SB370

QN6CF55-1

By Senators Livingston, Butler, Kitchens, Orr

RFD: Fiscal Responsibility and Economic Development

First Read: 17-Mar-26

SYNOPSIS:

Under existing law, a Major 21st Century Manufacturing Zone suitable for the site of certain manufacturing facilities may be established within a tax increment district, and must comprise at least 50 percent of the tax increment district within which such zone is located.

This bill would allow a Major 21st Century Manufacturing Zone to be located within a tax increment district without regard to the size of such tax increment district, and allow ad valorem tax revenues collected within such tax increment district to be used to reimburse costs incurred by a public entity to acquire land within the Major 21st Century Manufacturing Zone prior to the creation of such tax increment district.

A BILL

TO BE ENTITLED

AN ACT

Relating to economic development; to amend Section 11-99-2, Section 11-99-4, as last amended by Act 2026-104 of the 2026 Regular Session, and Sections 11-99-5, and 11-99-6, Code of Alabama 1975, to allow a Major 21st Century Manufacturing Zone to be located within a tax increment district without regard to the size of the tax increment district; to allow ad valorem tax revenues collected within the tax increment district to be used to reimburse costs incurred by a public entity to acquire land within the Major 21st Century Manufacturing Zone prior to the creation of the tax increment district; and to make nonsubstantive, technical revisions to update existing code language to current style.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 11-99-2, Section 11-99-4, as last amended by Act 2026-106 of the 2026 Regular Session, and Sections 11-99-5, and 11-99-6, Code of Alabama 1975, are hereby amended to read as follows:

"§11-99-2

As used in this chapter, the following terms have the following meanings:

(1) BLIGHTED OR ECONOMICALLY DISTRESSED AREA. Any of the following:

a. Any area in which the structures, buildings, or improvements, by reason of dilapidation, deterioration, age, or obsolescence; inadequate provision for ventilation, light, air, sanitation, or open spaces; high density of population and overcrowding; or the existence of conditions that endanger life or property by fire and other causes; or any combination of such factors, are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime and are detrimental to the public health, safety, morals, or welfare.

b. Any area that by reason of the presence of a substantial number of substandard, slum, deteriorated, or deteriorating structures; predominance of defective or inadequate street layout; faulty lot layout in relation to size, adequacy, accessibility, or usefulness; unsanitary or unsafe conditions; deterioration of site or other improvements; diversity of ownership; tax or special assessment delinquencies exceeding the fair value of the land; defective or unusual conditions of title; or the existence of conditions that endanger life or property by fire and other causes; or any combination of the foregoing, substantially impairs or arrests the sound economic growth of an area, hinders the provision of housing accommodations, or constitutes an economic or social liability and is a detriment to the public health, safety, morals, or welfare in its present condition and use.

c. Any area that is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound economic growth of an area.

d. Any area that the local governing body: (i) Determines is in need of redevelopment, rehabilitation, or revitalization to provide for the economic growth and development of the area~~,~~; or (ii) certifies is in need of redevelopment or rehabilitation as a result of flood, fire, hurricane, tornado, earthquake, storm, or other catastrophe which the Governor of the state has certified the need for disaster assistance under federal law.

e. Any area containing excessive vacant land on which structures were previously located; on which are located abandoned or vacant buildings or old buildings; where excessive vacancies exist in existing buildings; which contains substandard structures; or with respect to which there exist delinquencies in payment of real property taxes.

(2) DEFERRED TAX RECIPIENT. Each taxing authority that receives ad valorem taxes with respect to property located in a proposed tax increment district.

(3) ENHANCED USE LEASE AREA. Any area of a military installation which contains underutilized real or personal property, or both, that is leased by a secretary of a military department to a lessee pursuant to the authority provided in Title 10 U.S.C. § 2667.

(4) LOCAL FINANCE OFFICER. The legally authorized officer or agent responsible for receipt and disbursement of the revenues of a taxing authority.

(5) LOCAL GOVERNING BODY. The governing body of a county or municipality which proposes to create or has created a tax increment district.

