

**SB175 INTRODUCED**



1 SB175  
2 DLKRTTT-1  
3 By Senator Kitchens  
4 RFD: Finance and Taxation Education  
5 First Read: 18-Feb-25



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SYNOPSIS:

This bill would exempt the gross receipts from the sale of certain aircraft and aircraft parts from state sales and use tax.

In addition, this bill would exempt the gross receipts from the leasing or rental of certain aircraft parts from the payment of state lease or rental tax.

This bill would also provide for municipalities and counties to exempt these purchases from local sales, use, and rental or lease taxes.

This bill would also provide conditions regarding the application of rental or lease taxes to the rental or lease transactions of commercial aircraft.

This bill would also make nonsubstantive, technical revisions to update the existing code language to current style.

A BILL  
TO BE ENTITLED  
AN ACT

Relating to taxation; to exempt the gross receipts from the sale of certain aircraft and aircraft parts from state



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29 sales and use tax; to amend Sections 40-12-222 and 40-12-223,  
30 Code of Alabama 1975, relating to the state lease or rental  
31 tax; to provide conditions regarding the application of rental  
32 or lease taxes to the rental or lease transactions of  
33 commercial aircraft; to exempt the gross receipts from the  
34 lease of certain aircraft parts from the state lease or rental  
35 tax; and to make nonsubstantive, technical revisions to update  
36 the existing code language to current style.

37 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

38         Section 1. (a) The gross receipts from the sale of  
39 aircraft replacement parts, components, systems, sundries, and  
40 supplies affixed to, used on, or that became part of, aircraft  
41 brought into the state and used, or to be used, by certified  
42 or licensed air carrier to undergo conversion,  
43 reconfiguration, or general maintenance while temporarily  
44 within this state are exempt from the state sales and use  
45 taxes provided for in Sections 40-23-2 and 40-23-61, Code of  
46 Alabama 1975.

47         (1) Under this section, an aircraft shall be considered  
48 not permanently domiciled in Alabama if either of the  
49 following non-exclusive conditions is true:

50         a. The hanger, airstrip, or other housing unit in which  
51 the aircraft is primarily based, departs from, and returns to  
52 in its normal operation is located outside of Alabama; or

53         b. The purchaser's headquarters is not in Alabama on  
54 the date of purchase, and the aircraft will be operated either  
55 by a: (1) certificated air carrier holding certificate of  
56 public convenience under 49 U.S.C. §40102; or (2) a foreign



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57 air carrier or intrastate air carrier, as defined by 49 U.S.C.  
58 §40102.

59 (b) The exemption provided in this section shall not  
60 apply to county or municipal sales or use taxes unless  
61 approved by resolution or ordinance adopted by the local  
62 governing body.

63 (c) The exemption provided pursuant to this section  
64 shall be available from September 1, 2025, to August 31, 2030.

65 Section 2. (a) The gross receipts from the sale of  
66 aircraft delivered in this state and used, or to be used, by  
67 certified or licensed air carriers, so long as the aircraft  
68 will not be hubbed in Alabama, are exempt from the state sales  
69 and use taxes provided for in Sections 40-23-2 and 40-23-61,  
70 Code of Alabama 1975.

71 (1) Under this section, an aircraft shall be considered  
72 not permanently domiciled in Alabama if either of the  
73 following non-exclusive conditions is true:

74 a. The hanger, airstrip, or other housing unit in which  
75 the aircraft is primarily based, departs from, and returns to  
76 in its normal operation is located outside of Alabama; or

77 b. The purchaser's headquarters is not in Alabama on  
78 the date of purchase, and the aircraft will be operated either  
79 by a: (1) certificated air carrier holding certificate of  
80 public convenience under 49 U.S.C. §40102; or (2) a foreign  
81 air carrier or intrastate air carrier, as defined by 49 U.S.C.  
82 §40102.

83 (b) The exemption provided in this section shall not  
84 apply to county or municipal sales or use taxes unless



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85 approved by resolution or ordinance adopted by the local  
86 governing body.

87 (c) The exemption provided pursuant to this section  
88 shall be available from September 1, 2025, to August 31, 2030.

