

**SB159 ENGROSSED**



1 SB159

2 7BY7N22-2

3 By Senators Williams, Sessions, Kitchens, Shelnut, Roberts,  
4 Woods, Bell, Price, Butler, Barfoot, Allen, Carnley, Melson,  
5 Jones, Hovey, Kelley

6 RFD: Finance and Taxation General Fund

7 First Read: 14-Jan-26



**SB159 Engrossed**

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A BILL  
TO BE ENTITLED  
AN ACT

Relating to the utility gross receipts tax and utility service use tax; to amend Sections 40-21-83 and 40-21-103, Code of Alabama 1975, to exclude the use of natural gas or electricity in commercial aquaculture aeration systems, commercial greenhouses, pivot irrigation systems, and poultry houses from the taxes.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

"§40-21-83

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

(1) The furnishing of utility services which the State of Alabama is prohibited from taxing under the Constitution or laws of the United States of America or the Constitution of ~~the State of Alabama of 2022.~~

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

(3) Wholesale sales.



## SB159 Engrossed

29           (4) The furnishing of electricity, natural gas, or  
30 domestic water for use or consumption by, in, or for the  
31 direct production, generation, processing, storage, delivery,  
32 or transmission of electricity, natural gas, or domestic  
33 water.

34           (5) The furnishing of electricity to a manufacturer or  
35 compounder for use in an electrolytic or electrothermal  
36 manufacturing or compounding process.

37           (6) The furnishing of natural gas to a manufacturer or  
38 compounder as a chemical raw material in the manufacturing or  
39 compounding of tangible personal property, but not as fuel or  
40 energy.

41           (7) The furnishing of natural gas to be used by a  
42 manufacturer or compounder to chemically convert raw materials  
43 prior to the use of the converted raw materials in an  
44 electrolytic or electrothermal manufacturing or compounding  
45 process.

46           (8) The use or consumption of electricity by an  
47 incorporated municipality, a board, or corporation organized  
48 under the authority of any incorporated municipality in  
49 furnishing or providing street lighting or traffic-control  
50 systems; the use or consumption of telephone services by an  
51 incorporated municipality in providing fire alarm systems; and  
52 the use or consumption of domestic water by an incorporated  
53 municipality in extinguishing fires, explosions, or  
54 conflagrations.

55           (9) a. The furnishing of natural gas or electricity for  
56 use or consumption as fuel or energy in ~~and for the heating of~~



**SB159 Engrossed**

57 commercial aquaculture aeration systems, commercial  
58 greenhouses, pivot irrigation systems, and poultry houses.

59 b. The exclusion provided in this subdivision shall not  
60 include the furnishing of natural gas or electricity for use  
61 or consumption as fuel or energy in the production of  
62 industrial hemp or hemp, as defined in Section 2-8-381, or  
63 cannabis, as defined in Section 20-2A-3.

64 (10) The furnishing of utility services through the use  
65 of a prepaid telephone calling card."

66 "§40-21-103

67 The storage, use, or other consumption of utility  
68 services in the State of Alabama is hereby specifically  
69 excluded from the tax herein levied:

70 (1) Whenever the State of Alabama is prohibited from  
71 taxing such storage, use, or consumption under the  
72 Constitution or laws of the United States of America or the  
73 Constitution of ~~the State of Alabama~~ of 2022;

74 (2) Whenever any tax relating to the sale, use,  
75 storage, or consumption of said utility services shall be  
76 levied under the provisions of Article 2 of Chapter 23 of this  
77 title, or under the provisions of Sections 40-23-1 through  
78 40-23-36 or the Alabama Transaction Tax Act of 1992 if enacted  
79 into law;

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

82 (4) Whenever electricity, natural gas, or domestic  
83 water shall have been used or consumed directly in or for the  
84 production, generation, processing, storage, delivery, or



## SB159 Engrossed

85 transmission of electricity, natural gas, or domestic water;

86 (5) Whenever electricity purchased for storage, use, or  
87 other consumption is used or consumed by a manufacturer or  
88 compounder in an electrolytic or electrothermal manufacturing  
89 or compounding process;

90 (6) Whenever natural gas purchased for storage, use, or  
91 other consumption is used or consumed by a manufacturer or  
92 compounder as a chemical raw material in the manufacturing or  
93 compounding of tangible personal property, but not as fuel or  
94 energy;

95 (7) Whenever natural gas purchased for storage, use, or  
96 other consumption is used by a manufacturer or compounder to  
97 chemically convert raw materials prior to the use of such  
98 converted raw materials in an electrolytic or electrothermal  
99 manufacturing or compounding process;

100 (8) Whenever the sales price of said utility services  
101 shall be included as a part of the gross receipts or gross  
102 sales of a utility subject to the utility gross receipts tax  
103 for the purpose of calculating the utility gross receipts tax  
104 payable by said utility;

105 (9) Whenever electricity purchased for storage, use, or  
106 other consumption is used or consumed in a process for the  
107 isotopic enrichment of uranium and when said electricity is  
108 purchased from a subsidiary corporation of the corporation  
109 engaged in the isotopic enrichment of uranium; ~~and~~

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

112 (11)a. Whenever natural gas or electricity purchased



## SB159 Engrossed

113 for storage, use, or other consumption is used or consumed as  
114 fuel or energy in commercial aquaculture aeration systems,  
115 commercial greenhouses, pivot irrigation systems, and poultry  
116 houses.

117 b. The exclusion provided in this subdivision shall not  
118 include natural gas or electricity purchased for storage, use,  
119 or other consumption as fuel or energy in the production of  
120 industrial hemp or hemp, as defined in Section 2-8-381, or  
121 cannabis, as defined in Section 20-2A-3."

122 Section 2. The amendatory language proposed by this  
123 act shall be repealed effective August 31, 2029.

124 Section 3. This act shall become effective on September  
125 1, 2026.



**SB159 Engrossed**

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128 Senate

129 Read for the first time and referred .....14-Jan-26  
130 to the Senate committee on Finance  
131 and Taxation General Fund  
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133 Read for the second time and placed .....5- March-26  
134 on the calendar:  
135 2 amendments  
136  
137 Read for the third time and passed .....17-Mar-26  
138 as amended  
139 Yeas 30  
140 Nays 1  
141 Abstains 0  
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Patrick Harris,  
Secretary.

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