

# HB531 INTRODUCED



1 HB531  
2 SLEJL78-1  
3 By Representatives Oliver, Hurst  
4 RFD: Ways and Means Education  
5 First Read: 26-Feb-26



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SYNOPSIS:

This bill would exclude the use or purchase of natural gas or liquefied petroleum gas by certain contractors for use or consumption in the construction of a public highway, road, or bridge from the utility gross receipts tax and utility service use tax.

This bill would also exempt certain contractors working on a project for the construction of a public highway, road, or bridge from payment of state sales and use taxes on natural gas and liquefied petroleum gas.

This bill would also allow counties and municipalities to adopt complimentary local sales and use tax exemptions.

A BILL  
TO BE ENTITLED  
AN ACT

Relating to taxation; to amend Sections 40-21-83 and 40-21-103, Code of Alabama 1975, to exclude the purchase or use of natural gas or liquefied petroleum gas by certain contractors for public highway, road, or bridge construction projects from utility gross receipts and utility service use



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29 taxes; to exempt the purchase of natural gas and liquefied  
30 petroleum gas made by certain contractors on public highway,  
31 road, or bridge construction projects from state sales and use  
32 taxes; and to allow counties and municipalities to adopt  
33 complimentary local sales and use tax exemptions.

34 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

35 Section 1. Sections 40-21-83 and 40-21-103 of the Code  
36 of Alabama 1975, are amended to read as follows:

37 "§40-21-83

38 There are specifically excluded from the gross receipts  
39 or gross sales of a utility, all revenues derived from any of  
40 the following:

41 (1) The furnishing of utility services which the State  
42 of Alabama is prohibited from taxing under the Constitution or  
43 laws of the United States of America or the Constitution of  
44 the State of Alabama.

45 (2) The furnishing of utility services which are  
46 otherwise taxed under Sections 40-23-1 to 40-23-36, inclusive.

47 (3) Wholesale sales.

48 (4) The furnishing of electricity, natural gas, or  
49 domestic water for use or consumption by, in, or for the  
50 direct production, generation, processing, storage, delivery,  
51 or transmission of electricity, natural gas, or domestic  
52 water.

53 (5) The furnishing of electricity to a manufacturer or  
54 compounder for use in an electrolytic or electrothermal  
55 manufacturing or compounding process.

56 (6) The furnishing of natural gas to a manufacturer or



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57 compounder as a chemical raw material in the manufacturing or  
58 compounding of tangible personal property, but not as fuel or  
59 energy.

60 (7) The furnishing of natural gas to be used by a  
61 manufacturer or compounder to chemically convert raw materials  
62 prior to the use of the converted raw materials in an  
63 electrolytic or electrothermal manufacturing or compounding  
64 process.

65 (8) The use or consumption of electricity by an  
66 incorporated municipality, a board, or corporation organized  
67 under the authority of any incorporated municipality in  
68 furnishing or providing street lighting or traffic-control  
69 systems; the use or consumption of telephone services by an  
70 incorporated municipality in providing fire alarm systems; and  
71 the use or consumption of domestic water by an incorporated  
72 municipality in extinguishing fires, explosions, or  
73 conflagrations.

74 (9) The furnishing of natural gas or electricity for  
75 use or consumption as fuel or energy in and for the heating of  
76 poultry houses.

77 (10) The furnishing of utility services through the use  
78 of a prepaid telephone calling card.

79 (11)a. The furnishing of natural gas or liquefied  
80 petroleum gas for use or consumption as fuel or energy in the  
81 construction of any public highway, road, or bridge.

82 b. This exclusion may only be claimed by a contractor  
83 licensed by the State Licensing Board for General Contractors,  
84 or a subcontractor working under the same contract, for use



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85 pursuant to a written contract for and on behalf of a  
86 governmental entity as defined in Section 40-9-14.1."

87 "§40-21-103

88 The storage, use, or other consumption of utility  
89 services in the State of Alabama is hereby specifically  
90 excluded from the tax herein levied:

91 (1) Whenever the State of Alabama is prohibited from  
92 taxing such storage, use, or consumption under the  
93 Constitution or laws of the United States of America or the  
94 Constitution of the State of Alabama;

95 (2) Whenever any tax relating to the sale, use,  
96 storage, or consumption of said utility services shall be  
97 levied under the provisions of Article 2 of Chapter 23 of this  
98 title, or under the provisions of Sections 40-23-1 through  
99 40-23-36 or the Alabama Transaction Tax Act of 1992 if enacted  
100 into law;

101 (3) Whenever the purchase of said utility services  
102 shall have been at a wholesale sale;

103 (4) Whenever electricity, natural gas, or domestic  
104 water shall have been used or consumed directly in or for the  
105 production, generation, processing, storage, delivery, or  
106 transmission of electricity, natural gas, or domestic water;

107 (5) Whenever electricity purchased for storage, use, or  
108 other consumption is used or consumed by a manufacturer or  
109 compounder in an electrolytic or electrothermal manufacturing  
110 or compounding process;

111 (6) Whenever natural gas purchased for storage, use, or  
112 other consumption is used or consumed by a manufacturer or



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113 compounder as a chemical raw material in the manufacturing or  
114 compounding of tangible personal property, but not as fuel or  
115 energy;

116 (7) Whenever natural gas purchased for storage, use, or  
117 other consumption is used by a manufacturer or compounder to  
118 chemically convert raw materials prior to the use of such  
119 converted raw materials in an electrolytic or electrothermal  
120 manufacturing or compounding process;

121 (8) Whenever the sales price of said utility services  
122 shall be included as a part of the gross receipts or gross  
123 sales of a utility subject to the utility gross receipts tax  
124 for the purpose of calculating the utility gross receipts tax  
125 payable by said utility;

126 (9) Whenever electricity purchased for storage, use, or  
127 other consumption is used or consumed in a process for the  
128 isotopic enrichment of uranium and when said electricity is  
129 purchased from a subsidiary corporation of the corporation  
130 engaged in the isotopic enrichment of uranium; ~~and~~

131 (10) Whenever utility services are furnished through  
132 the use of a prepaid telephone calling card; and

133 (11)a. Whenever natural gas or liquefied petroleum gas  
134 purchased for use or consumption is used or consumed as fuel  
135 or energy in the construction of any public highway, road, or  
136 bridge.

137 b. This exclusion may only be claimed by a contractor  
138 licensed by the State Licensing Board for General Contractors,  
139 or a subcontractor working under the same contract, for use  
140 pursuant to a written contract for and on behalf of a



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141 [governmental entity as defined in Section 40-9-14.1.](#)"

142           Section 2. (a) (1) The gross proceeds from the sale of  
143 natural gas and liquefied petroleum gas for use in the  
144 construction of any public highway, road, or bridge are exempt  
145 from state sales and use taxes.

146           (2) This exemption may only be claimed by a contractor  
147 licensed by the State Licensing Board for General Contractors,  
148 or a subcontractor working under the same contract, for use  
149 pursuant to a written contract for and on behalf of a  
150 governmental entity as defined in Section 40-9-14.1.

151           (b) Any county or municipality may exempt the products  
152 provided in subdivision (a) (1) from county or municipal sales  
153 and use taxes under the same conditions provided in  
154 subdivision (a) (2) and in accordance with Section 40-23-4.01,  
155 Code of Alabama 1975.

156           Section 3. This act shall become effective on September  
157 1, 2026.