

HB647 INTRODUCED



1 HB647
2 3PUFYZE-1
3 By Representatives Shaw, DuBose, Rehm, Rigsby, Lomax, Hulsey,
4 Moore (P), Simpson, Robertson, Holk-Jones, Carns, Brown,
5 Pettus, Marques, Clouse
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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 two percent.

This bill would decrease the sales and use tax rates on food by one-half percent on September 1, 2026, and for each year after, until September 1, 2029, when food shall be exempt from state sales and use tax.

This bill would allow counties and municipalities to adopt local exemptions of food from sales and use tax.

A BILL
TO BE ENTITLED
AN ACT

Relating to sales and use taxes; to amend Sections 40-23-2, 40-23-40, and 40-23-61, as last amended by Act 2025-305, 2025 Regular Session, Code of Alabama 1975, to decrease the state sales and use tax rate on food by one-half percent each year, and to allow counties and municipalities to adopt local exemptions of food from sales and use tax; and to



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29 add Section 40-23-4.11 to the Code of Alabama 1975, to exempt
30 food from state sales and use tax beginning on September 1,
31 2029.

32 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

33 Section 1. Sections 40-23-2, 40-23-40, and 40-23-61, as
34 last amended by Act 2025-305, 2025 Regular Session, Code of
35 Alabama 1975, are amended as follows:

36 "§40-23-2

37 There is levied, in addition to all other taxes of
38 every kind now imposed by law, and shall be collected as
39 herein provided, a privilege or license tax against the person
40 on account of the business activities and in the amount to be
41 determined by the application of rates against gross sales, or
42 gross receipts, as the case may be, as follows:

43 (1) Upon every person, firm, or corporation, ~~including~~
44 the State of Alabama and its Alcoholic Beverage Control Board
45 in the sale of alcoholic beverages of all kinds, The
46 University of Alabama, Auburn University, and all other
47 institutions of higher ~~learning~~education in the state, whether
48 the institutions be denominational, state, county, or
49 municipal institutions, any association or other agency or
50 instrumentality of the institutions~~),~~, engaged or continuing
51 within this state, in the business of selling at retail any
52 tangible personal property whatsoever, including merchandise
53 and commodities of every kind and character, ~~not including~~
54 ~~however,~~ bonds or other evidences of debts or stocks, nor
55 sales of material and supplies to any person for use in
56 fulfilling a contract for the painting, repair, or



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57 reconditioning of vessels, barges, ships, other watercraft,
58 and commercial fishing vessels of over five tons load
59 displacement as registered with the U.S. Coast Guard and
60 licensed by the State of Alabama Department of Conservation
61 and Natural Resources⁺, an amount equal to four percent of the
62 gross proceeds of sales of the business except where a
63 different amount is expressly provided herein. ~~Provided,~~
64 ~~however, that any~~Any person engaging or continuing in business
65 as a retailer and wholesaler or jobber shall pay the tax
66 required on the gross proceeds of retail sales of the business
67 at the rates specified~~,~~ when his or her books are kept so as
68 to show separately the gross proceeds of sales of each
69 business, and when his or her books are not kept he or she
70 shall pay the tax as a retailer, on the gross sales of the
71 business.

72 Where any used part including tires of an automotive
73 vehicle or a truck trailer, semitrailer, or house trailer is
74 taken in trade, or in a series of trades, as a credit or part
75 payment on the sale of a new or rebuilt part or tire, the tax
76 levied herein shall be paid on the net difference, that is,
77 the price of the new or used part or tire sold less the credit
78 for the used part or tire taken in trade, provided~~,~~ ~~however,~~
79 this provision shall not be construed to include batteries.

80 (2) Upon every person, firm, or corporation engaged or
81 continuing within this state in the business of conducting or
82 operating places of amusement or entertainment, billiard and
83 pool rooms, bowling alleys, amusement devices, musical
84 devices, theaters, opera houses, moving picture shows,



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85 vaudevilles, amusement parks, athletic contests, including
86 wrestling matches, prize fights, boxing and wrestling
87 exhibitions, football and baseball games, ~~including~~ athletic
88 contests, conducted by or under the auspices of any
89 educational institution within this state, or any athletic
90 association thereof, or other association whether the
91 institution or association be a denominational, a state, or
92 county, or a municipal institution, or association or a state,
93 county, or city school, or other institution, association, or
94 school~~,~~ skating rinks, race tracks, golf courses, or any
95 other place at which any exhibition, display, amusement, or
96 entertainment is offered to the public or place or places
97 where an admission fee is charged, including public bathing
98 places and public dance halls of every kind and description
99 within the State of Alabama, an amount equal to four percent
100 of the gross receipts of any such business. ~~Provided, however,~~
101 ~~notwithstanding~~ Notwithstanding any language to the contrary in
102 the prior portion of this subdivision, the tax provisions so
103 specified shall not apply to any athletic event conducted by a
104 public or nonpublic primary or secondary school or any
105 athletic event conducted by or under the auspices of the
106 Alabama High School Athletic Association. The tax amount that
107 would have been collected pursuant to this subdivision shall
108 continue to be collected by the public or nonpublic primary or
109 secondary school, but shall be retained by the school that
110 collected it and shall be used by the school for school
111 purposes.