(6) MAJOR 21ST CENTURY MANUFACTURING ZONE. Any area aggregating not less than 250 contiguous acres of real property determined by a local governing body to meet all of the following criteria:

a. Is located, in whole or part, within its boundaries or corporate limits.

b. Is suitable for the site of an automotive, automotive-industry related, aviation, aviation-industry related, medical, pharmaceutical, semiconductor, computer, electronics, energy conservation, cyber technology, or biomedical industry manufacturing facility or facilities.

c. Is an area within which not less than one hundred million dollars ($100,000,000) of capital expenditure in connection with the establishment, expansion, construction, equipping, development, rehabilitation, or redevelopment of the facility or facilities is anticipated to be made based upon representations and information provided by the anticipated user or users of the facility or facilities and other information as the local governing body shall have available to it and deems appropriate.

(7) MUNICIPALITY. Any incorporated municipality in this state.

(8) PROJECT. Undertakings and activities of a public entity in a tax increment district for any one or more of the following:

a. As determined by the local governing body, the elimination and prevention of the development or spread of blight in, or the redevelopment or revitalization of, a blighted or economically distressed area, including, but not limited to, property acquisition, property clearance, development, preservation, redevelopment, rehabilitation, renovation, or conservation, or a combination or part thereof, in accordance with a project plan.

b. The utilization of underutilized real or personal property, or both, in an enhanced use lease area, including, but not limited to, property acquisition, property clearance, development, redevelopment, rehabilitation, or conservation, or a combination or part thereof, in accordance with a project plan.

c. The utilization of underutilized real property in an area determined by a local governing body to be a Major 21st Century Manufacturing Zone, including, but not limited to, property acquisition; property clearance; development, including, without limitation, public infrastructure improvements and any other improvements for the construction and equipping of automotive, automotive-industry related, aviation, aviation-industry related, medical, pharmaceutical, semiconductor, computer, electronics, energy conservation, cyber technology, or biomedical industry manufacturing facilities; or the redevelopment, rehabilitation, or conservation, or a combination or part thereof, in accordance with a project plan.

(9) PROJECT COSTS. Any expenditures made or estimated to be made or monetary obligations incurred or estimated to be incurred by a public entity, which in the case of expenditures for or within a Major 21st Century Manufacturing Zone may be incurred directly by the public entity or by a private entity with funds granted by, or otherwise made available from, a public entity, which are listed in a project plan as costs of public works or improvements or, in the case of improvements within a Major 21st Century Manufacturing Zone, public works or improvements or private improvements, within a tax

increment district, plus any costs incidental thereto, diminished by any special assessments, received or reasonably expected to be received by the public entity in connection with the implementation of the project plan. Project costs include, but are not limited to, all of the following:

a. Capital costs, including the costs of the acquisition, installation, or construction of public works or improvements, new buildings, facilities or improvements, structures, and fixtures, the preservation and renovation of properties of historic significance and facades of properties, the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, facilities, and fixtures, the improvement, maintenance, repair, renovation, and replacement of property pursuant to a project plan, the acquisition of equipment, the acquisition, clearing, and grading of land, environmental remediation of real property, and the acquisition of interests in land.

b. Financing costs, including all interest paid to holders of tax increment obligations during the period of implementation of the project plan, the costs of any form of credit enhancement, printing and trustee costs, and any premium paid in excess of the principal amount thereof because of the redemption of the obligations prior to maturity.

c. Real property assembly costs, meaning any deficit resulting from the sale or lease as lessor by the public entity of real or personal property within a tax increment district for consideration which is less than its cost to the public entity.

d. Professional service costs, including those costs incurred for architectural, planning, engineering, fiscal, underwriting, legal advice and services, and consulting and management services.

e. Imputed administrative costs, including reasonable charges for the time spent by officers and employees of the public entity in connection with the implementation of a project plan.

f. Relocation costs, including those relocation payments made following condemnation under Chapter 1A of Title 18.

g. Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public with respect to the creation of tax increment districts and the implementation of project plans.

h. The amount of any contributions made in connection with the implementation of the project plan that are within limits prescribed by law.

i. Payments made, at the discretion of the local governing body, which are to be necessary or convenient to the creation of tax increment districts or the implementation and management of project plans.

j. For purposes of any tax increment district in which not less than 50 percent, by area, of the real property within the tax increment district is an enhanced use lease area, all costs described in this subdivision which are expended by a public entity or a developer within three years immediately preceding the date of the creation of the tax increment district.

k. For purposes of any tax increment district which includes an area that a local governing body has determined to be a Major 21st Century Manufacturing Zone, the costs incurred by a public entity to acquire land or interests in land forming all or part of such Major 21st Century Manufacturing Zone prior to the date of creation of the tax increment district; provided, prior to incurring such costs the local governing body of such public entity has recited its intent to reimburse such costs from ad valorem taxes collected within a future tax increment district.

