



**House Ways and Means Education Reported Substitute
for HB28**

A BILL

TO BE ENTITLED

AN ACT

Relating to income tax; to establish a tax credit for restaurants that recycle oyster shells.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. The Legislature finds and declares that oyster shell material is a beneficial natural resource for local water quality, aquatic habitats, and the protection of the coastline of this state. An income tax credit for restaurants that participate in approved oyster recycling programs would incentivize the facilitation of more of this resource to the benefit of the state.

Section 2. (a) For purposes of this section, the following terms have the following meanings:

(1) DEPARTMENT. The Alabama Department of Revenue.

(2) INCOME TAX. The tax imposed by Chapter 18 of Title 40, Code of Alabama 1975.

(3) OYSTER SHELL RECYCLING PROGRAM. The Oyster Shell Recycling Program or any other oyster shell recycling program or activity designated by rule by the Alabama Department of Revenue as an approved program or activity.

(4) OTHER ELIGIBLE PERSON. A state resident who



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possesses a valid license or permit issued pursuant to Section 9-12-82, 9-12-87, or 9-12-125, Code of Alabama 1975.

(5) RESTAURANT. A facility that prepares and sells food directly to consumers for immediate consumption.

(b) (1) A restaurant or other eligible person that donates oyster shell material to an oyster shell recycling program may claim a credit against the state income tax liability as provided by this section. The amount of the credit shall equal the lesser of:

a. One dollar (\$1) for every 50 pounds of oyster shell material donated to a qualifying oyster shell recycling program or activity during the tax year; or

b. Two thousand dollars (\$2,000).

(2) The total amount of credits granted shall not exceed one hundred thousand dollars (\$100,000) per calendar year.

(3) The granting of the tax credits authorized by this section shall be on a first-come, first-served basis for the tax year in which the oyster shell recycling occurred.

(c) If the amount of the credit exceeds the amount of the taxpayer's tax liability for the taxable year, the excess tax credit amount shall constitute an overpayment as defined in Section 40-18-79, Code of Alabama 1975, and the department shall refund the overpayment from the collections of the taxes imposed.

(d) No tax credit provided by this section may be transferred or sold to another taxpayer.

(e) The department shall do the following:



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(1) Provide a standardized format for a certificate to be signed by the restaurant and certified by the Oyster Shell Recycling Program to indicate the amount of oyster shells recycled to substantiate the credit being claimed.

(2) Require the taxpayer to provide a copy of the certificate when claiming the tax credit pursuant to this section. Failure to file the required certificate shall result in the automatic denial of the credit.

(f) The credit authorized in this section may be claimed by corporations, individuals, and other entities in accordance with the following provisions:

(1) An entity taxed as a corporation for Alabama income tax purposes shall claim any credit authorized by this section on its corporation income tax return.

(2) An individual shall claim any credit authorized by this section on its income tax return.

(3) An entity taxed as a partnership, S-corporation, or electing pass-through entity shall pass through any credit authorized by the section to the partners, members, or shareholders on a pro rata share basis.

(g) The department shall adopt rules to implement the provisions of this section. The department shall engage and collaborate with the Commissioner of the Department of Conservation and Natural Resources and may incorporate recommendations of the commissioner in any rules designating oyster shell recycling programs and activities.

(h) The tax credit allowed under this section may be claimed beginning with the 2027 tax year and may not be



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85 claimed for tax years after the 2031 tax year.

86 Section 3. This act shall become effective on June 1,
87 2026.