112 (3) Upon every person, firm, or corporation engaged or



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113 continuing within this state in the business of selling at
114 retail machines used in mining, quarrying, compounding,
115 processing, and manufacturing of tangible personal property an
116 amount equal to one and one-half percent of the gross proceeds
117 of the sale of the machines. The term "machine," as herein
118 used, shall include machinery that is used for mining,
119 quarrying, compounding, processing, or manufacturing tangible
120 personal property, and the parts of the machines, attachments,
121 and replacements therefor, that are made or manufactured for
122 use on or in the operation of the machines and that are
123 necessary to the operation of the machines and are customarily
124 so used.

125 (4) Upon every person, firm, or corporation engaged or
126 continuing within this state in the business of selling at
127 retail any automotive vehicle or truck trailer, semitrailer,
128 or house trailer, or mobile home set-up materials and supplies
129 including, but not limited to, steps, blocks, anchoring, cable
130 pipes, and any other materials pertaining thereto, an amount
131 equal to two percent of the gross proceeds of sale of the
132 automotive vehicle or truck trailer, semitrailer, or house
133 trailer, or mobile home set-up materials and supplies,
134 provided, ~~however,~~ where a person subject to the tax provided
135 for in this subdivision withdraws from his or her stock in
136 trade any automotive vehicle or truck trailer, semitrailer, or
137 house trailer for use by him or her or by his or her employee
138 or agent in the operation of the business, there shall be
139 paid, in lieu of the tax levied in this subdivision, a fee of
140 five dollars (\$5) per year or part thereof during which the



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141 automotive vehicle, truck trailer, semitrailer, or house
142 trailer shall remain the property of the person. Each year or
143 part thereof shall begin with the day or anniversary date, as
144 the case may be, of such withdrawal and shall run for the 12
145 succeeding months or part thereof during which the automotive
146 vehicle, truck trailer, semitrailer, or house trailer shall
147 remain the property of the person.

148 Where any used automotive vehicle or truck trailer,
149 semitrailer, or house trailer is taken in trade or in a series
150 of trades, as a credit or part payment on the sale of a new or
151 used vehicle, the tax levied in this subdivision shall be paid
152 on the net difference, that is, the price of the new or used
153 vehicle sold less the credit for the used vehicle taken in
154 trade.

155 Sales of automobiles, motorcycles, trucks, truck
156 trailers, travel trailers, campers, housecars, or semitrailers
157 that will be registered or titled outside Alabama and that are
158 exported or removed from Alabama within 72 hours by the
159 purchaser or his or her agent for first use outside Alabama
160 are subject to Alabama sales tax in an amount equal to only
161 the state automotive sales tax rate, unless the sales tax laws
162 of the state in which the purchaser will title or register the
163 vehicle allows an Alabama resident to purchase a motor vehicle
164 for first titling and registering in Alabama without the
165 payment of tax to that state. However, in no case shall the
166 amount of Alabama state sales tax due on a motor vehicle that
167 will be registered or titled for use in another state exceed
168 the amount of sales tax that would otherwise have been due in



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169 the state where the vehicle will be registered or titled for
170 first use. In order to qualify as a travel trailer, camper, or
171 housecar that will be registered or titled for use in another
172 state, the purchaser must provide documentation to the seller
173 that the purchaser is not a resident of Alabama as required by
174 the Department of Revenue. No such proof is required in the
175 sale of an automobile, motorcycle, truck, truck trailer, or
176 semitrailer, excluding a travel trailer, camper, or housecar.
177 The tax collected under this export provision shall be Alabama
178 sales tax and shall exclude county and municipal sales tax. On
179 January 1, 2016, and each January 1 thereafter, the Alabama
180 Department of Revenue shall publish to the state's website a
181 list of states that do not allow drive out provisions to
182 Alabama residents. Should the list, required by this
183 subdivision and relied upon by the taxpayer, be incorrect, the
184 taxpayer shall be relieved from the liability concerning the
185 miscollection of the state automotive sales tax. Sales of all
186 other vehicles such as mobile homes, motor bikes, all terrain
187 vehicles, and boats do not qualify for the export exemption
188 provision and are taxable unless the dealer can provide
189 factual evidence that the vehicle was delivered outside of
190 Alabama or to a common carrier for transportation outside
191 Alabama. In order for the sale to be exempt from Alabama tax,
192 the information relative to the exempt sale shall be
193 documented on forms approved by the ~~Revenue~~ Department of
194 Revenue.