(10) PROJECT PLAN. The properly approved plan by the public entity creating a tax increment district for the development, redevelopment, or revitalization of a tax increment district, including all properly approved amendments thereto.

(11) PUBLIC ENTITY. Any municipality or county in the state.

(12) TAX INCREMENT. That amount obtained by multiplying the total revenue derived from ad valorem taxes levied by all local taxing authorities on all taxable property within a tax increment district in any tax year by a fraction having a numerator equal to that tax year's market value of all taxable property in the district minus the tax increment base and a denominator equal to that tax year's equalized value of all taxable property in the district. In any tax year, a tax increment is positive if the tax increment base is less than

the aggregate value of taxable property as equalized by the Department of Revenue; it is negative if the base exceeds that value.

(13) TAX INCREMENT BASE. The aggregate value, as equalized by the Department of Revenue, of all taxable property located within a tax increment district on the date the district is created, determined as provided in Section 11-99-5.

(14) TAX INCREMENT DISTRICT. A contiguous geographic area within the boundaries of a public entity defined and created by resolution of the local governing body.

(15) TAX INCREMENT FUND. A fund into which all tax increments not retained by a taxing authority as provided by Section 11-99-10(a) are paid, and from which money is disbursed to satisfy claims of holders of tax increment obligations issued for the tax increment district.

(16) TAX INCREMENT OBLIGATIONS. Bonds, warrants, notes, or other evidences of indebtedness issued by a public entity to fund all or any project costs.

(17) TAXABLE PROPERTY. All real and personal property located in a tax increment district which is subject to ad valorem taxation on the date of adoption of the resolution creating the tax increment district.

(18) TAXING AUTHORITY.

a. For tax increment districts in which not less than 50 percent, by area, of the real property within the tax increment district is a blighted or economically distressed area, the term means any municipality, county, or other taxing authority that has the power to levy taxes on property within the tax increment districts.

b. For tax increment districts in which not less than 50 percent, by area, of the real property within the tax increment district is an enhanced use lease area, the term means the state or any municipality, county, or other taxing authority that has the power to levy taxes on property within the tax increment district.

c. For tax increment districts~~ in which not less than 50 percent, by area, of the real property within the tax increment district is~~ which include an area that a local governing body has determined to be a Major 21st Century Manufacturing Zone, the term means the state or any municipality, county, or other taxing authority that has the power to levy taxes on property within the tax increment district."

"§11-99-4

(a) In order to exercise its powers under this chapter, a public entity shall take the following steps:

(1) The local governing body shall hold a public hearing at which all interested parties are afforded a reasonable opportunity to express their views on: (i) the concept of tax increment financing; (ii) the proposed creation of a tax increment district and its proposed boundaries; and (iii) its benefits to the public entity. Notice of the hearing shall be published in a newspaper of general circulation in either the county or in the city, as the case may be, in which the proposed tax increment district is to be located with

notice to be published at least twice in the 15-day period immediately preceding the date of the hearing. Prior to publication, a copy of the notice shall be sent by first class mail to the chief executive officer of each deferred tax recipient.

