

HB641 INTRODUCED



1 HB641
2 I3TL1WW-1
3 By Representatives Lands, Daniels
4 RFD: Ways and Means General Fund
5 First Read: 19-Mar-26



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SYNOPSIS:

Under existing law, certain tangible personal property, up to a market value of \$100,000, is exempt from payment of the state-levied ad valorem tax.

This bill would exempt tangible personal property with a market value over \$120,000 of a business with less than 50 employees from the state-levied ad valorem tax.

This bill would allow local governments to adopt companion exemptions.

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 exemptions from taxation and licenses; to amend Section 40-9-1, as last amended by Act 2025-344, 2025 Regular Session, Code of Alabama 1975; to exempt tangible personal property with a market value over \$120,000 of a business with less than 50 employees from the state-levied ad valorem tax, would allow local governments to adopt companion



HB641 INTRODUCED

29 exemptions; and to make nonsubstantive, technical revisions to
30 update the existing code language to current style.

31 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

32 Section 1. Section 40-9-1, as last amended by Act
33 2025-344, 2025 Regular Session, Code of Alabama 1975, is
34 amended to read as follows:

35 "§40-9-1

36 The following property and persons shall be exempt from
37 ad valorem taxation and none other:

38 (1) All bonds of the United States and this state and
39 all county and municipal bonds issued by counties and
40 municipalities in this state^r_i all property, real and
41 personal, of the United States and this state and of county
42 and municipal corporations in this state; all cemeteries^r_i all
43 property, real and personal, used exclusively for religious
44 worship, for schools_l or for purposes purely charitable^r_l
45 provided^r that property, real or personal, owned by any
46 educational, religious, or charitable institution, society_l or
47 corporation let for rent or hire or for use for business
48 purposes shall not be exempt from taxation, notwithstanding
49 that the income from such property shall be used exclusively
50 for education, religious, or charitable purposes; all
51 mortgages, together with the notes, debts, and credits secured
52 thereby on real and personal property situated in this state,
53 which mortgages have been filed for record and the privilege
54 tax paid thereon; all security agreements and security
55 interests under the Uniform Commercial Code, together with the
56 notes, debts, and credits secured thereby; all money on



HB641 INTRODUCED

57 deposit in any bank or banking institution and all other
58 solvent credits; and all warrants issued by county boards of
59 education and city boards of education for the purpose of
60 erecting, repairing, or furnishing school buildings, or for
61 other school purposes.

62 (2) All property, real or personal, used exclusively
63 for hospital purposes, to the amount of seventy-five thousand
64 dollars (\$75,000), where ~~such~~ hospitals maintain wards for
65 charity patients or give treatment to ~~such~~these patients~~;~~,
66 provided~~;~~ that the treatment of charity patients constitutes
67 at least 15 percent of the business of ~~such~~these hospitals~~;~~,
68 provided further~~;~~ that ~~such~~the hospital need not be assessed
69 for taxation if the owner or manager shall file with the
70 county tax assessor wherein ~~such~~the hospital is located within
71 the time allowed for assessing the property for taxation a
72 certificate that ~~such~~the hospital has done 15 percent charity
73 work in the preceding tax year~~;~~ and, further provided~~;~~ that
74 ~~such~~the hospital~~,~~ through its owner or manager~~,~~ shall have
75 until the expiration of the preceding tax year to class its
76 work and ascertain whether or not ~~such~~the hospital has done 15
77 percent of its treatment of patients as charity work.

78 (3) The shares of the capital stock of any corporation
79 owning and operating a hospital, to the extent of seventy-five
80 thousand dollars (\$75,000) in value~~;~~, provided~~;~~ that the
81 corporation maintains wards for charity patients and gives
82 treatment to ~~such~~ patients, which treatment constitutes at
83 least 15 percent of the business of the hospital of the
84 corporation~~;~~, provided~~;~~ that the total exemption granted to



HB641 INTRODUCED

85 any ~~such~~ corporation shall not exceed seventy-five thousand
86 dollars (\$75,000), taking into consideration its real and
87 personal property and the value of its shares of capital
88 stock.