195 Of the total ~~two-cent (\$.02)~~ two cent (\$0.02) tax on
196 each dollar of sale provided in this subdivision, 58 percent



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197 of the total tax generated by this subdivision shall be
198 deposited to the credit of the Education Trust Fund and 42
199 percent of the total tax generated by this subdivision shall
200 be deposited to the credit of the State General Fund.

201 (5) Upon every person, firm, or corporation engaged or
202 continuing within this state in the business of selling
203 through coin-operated dispensing machines, food and food
204 products for human consumption, not including beverages other
205 than coffee, milk, milk products, and substitutes therefor,
206 there is levied a tax equal to three percent of the cost of
207 the food, food products, and beverages sold through the
208 machines, which cost for the purpose of this subdivision shall
209 be the gross proceeds of sales of the business.

210 (6) Upon every person, firm, or corporation engaged or
211 continuing within this state in the business of selling food
212 as defined in Section 40-23-1, there is a tax levied equal to
213 three percent of the gross proceeds of the sale of food. On
214 September 1, 2025, the tax rate shall be reduced to two
215 percent. On September 1, 2026, the tax rate shall be reduced
216 to one and one-half percent. On September 1, 2027, the tax
217 rate shall be reduced to one percent. On September 1, 2028,
218 the tax rate shall be reduced to one-half percent. Beginning
219 on September 1, 2029, this subdivision shall be void."

220 "§40-23-40

221 (a) On June 15, 2023, the definition of "food" in
222 Sections 40-23-1 and 40-23-60 shall apply to county and
223 municipal sales and use taxes. For purposes of county and
224 municipal sales and use taxes, the sales tax rate on food



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225 shall be established as the general or retail sales tax rate
226 in effect in the county or municipality on June 15, 2023,
227 unless otherwise provided by law. An act of the Legislature or
228 an ordinance or resolution adopted by a county or municipal
229 governing body levying a county or municipal sales and use tax
230 inclusive of food passed or enacted on or before June 15,
231 2023, shall remain operative, but no additional county or
232 municipal sales and use taxes on food may be levied.

233 (b) Any county or municipal governing body, by
234 resolution or ordinance, may reduce the general or retail
235 sales tax rate on food for local sales and use taxes. The
236 ordinance or resolution must be adopted at least 60 days prior
237 to becoming effective and shall take effect on October 1
238 following adoption.

239 (c) A county or municipal governing body that reduces
240 its general or retail sales tax rate on food for local sales
241 and use taxes pursuant to this section may subsequently
242 increase the rate on food not to exceed the rate in effect in
243 the county or municipality on June 15, 2023, unless otherwise
244 provided by law.

245 (d) Beginning on September 1, 2029, any county or
246 municipal governing body may exempt the gross proceeds from
247 the sale of food from county or municipal sales and use taxes
248 in accordance with Section 40-23-4.01."

249 "§40-23-61

250 (a) An excise tax is hereby imposed on the storage,
251 use, or other consumption in this state of tangible personal
252 property, not including, however, materials and supplies



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253 bought for use in fulfilling a contract for the painting,
254 repairing, or reconditioning of vessels, barges, ships, other
255 watercraft, and commercial fishing vessels of over five tons
256 load displacement as registered with the U.S. Coast Guard and
257 licensed by the State of Alabama Department of Conservation
258 and Natural Resources, purchased at retail on or after October
259 1, 1965, for storage, use, or other consumption in this state
260 at the rate of four percent of the sales price of the property
261 or the amount of tax collected by the seller, whichever is
262 greater; ~~provided, however, when.~~ When the seller follows the
263 Department of Revenue's suggested use tax brackets and his or
264 her records prove that his or her following the brackets
265 resulted in a net undercollection of tax for the month, he or
266 she may report the tax due or tax collected, whichever is
267 less, except as provided in subsections (b), (c), and (d).

