTMN-1
3 By Representatives Garrett, Stadthagen, Colvin, Kiel
4 RFD: Ways and Means Education
5 First Read: 05-Mar-25



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SYNOPSIS:

Under existing law, the state imposes sales or use taxes upon certain persons, firms, or corporations at a general rate of four percent. Sales of certain items are taxed at a reduced rate, including food, which is taxed at three percent by the state. The definition of "food" for state sales and use taxes is applicable to county and municipal sales and use taxes and county and municipal governments may reduce their sales and use tax rate on food by 25 percent in any year in which certain growth targets are met.

This bill would revise the provisions authorizing a county or municipal governing body to reduce their sales and use tax on food to eliminate the 25 percent limitation on the rate cut and remove the growth requirement.

A BILL
TO BE ENTITLED
AN ACT

Relating to sales taxes; to amend Section 40-23-40, Code of Alabama 1975, to revise the provisions authorizing a county or municipal governing body to reduce their sales and



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29 use tax on food to eliminate the restriction on the amount of
30 rate cut and remove the growth requirement.

31 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

32 Section 1. Section 40-23-40, Code of Alabama 1975, is
33 hereby amended as follows:

34 "§40-23-40

35 (a) On June 15, 2023, the definition of "food" in
36 Sections 40-23-1 and 40-23-60^r shall apply to county and
37 municipal sales and use taxes. For purposes of county and
38 municipal sales and use taxes, the sales tax rate on food
39 shall be established as the general or retail sales tax rate
40 in effect in the county or municipality on June 15, 2023,
41 unless otherwise provided by law. An act of the Legislature or
42 an ordinance or resolution adopted by a county or municipal
43 governing body levying a county or municipal sales and use tax
44 inclusive of food passed or enacted on or before June 15,
45 2023, shall remain operative, but no additional county or
46 municipal sales and use taxes on food may be levied.

47 (b) Any county or municipal governing body, by
48 resolution or ordinance, may reduce the general or retail
49 sales tax rate on food for local sales and use taxes ~~by 25~~
50 ~~percent in any year in which the growth in the applicable~~
51 ~~municipal or county general fund exceeds two percent over the~~
52 ~~prior year~~. The ordinance or resolution must be adopted at
53 least 60 days prior to becoming effective and will take effect
54 on October 1 following adoption.

55 (c) A county or municipal governing body that reduces
56 its general or retail sales tax rate on food for local sales



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57 and use taxes pursuant to this section may subsequently
58 increase the rate on food not to exceed the rate in effect in
59 the county or municipality on June 15, 2023, unless otherwise
60 provided by law.

61 Section 2. This act shall become effective on June 1,
62 2025.