89 (4) All property owned by the American Legion, ~~or by~~
90 Veterans of Foreign Wars, or by the Disabled American
91 Veterans, or any post thereof, or provided, ~~that~~ ~~such~~ the
92 property is used and occupied exclusively by the organization.

93 (5) All the property of literary and scientific
94 institutions and literary societies, when employed or used in
95 the regular business of the institutions.

96 (6) The libraries of ministers of the gospel, all
97 libraries other than those of a professional character, and
98 all religious books kept for sale by ministers of the gospel
99 and colporteurs.

100 (7) The property of individuals who are deaf, hard of
101 hearing, or insane to the extent of three thousand dollars
102 (\$3,000) and the property of blind individuals to the extent
103 of twelve thousand dollars (\$12,000).

104 (8) All family portraits.

105 (9) All cotton, livestock, or agricultural products
106 that have been raised or grown in the State of Alabama and
107 remain in the hands of the producer thereof, or his or her
108 landlord, or in the hands of a cooperative association for all
109 time, and for a period of one year in the hands of the
110 purchaser or the manufacturer.

111 (10) All cotton, wherever grown, stored in licensed
112 warehouses in the State of Alabama for a period not exceeding



HB641 INTRODUCED

113 12 months.

114 (11) Provisions and supplies on hand for the current
115 year for the use of the family and the making of crops; all
116 wearing apparel; farming tools; tools and implements of
117 mechanics to the value of two hundred dollars (\$200); all
118 livestock, including mules, studs, jacks and jennets, cattle,
119 horses, cows, calves, hogs, sheep, and goats; ~~and~~ household
120 and kitchen furniture; and one sewing machine.

121 (12) No license or taxation of any character, except
122 franchise taxes provided by Section 229 of the Constitution of
123 Alabama of 2022, shall be collected or required to be paid to
124 the state or any county or municipality therein by any state
125 or county fair; agricultural association; or stock, kennel,
126 or poultry show. Athletic stadiums owned and controlled by
127 universities, schools, or colleges and which are used
128 exclusively for the purpose of promoting intercollegiate or
129 ~~interschool~~ interscholastic athletics; provided, that the
130 revenue received from athletic stadiums, when admission is
131 charged, shall be used for the benefit of athletic
132 associations of ~~such~~ these universities, colleges, or schools.
133 Nothing contained in this subdivision shall be construed to
134 prohibit any municipality, county, or state from imposing any
135 license tax upon or for the privilege of engaging in the
136 business of supplying services for hire or reward or selling
137 commodities other than livestock, farm products, or farm
138 implements or conducting or operating devices or games of
139 skill or amusements or other games or devices, or conducting
140 or operating shows, displays, or exhibits other than shows,



HB641 INTRODUCED

141 displays, or exhibits of agricultural implements, farm
142 products, livestock, and athletic prowess.

143 (13) All material, including, without limitation, coke,
144 to be compounded or further manufactured, when stocked at any
145 plant or furnace for manufacturing purposes in Alabama.

146 (14) All articles manufactured in Alabama, including
147 pig iron, in the hands of the producer or manufacturer
148 thereof, for 12 months after its production or manufacture.

149 (15) All property, both real and personal, owned by any
150 unit or organization of the Alabama National Guard officially
151 recognized ~~as such~~ by the federal government and organized and
152 maintained by the state, and all property owned by shares and
153 used exclusively by and kept exclusively in the possession of
154 any ~~such~~ unit or organization of the Alabama National Guard,
155 the annual rent or hire of which is not in excess of the
156 annual state, county, and municipal taxes on the property
157 shall be exempt from taxation by the state, and the county and
158 municipality in which the same may be situated.

159 (16) All poultry.

160 (17) The property of all incompetent veterans to the
161 value of three thousand dollars (\$3,000).

