

SB111 INTRODUCED



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



SYNOPSIS:

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

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

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

A BILL
TO BE ENTITLED
AN ACT



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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



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Alabama 1975.

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

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

(9) PROGRAM. The Prepare Alabama Investment Program.

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

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

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

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

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

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

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

(2) The Secretary of the Alabama Department of



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Workforce, or his or her designee.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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qualified donation was or is planned to be spent.

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

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

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

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

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

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

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



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

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

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

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

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

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

(d)(1) The statewide annual aggregate of the tax credit 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.