89 Section 3. Section 40-12-222, Code of Alabama 1975, is  
90 amended to read as follows:

91 "§40-12-222

92 (a) (1) In addition to all other taxes now imposed by  
93 law, there is hereby levied and shall be collected a privilege  
94 or license tax on each person engaging or continuing within  
95 this state in the business of leasing or renting tangible  
96 personal property at the rate of four percent of the gross  
97 proceeds derived by the lessor from the lease or rental of  
98 tangible personal property.

99 (2) The privilege or license tax on each person  
100 engaging or continuing within this state in the business of  
101 leasing or renting any automotive vehicle or truck trailer,  
102 semitrailer, or house trailer shall be at the rate of one and  
103 one-half percent of the gross proceeds derived by the lessor  
104 from the lease or rental of such automotive vehicle or truck  
105 trailer, semitrailer, or house trailer.

106 (3) The tax levied in this article shall not apply to  
107 any leasing or rental, as lessor, by the state, or any  
108 municipality or county in the state, or any public corporation  
109 organized under the laws of the state, including, without  
110 limiting the generality of the foregoing, any corporation  
111 organized under the provisions of Sections 11-54-80 through  
112 11-54-101.



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113 (4) The privilege or license tax on each person or firm  
114 engaging or continuing within this state in the business of  
115 the leasing and rental of linens and garments shall be at the  
116 rate of two percent of the gross proceeds derived by the  
117 lessor from the lease or rental of the linens and garments.

118 (b) Notwithstanding subsection (a), nothing shall  
119 prohibit a lessor subject to a state or local privilege or  
120 license tax from passing the amounts on to a lessee by adding  
121 the taxes to the leasing price or otherwise; provided,  
122 however, that all amounts passed on to the lessee shall be  
123 includable in the gross proceeds derived from the lease of  
124 tangible personal property which shall be subject to the  
125 privilege or license tax owed by the lessor.

126 (c) The state and applicable local privilege or license  
127 taxes applicable to a lease or rental transaction to which a  
128 lessor is subject shall be determined as follows:

129 (1) Except for automotive vehicles as provided in  
130 subdivision (2) and commercial aircraft as provided in  
131 subdivision (3), the following shall apply:

132 a. When tangible personal property is delivered to the  
133 lessee by the lessor or his or her agent, the privilege or  
134 license tax levy shall be determined based on where the  
135 property is delivered.

136 b. When tangible personal property is picked up at the  
137 lessor's rental location by the lessee or his or her agent,  
138 the privilege or license tax levy shall be determined based on  
139 the rental location.

140 (2) For automotive vehicles required to be registered



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141 pursuant to Section 32-6-61, each lease payment is considered  
142 a separate lease transaction and occurs in the location as  
143 provided below and the following rules shall apply:

144         a. The privilege or license tax levy on any  
145 nonrecurring gross proceeds due at the inception of the lease  
146 to a new motor vehicle dealer or a used motor vehicle dealer  
147 licensed pursuant to Section 40-12-391, including any  
148 capitalized cost reduction or other fee that is retained by  
149 the dealer in connection with its initiation of the lease,  
150 shall be determined based on the location of the dealer where  
151 the lease was initiated.

152         b. The privilege or license tax levy on gross proceeds  
153 other than those described in paragraph a., including the  
154 initial lease or rental payment and all subsequent lease or  
155 rental payments, shall be determined based on the garage  
156 address of the lessee as provided to the county licensing  
157 official. The lessor is considered to be engaging or  
158 continuing within this state in the business of leasing or  
159 renting tangible personal property when its lessee has a  
160 garage address within this state.

161         (3) For commercial aircraft, which are aircraft used by  
162 certificated or licensed air carriers, the privilege or  
163 license tax levy on gross proceeds, including the initial  
164 lease or rental payment and all subsequent lease or rental  
165 payments, shall be determined based on the location of the  
166 aircraft when the aircraft is first entered into revenue  
167 service."

168         Section 4. Section 40-12-223, Code of Alabama 1975 is



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169 amended to read as follows:

170 "§40-12-223

171 There are exempted from the computation of the amount  
172 of the tax levied, assessed, or payable under this article all  
173 of the following:

174 (1) The gross proceeds accruing from the leasing or  
175 rental of a film or films to a lessee who charges, or proposes  
176 to charge, admission for viewing the film or films.