162 (18) The following items of personal property when
163 owned by individuals for personal use in the home or usually
164 kept at the home of the owner and not carried as stocks of
165 merchandise, namely: ~~Libraries~~ libraries; phonographs; pianos
166 and other musical instruments; paintings; precious stones,
167 jewelry, plate silverware, ornaments, and articles of taste;
168 watches and clocks; wagons, buggies, bicycles, guns, pistols,



HB641 INTRODUCED

169 canes, golf sticks, golf bags, and sporting goods; money
170 hoarded; radios; mechanical and electrical refrigerators; and
171 electrical appliances.

172 (19) All property owned by the Benevolent and
173 Protective Order of Elks, Fraternal Order of Police, Fraternal
174 Order of Eagles, or Loyal Order of Moose, or lodge thereof~~;~~,
175 provided~~;~~ that ~~such~~the property is used and occupied
176 exclusively by such organization.

177 (20) All devices, facilities, or structures, and all
178 identifiable components thereof or materials for use therein,
179 acquired or constructed primarily for the control, reduction,
180 or elimination of air or water pollution.

181 (21) Tobacco leaf stored in hogsheads.

182 (22) All farm tractors, as that term is defined in
183 Section 32-1-1.1~~;~~, and all farming implements, as that term is
184 used in Section 40-11-1(b) (5), when used exclusively in
185 connection with agricultural property as defined in Section
186 40-8-1(b) (1).

187 (23) All grain bins used exclusively for the purpose of
188 storing, holding, drying, preserving, or otherwise preparing a
189 grain, as defined in Section 2-31-1, for market. For purposes
190 of this chapter, "grain bin" means a structure and its
191 component parts.

192 (24) All stocks of goods, wares, and merchandise
193 described in Section 40-11-1(b) (4).

194 (25) All aircraft, replacement parts, components,
195 systems, supplies, and sundries affixed or used on the
196 aircraft, and ground support equipment and vehicles used by or



HB641 INTRODUCED

197 for the aircraft, when used by a certificated or licensed air
198 carrier with a hub operation within this state, for use in
199 conducting intrastate, interstate, or foreign commerce for
200 transporting people or property by air. For the purpose of
201 this subdivision, the words "hub operation" within this state
202 shall be construed to have all of the following criteria:

203 a. There originates from the location 15 or more flight
204 departures and five or more different first-stop destinations
205 five days per week for six or more months during the calendar
206 year.

207 b. Passengers or property or both are regularly
208 exchanged at the location between flights of the same or a
209 different certificated or licensed air carrier.

210 (26) All property described in 12 U.S.C. § 1701q,
211 commonly known as HUD 202 property, is hereby exempt from any
212 and all ad valorem taxes.

213 (27) All vessels and equipment thereon, used
214 predominantly in the business of commercial fishing, as
215 defined in Section 40-23-1, by the owners thereof.

216 (28)a. The tangible personal property owned by a
217 business and reported in accordance with Article 1 of Chapter
218 7 to the extent of one hundred thousand dollars (\$100,000) in
219 market value is exempt from the state--levied ad valorem tax.

220 b. Any county or municipality, by resolution or
221 ordinance, may adopt the exemption provided in paragraph a.
222 for county or municipal ad valorem taxes levied on tangible
223 personal property. The ordinance or resolution must be adopted
224 at least 90 days prior to October 1 of the electing year.



HB641 INTRODUCED

225 (29)a. The tangible personal property owned by a
226 business with 50 or more employees and reported in accordance
227 with Article 1 of Chapter 7 to the extent of one hundred
228 twenty thousand dollars (\$120,000) in market value is exempt
229 from the state-levied ad valorem tax.

230 b. Any county or municipality, by resolution or
231 ordinance, may adopt the exemption provided in paragraph a.
232 for county or municipal ad valorem taxes levied on tangible
233 personal property. The ordinance or resolution must be adopted
234 at least 90 days prior to October 1 of the electing year."

235 Section 2. This act shall become effective on October
236 1, 2026.