

SB111 INTRODUCED



1 SB111
2 SLZL688-1
3 By Senator Elliott
4 RFD: Finance and Taxation Education
5 First Read: 13-Jan-26



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4 SYNOPSIS:

5 This bill would establish an investment program
6 to provide financial support for trade programs in the
7 State of Alabama.

8 This bill would incentivize donations to local
9 foundations that support the development of career
10 technical education by creating a tax credit for
11 individuals and entities to offset their state income,
12 excise, premium, and utility tax liability. Qualifying
13 entities would use these donations to pay for the
14 construction and development of trade programs for
15 local industry. These funds may be used for
16 construction of facilities, including expenditures to
17 maintain or upgrade facilities.

18 This bill would also establish a board within
19 the Alabama Department of Workforce to determine the
20 eligibility of qualifying entities to receive donations
21 that qualify for the tax credit and to operate the
22 program with the support of the Department of Revenue.

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 A BILL

 TO BE ENTITLED

 AN ACT



29
30 Relating to trade programs and trade schools; to
31 provide for funding of local trade schools and programs by
32 creating the Prepare Alabama Investment Program; to establish
33 the Prepare Alabama Investment Program Board to administer the
34 program; to provide for state income, excise, premium, and
35 utility tax credits in exchange for donations to entities that
36 support the development of construction of facilities for
37 trade programs; and to provide for coordination with the
38 Department of Revenue.

39 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

40 Section 1. This act shall be known and may be cited as
41 the Prepare Alabama Act.

42 Section 2. For the purposes of this act, the following
43 terms have the following meanings:

44 (1) BOARD. The Prepare Alabama Investment Program
45 Board.

46 (2) COMMUNITY DEVELOPMENT FOUNDATION. A not for profit
47 community organization which provides or develops and oversees
48 workforce training in the surrounding community.

49 (3) DEPARTMENT. The Alabama Department of Workforce.

50 (4) ELIGIBLE ENTITY. A public or private trade school
51 or trade program, or a community development foundation that
52 meets the requirements provided in Section 4.

53 (5) ELIGIBLE TAXES. Financial institution excise tax,
54 income tax, insurance premium tax, and utility tax.

55 (6) FINANCIAL INSTITUTION EXCISE TAX. The taxes levied
56 and collected pursuant to Chapter 16 of Title 40, Code of



57 Alabama 1975.

58 (7) INCOME TAX. The taxes levied and collected pursuant
59 to Chapter 18 of Title 40, Code of Alabama 1975.

60 (8) INSURANCE PREMIUM TAX. The taxes levied and
61 collected pursuant to Chapter 4A of Title 27, Code of Alabama
62 1975.

63 (9) PROGRAM. The Prepare Alabama Investment Program.

64 (10) QUALIFIED DONATION. An unrestricted transfer of
65 funds from a qualified donor to an eligible entity.

66 (11) QUALIFIED DONOR. Any person who makes a qualified
67 donation to an eligible entity.

68 (12) TRADE SCHOOL. A public or private educational
69 institution or entity that is approved by a state agency or
70 subdivision of the state or accredited by a state-recognized
71 or nationally recognized accrediting body to provide
72 technical, trade, or vocational training.

73 (13) TAX YEAR. The calendar year for which annual
74 income is reported to the State of Alabama by a person that
75 makes a qualified donation.

76 (14) UTILITY TAX. The taxes levied and collected
77 pursuant to Sections 40-21-82 through 40-21-107, Code of
78 Alabama 1975.

79 Section 3. (a) The Prepare Alabama Investment Program
80 Board is established within the department to oversee the
81 development and operation of the Prepare Alabama Investment
82 Program. The board shall consist of the following members:

83 (1) The Governor, or his or her designee.

84 (2) The Secretary of the Alabama Department of

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85 Workforce, or his or her designee.

86 (3) The Commissioner of Revenue, or his or her
87 designee.

88 (4) The President Pro Tempore of the Senate, or his or
89 her designee.

90 (5) The Speaker of the House of Representatives, or his
91 or her designee.

92 (6) Two representatives of the Economic Development
93 Partnership of Alabama (EDPA), appointed by the organization.

94 (b) Members shall be appointed within 30 days of the
95 effective date of this act.

96 (c) (1) The EDPA shall appoint one initial member to the
97 board for a term of two years and one initial member to the
98 board for a term of four years.

99 (2) A member subsequently appointed to the board by the
100 EDPA shall serve for a term of four years.

101 (3) A vacancy on the board of a representative of the
102 EDPA shall be filled by the EDPA before the next scheduled
103 meeting of the board, and the appointee shall serve for the
104 remainder of the unexpired term.

105 (d) Designees or appointees to the board shall be
106 inclusive and reflect the racial, gender, geographic, urban,
107 rural, and economic diversity of the state.

108 (e) (1) No later than three months after the effective
109 date of this act, the Governor, or his or her designee, shall
110 call the first meeting of the board, at which the members
111 shall elect a chair.

112 (2) The board shall meet at least once a year in

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113 Montgomery, Alabama, but thereafter shall meet as necessary to
114 conduct its business.

115 (3) A quorum for a meeting of the board shall be four
116 members.

117 (4) The board may meet by electronic means, so long as
118 there is a quorum of participating members.

119 (5) The legislative members of the board shall be
120 entitled to their legislative compensation, per diem, and
121 travel expenses for each day they attend a meeting of the
122 board pursuant to Section 49 of the Constitution of Alabama of
123 2022.

124 (6) The nonlegislative members of the board shall serve
125 without compensation but may be reimbursed for necessary
126 expenses in attending meetings of the board pursuant to the
127 policies of his or her respective appointing authority.