268 (b) An excise tax is hereby imposed on the storage,
269 use, or other consumption in this state of any machines used
270 in mining, quarrying, compounding, processing, and
271 manufacturing of tangible personal property, purchased at
272 retail on or after October 1, 1965, at the rate of one and
273 one-half percent of the sales price of any such machine or the
274 amount of tax collected by the seller, whichever is greater; ~~275 provided, however, when.~~ When the seller follows the
276 Department of Revenue's suggested use tax brackets and his or
277 her records prove that his or her following the brackets
278 resulted in a net undercollection of tax for the month, he or
279 she may report the tax due or tax collected, whichever is
280 less. The term "machine," as used in this subsection, shall



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281 include machinery that is used for mining, quarrying,
282 compounding, processing, or manufacturing tangible personal
283 property, and the parts of such machines, attachments, and
284 replacements therefor, which are made or manufactured for use
285 on or in the operation of such machines and which are
286 necessary to the operation of such machines, and are
287 customarily so used.

288 (c) (1) An excise tax is hereby imposed on the storage,
289 use, or other consumption in this state of any automotive
290 vehicle or truck trailer, semitrailer, or house trailer, and
291 mobile home set-up materials and supplies, including, but not
292 limited to, steps, blocks, anchoring, cable pipes, and any
293 other materials pertaining thereto, purchased at retail on or
294 after October 1, 1965, for storage, use, or other consumption
295 in this state at the rate of two percent of the sales price of
296 such automotive vehicle, truck trailer, semitrailer, or house
297 trailer, and mobile home set-up materials and supplies as
298 specified above, or the amount of tax collected by the seller,
299 whichever is greater; ~~provided, however, when.~~ When the seller
300 follows the Department of Revenue's suggested use tax brackets
301 and his or her records prove that his or her following the
302 brackets resulted in a net undercollection of tax for the
303 month, he or she may report the tax due or tax collected,
304 whichever is less. Where any used automotive vehicle or truck
305 trailer, semitrailer, or house trailer is taken in trade, or
306 in a series of trades, as a credit or part payment on the sale
307 of a new or used vehicle, the tax levied herein shall be paid
308 on the net difference, that is, the price of the new or used



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309 vehicle sold less the credit for the used vehicle taken in
310 trade.

311 (2) Of the total two cent ~~(\$0.02)~~ (\$0.02) tax on each
312 dollar of sale provided in this subsection, 58 percent of the
313 total tax generated by this subsection shall be deposited to
314 the credit of the Education Trust Fund and 42 percent of the
315 total tax generated by this subsection shall be deposited to
316 the credit of the State General Fund.

317 (d) An excise tax is hereby imposed on the storage,
318 use, or other consumption in this state of food as defined in
319 Section 40-23-60, at the rate of three percent of the sales
320 price of such food. On September 1, 2025, the tax rate shall
321 be reduced to two percent. On September 1, 2026, the tax rate
322 shall be reduced to one and one-half percent. On September 1,
323 2027, the tax rate shall be reduced to one percent. On
324 September 1, 2028, the tax rate shall be reduced to one-half
325 percent. Beginning on September 1, 2029, this subsection shall
326 be void.

327 (e) Every person storing, using, or otherwise consuming
328 in this state tangible personal property purchased at retail
329 shall be liable for the tax imposed by this article, and the
330 liability shall not be extinguished until the tax has been
331 paid to this state; ~~provided, that a.~~ A receipt from a
332 retailer maintaining a place of business in this state or a
333 retailer authorized by the department, under such rules as it
334 may prescribe, to collect the tax imposed hereby and who shall
335 for the purpose of this article be regarded as a retailer
336 maintaining a place of business in this state, given to the



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337 purchaser in accordance with Section 40-23-67, shall be
338 sufficient to relieve the purchaser from further liability for
339 tax to which the receipt may refer.

340 (f) An excise tax is hereby imposed on the classes of
341 tangible personal property, and at the rates imposed on such
342 classes, specified in subsections (a), (b), (c), and (d) on
343 the storage, use, or other consumption in the performance of a
344 contract in this state of any such tangible personal property,
345 new or used, the tax to be measured by the sales price or the
346 fair and reasonable market value of the tangible personal
347 property when put into use in this state, whichever is less;
348 ~~provided, that the~~ The tax imposed by this subsection shall
349 not apply where the taxes imposed by subsection (a), (b), (c),
350 or (d) apply."

351 Section 2. Section 40-23-4.11, Code of Alabama 1975, is
352 added to read as follows:

353 §40-23-4.11

354 Beginning on September 1, 2029, the gross proceeds from
355 the sale of food, as defined in Section 40-23-1, are exempt
356 from state sales and use taxes.

357 Section 3. This act shall become effective on September
358 1, 2026.