177 (2) The gross proceeds accruing from any charge in  
178 respect to the use of docks or docking facilities furnished  
179 for boats or other craft operated on waterways.

180 (3) The gross proceeds accruing from any charge made by  
181 a landlord to a tenant in respect of the leasing or furnishing  
182 of tangible personal property to be used on the premises of  
183 real property leased by the same landlord to the same tenant  
184 for use as a residence or dwelling place, including mobile  
185 homes.

186 (4) The gross proceeds accruing from the leasing or  
187 rental of tangible personal property to a lessee who acquires  
188 possession of the property for the purpose of leasing or  
189 renting to another the same property under a leasing or rental  
190 transaction subject to this article.

191 (5) The gross proceeds accruing from any charge made by  
192 a landlord to a tenant in respect to the leasing or furnishing  
193 of tangible personal property to be used on the premises of  
194 any room or rooms, lodging, or accommodations leased or rented  
195 to transients in any hotel, motel, inn, tourist camp, tourist  
196 cabin, or any other place in which rooms, lodgings, or





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197 accommodations are regularly furnished to transients for a  
198 consideration.

199 (6) The gross proceeds accruing from the leasing or  
200 rental of tangible personal property which the state is  
201 prohibited from taxing under the Constitution or laws of the  
202 United States or under the ~~constitution of the~~  
203 ~~state.~~ Constitution of Alabama of 2022.

204 (7) The gross proceeds accruing from the leasing or  
205 rental of nuclear fuel assemblies together with the nuclear  
206 material contained therein and other nuclear material used or  
207 useful in the production of electricity and assemblies  
208 containing ionizing radiation sources together with the  
209 ionizing radiation sources contained therein used or useful in  
210 medical treatment or scientific research.

211 (8) A transaction in which the lessor leases a truck or  
212 tractor-trailer or semitrailer for operation over the public  
213 roads and highways and such lessor furnishes a driver or  
214 drivers for each vehicle, and the transaction shall be deemed  
215 to constitute the rendition of service and not a "leasing or  
216 rental" within the meaning of this article.

217 (9) The gross proceeds accruing from the leasing or  
218 rental of vehicles in interchange between regulated motor  
219 carriers on a per diem basis.

220 (10) The gross proceeds accruing from the leasing or  
221 rental of all structures, devices, facilities, and  
222 identifiable components of any thereof acquired primarily for  
223 the control, reduction, or elimination of air or water  
224 pollution, and the gross proceeds accruing from the leasing or



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225 rental of all materials used or intended for use in structures  
226 built primarily for the control, reduction, or elimination of  
227 air and water pollution.

228 (11) The gross proceeds derived by the lessor, which  
229 term includes a sublessor, from the leasing or rental of  
230 tangible personal property when the lessor and lessee, which  
231 term includes a sublessee, are wholly-owned subsidiary  
232 corporations of the same parent corporation or one is the  
233 wholly-owned subsidiary of the other; provided, that the  
234 appropriate sales or use tax, if any was due, has been paid on  
235 the item of personal property; and provided further, that in  
236 the event of any subsequent subleasing of the tangible  
237 personal property to any person other than any sister, parent,  
238 or subsidiary corporation, any privilege or license tax due  
239 and payable with respect to that subsequent subleasing under  
240 the provisions of this article shall be paid.

241 (12) The gross proceeds accruing from a transaction  
242 which involves the leasing or rental of vessels or railroad  
243 equipment which are engaged in interstate or foreign commerce,  
244 or both.

245 (13) The gross proceeds accruing from the leasing or  
246 rental of aircraft, replacement parts, components, systems,  
247 sundries, and supplies affixed or used on the aircraft and all  
248 ground support equipment and vehicles used by or for the  
249 aircraft to or by a certificated or licensed air carrier with  
250 a hub operation within this state, for use in conducting  
251 intrastate, interstate, or foreign commerce for transporting  
252 people or property by air. For the purpose of this



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253 subdivision, the words "hub operation within this state" shall  
254 be construed to have both of the following criteria:

255 a. There originates from the location 15 or more flight  
256 departures and five or more different first-stop destinations  
257 five days per week for six or more months during the calendar  
258 year.