128 Section 4. To receive qualified donations as an
129 eligible entity under the program, the entity shall meet all
130 of the following requirements:

131 (1) Be a public or private trade school or trade
132 program recognized and approved by the department, or be a
133 community development foundation.

134 (2) Provide instructional services in trades designated
135 by the department without discrimination.

136 (3) Be in compliance with all reports and audits
137 required by law.

138 (4) Submit to the board a written five-year plan that
139 describes the financial viability and stability of the entity,
140 with a plan detailing how it would use qualified donations



141 under the program and update the written plan five years after
142 the initial plan is submitted and every five years thereafter.

143 Section 5. The board shall do all of the following:

144 (1) By November 1 of each year, determine if an
145 organization, school, or foundation is an eligible entity
146 pursuant to Section 4.

147 (2) By December 1 of each year, submit the list of
148 eligible entities to the Department of Revenue.

149 (3) By December 31 of each year, publish a list of
150 entities eligible to receive qualified donations during the
151 next tax year on its website or on the department's website.

152 Section 6. (a) An eligible entity shall only use
153 qualified donations for the purpose of providing workforce
154 focused instruction to the residents of the area that it
155 serves, which may include operational expenditures and
156 expenditures for maintenance, capital upgrades, and
157 improvements.

158 (b) An eligible entity may retain a person to solicit
159 or manage the qualified donations it receives for a percentage
160 fee of the qualified donations solicited or managed, but total
161 fees may not exceed three percent of the total amount of
162 qualified donations received during a calendar year.

163 (c) By March 1 of each year, an eligible entity shall
164 file a report with the board, on a form to be developed by the
165 board that shall include all of the following information:

166 (1) A schedule of each qualifying donation received
167 during the preceding tax year, which includes the amount,
168 identifies the qualified donor, and describes how the



169 qualified donation was or is planned to be spent.

170 (2) A schedule of payments made to any person during
171 the preceding tax year for the purpose of soliciting or
172 managing the qualified donations received.

173 (d) An eligible entity shall report all donations
174 received from a taxpayer to the department within 30 days of
175 the receipt of that donation.

176 Section 7. Annually, the board and the department shall
177 jointly prepare a report that, at a minimum, includes all
178 qualified donations reported by eligible entities and all tax
179 credits claimed and approved pursuant to this act for the
180 preceding tax year. This report shall be provided to the
181 Legislature by the fifth day of the next regular session.

182 Section 8. (a) A taxpayer may claim a tax credit to
183 offset eligible taxes for each qualified donation as provided
184 in this section. The tax credit shall be provided as follows:

185 (1) For a qualified donor who is a single individual, a
186 head of household, or married, filing a separate return, an
187 amount equal to 100 percent of the qualified donations to the
188 taxpayer made during the tax year for which the credit is
189 claimed, not to exceed fifteen thousand dollars (\$15,000).

190 (2) For a qualified donor who is married, filing a
191 joint return, 100 percent of the qualified donations to the
192 taxpayer made during the tax year for which the credit is
193 claimed, not to exceed thirty thousand dollars (\$30,000).

194 (3) a. For a qualified donor that is taxed as a
195 pass-through entity under subchapters S or K of the Internal
196 Revenue Code, a limited liability company, or a professional



197 corporation, 100 percent of the qualified donations to the
198 taxpayer made during the tax year for which the credit is
199 claimed, not to exceed four hundred fifty thousand dollars
200 (\$450,000).

201 b. The tax credit shall be taken by the taxpayer on a
202 pro rata basis according to an individual's percentage of
203 ownership in the entity or fifteen thousand dollars (\$15,000),
204 whichever is less. In the case of a qualified donor that is
205 taxed as a corporation under the Internal Revenue Code, an
206 amount equal to 100 percent or 75 percent of the corporation's
207 income, excise, utility, or insurance premium tax, not to
208 exceed the amount of the corporation's income, excise,
209 utility, or insurance premium tax liability, whichever is
210 less, with a contribution limit each tax year of five hundred
211 thousand dollars (\$500,000).

212 (b) (1) The total amount of the tax credit for a tax
213 year may not exceed the taxpayer's tax liability or, for
214 financial institutions, the state portion of the taxpayer's
215 financial institution excise tax liability.

216 (2) Any unused tax credit may be carried forward for up
217 to three years following the qualified donations but shall not
218 be transferable.

219 (c) (1) The tax credits may be claimed beginning January
220 1, 2027, for the 2027 tax year.

221 (2) Except as provided in subdivision (b) (2), no tax
222 credit may be claimed after tax year 2031.

223 (d) (1) The statewide annual aggregate of the tax credit
224 allowed for qualified donations shall not exceed twenty-five

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225 million dollars (\$25,000,000).

226 (2) The department shall preapprove each qualified
227 donation for compliance with the applicable limit in this
228 subsection.

229 Section 9. (a) The department and the Department of
230 Revenue shall adopt rules by January 1, 2027, as necessary to
231 implement this act. The rules shall provide for all of the
232 following:

233 (1) That the tax credits will not reduce the
234 distribution to the Alabama Special Mental Health Trust Fund.

235 (2) That the tax credits shall be awarded based on the
236 order in which the credits are requested.

237 (b) The Department of Revenue shall prescribe the
238 method by which the tax credits are to be issued to eligible
239 taxpayers.

240 Section 10. (a) The department shall adopt rules to
241 implement the responsibilities of the board and this act.

242 (b) The board may retain an Alabama company to
243 publicize the program, including the development of
244 promotional and informational literature and a program website
245 for use by eligible entities and qualified donors.

246 Section 11. The tax credits created by this act may
247 also qualify for federal income tax credits or deductions, but
248 it is not intended for any qualified donation under this act
249 to automatically qualify for any federal income tax credit or
250 deduction.

251 Section 12. This act shall become effective on October
252 1, 2026.