259 b. Passengers, property, or both, are regularly  
260 exchanged at the location between flights of the same or a  
261 different certificated or licensed air carrier.

262 (14) The gross proceeds derived by the lessor, which  
263 term includes a sublessor, from the leasing of tangible  
264 personal property under all of the following conditions:

265 a. Prior to being leased under the lease subject to  
266 this exemption, the leased tangible personal property shall  
267 have been owned, or considered to be owned, for either Alabama  
268 or federal income tax purposes or both, or subject to  
269 acquisition pursuant to a binding contract, by the lessee or  
270 by a corporation, partnership, or other entity controlled by,  
271 or under common control with, the lessee.

272 b. The leased tangible personal property, or the right  
273 to ownership thereof, shall have been acquired by the lessor  
274 from the lessee or a corporation, partnership, or other entity  
275 controlled by, or under common control with, that lessee and  
276 leased back to the lessee under a lease that is considered a  
277 lease and not a sale for either Alabama or federal income tax  
278 purposes, or both, and that has a term of not less than 15  
279 years, except that the lessor and the lessee may agree in the  
280 lease or any subsequent amendment thereof for the termination



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281 of the lease on any date through purchase of the leased  
282 tangible personal property by the lessee, which right to  
283 purchase the property shall be exercisable solely at the  
284 option of the lessee.

285 c. The appropriate sales or use tax levied by the state  
286 shall have been paid with respect to the acquisition or use of  
287 the leased tangible personal property, or, alternatively, the  
288 acquisition or use of that property shall be exempt by law  
289 from such sales or use tax.

290 d. The leased tangible personal property shall be  
291 installed in or about an industrial plant or other real  
292 property that was specially constructed or modified for the  
293 location and use of the tangible personal property and that is  
294 owned, or considered to be owned, for either Alabama or  
295 federal income tax purposes, or both, by a corporation,  
296 partnership, or other entity controlled by, or under common  
297 control with, the lessee of such tangible personal property.

298 e. The leased tangible property shall be used only by a  
299 lessee engaged in the iron and steel industry, and the  
300 exemption from the tax levied by this article shall apply only  
301 to the gross proceeds derived from leases that become binding  
302 contracts of the parties thereto within 180 calendar days  
303 following the date on which the act adding the exemption  
304 contained in this subsection ~~(14)~~ shall become effective.

305 (15) The gross proceeds accruing from a motor vehicle  
306 lease transaction for a duration of at least 180 days with the  
307 federal government, or any state, county, or municipal entity  
308 within the state, including a public school board or an



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309 individual public school, or any entity eligible for a sales  
310 tax exemption under federal law or Section 40-23-5.

311 (16)a. The gross receipts from the leasing or rental of  
312 aircraft replacement parts, components, systems, sundries, and  
313 supplies affixed to, used on, or that became part of, aircraft  
314 brought into the state and used, or to be used, by certified  
315 or licensed air carrier to undergo conversion,  
316 reconfiguration, or general maintenance while temporarily  
317 within this state.

318 1. Under this subdivision an aircraft shall be  
319 considered not permanently domiciled in Alabama during the  
320 term of the lease if either of the following non-exclusive  
321 conditions is true:

322 (i) The hanger, airstrip, or other housing unit in  
323 which the aircraft is primarily based, departs from, and  
324 returns to in its normal operation is located outside of  
325 Alabama; or

326 (ii) The purchaser's headquarters is not in Alabama on  
327 the date of purchase, and the aircraft will be operated either  
328 by a: (1) certificated air carrier holding certificate of  
329 public convenience under 49 U.S.C. §40102; or (2) a foreign  
330 air carrier or intrastate air carrier, as defined by 49 U.S.C.  
331 §40102.

332 b. The exemption provided in this subdivision shall not  
333 apply to county or municipal sales or use taxes unless  
334 approved by resolution or ordinance adopted by the local  
335 governing body.

336 c. The exemption provided in this subdivision shall be



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337 [effective from September 1, 2025, to August 31, 2030.](#)"

338 Section 5. This act shall become effective on June 1,

339 2025.