(2)a. In addition to the notice required by subdivision (1), and either before or after the public hearing, the local governing body shall make a written submission to the governing body of each deferred tax recipient. The submission shall include a description of the proposed boundaries of the tax increment district, the tentative plans for the development, redevelopment, or revitalization of the tax increment district, and an estimate of the general impact of the proposed project plan on property values and tax revenues.

b. Not later than the 15th day after the date on which the notice required by subdivision (1) is mailed, each deferred tax recipient shall designate a representative empowered to meet with the local governing body to discuss the project plan and the tax increment financing and shall notify the local governing body of its designation. Failure of any deferred tax recipient to designate a representative within the 15-day period, or to notify the local governing body of its designation, shall not prevent the local governing body from proceeding hereunder. If a deferred tax recipient who has failed to so designate a representative thereafter designates a representative and notifies the local governing body of the designation, the representative shall be entitled to notice of any meetings held thereafter pursuant to this section, and shall be entitled to attend the meetings, but shall have no right to have matters discussed again which have already been discussed.

c. The local governing body shall call a meeting, or meetings, of the representatives of the deferred tax recipients to be held at any time after 20 days from the mailing notice referred to in subdivision (1). Each representative shall be notified of each meeting at least three days before the meeting is to be held, but notice may be waived. At the meetings, the local governing body and the representatives of the deferred tax recipients may discuss the boundaries of the tax increment district, development within the tax increment district, the exclusion of particular parcels of property from the district, and tax collection for the district. On the motion of the local governing body any other matter relevant to the proposed tax increment district may be discussed.

(3) The local governing body shall adopt a resolution, which need not be published, which does all of the following:

a. Describes the boundaries of the tax increment district with sufficient definiteness to identify with ordinary and reasonable certainty the territory included. The description shall include only those whole units of property, other than publicly owned property such as streets, easements, and rights-of-way, assessed for general property tax purposes. If the public entity is a county, the description shall include only those areas that lie outside the corporate limits of any municipality, unless the governing body of a municipality has consented to the inclusion of land within its corporate limits within a tax increment district formed by a county.

b. Creates the tax increment district as of a given date after the date of adoption of the resolution. The date of creation of the tax increment district may be a date subsequent to the date of expiration of the period of duration of an existing tax increment district of the public entity.

c. Fixes the period for the duration of the tax increment district.

1. The duration may be for a period not to exceed 30 years from the date of creation of the tax increment district in the case of a tax increment district in which not less than 50 percent, by area, of the real property within the tax increment district is a blighted or economically distressed area.

2. The duration may be for a period not to exceed 35 years from the date of creation of the tax increment district in the case of a district in which not less than 50 percent, by area, of the real property within the tax increment district is an enhanced use lease area or which includes an area that a local governing body has determined to be a Major 21st Century Manufacturing Zone, unless an amendment is made to the project plan under subdivision (7).

d. Assigns a name to the tax increment district for identification purposes, such as "tax increment district number one."

e. Contains findings, which shall not be subject to judicial review except after a showing of fraud, corruption, or undue influence, that:

1. (A) Not less than 50 percent, by area, of the real property within the tax increment district is: (i) In need of rehabilitation, redevelopment, revitalization, or conservation work~~;~~, or (ii) an enhanced use lease area; or ~~(iii)~~(B) the tax increment district includes an area that a local governing body has determined to be a Major 21st Century Manufacturing Zone; and

2. The aggregate value of equalized taxable property in the tax increment district plus all existing tax increment districts created by the public entity does not exceed 10 percent of the total value of equalized taxable property within the public entity or 50 percent if the public entity is a Class 2 or Class 3 municipality. Provided, however, that equalized taxable property located within the boundaries of a military reservation, jurisdiction over which has been ceded to the United States pursuant to Section 42-3-1, shall be excluded from aggregated value.

(4)a. The local governmental body shall prepare and adopt a project plan for each tax increment district. The plan shall include all of the following:

1. A statement listing the proposed projects, including, without limitation and if applicable, the kind, number, and location of all proposed public works or improvements or, in the case of a Major 21st Century Manufacturing Zone, public works or improvements or private improvements, within the district.

2. A detailed list of estimated project costs.

3. A description of the methods of financing all estimated project costs and the time when related costs or monetary obligations are to be incurred.

4. A map showing existing uses and condition of real property in the district.

5. A map or description showing proposed improvements and uses therein.

6. Proposed changes of zoning, master map plan, building code, and other ordinances or resolutions affecting the district.

7. A list of estimated nonproject costs.

8. A proposed plan for the relocation of any families, individuals, and businesses to be temporarily or permanently displaced from housing or commercial facilities in the district by implementation of the plan.

b. For purposes of this chapter, any work or improvement for a military installation and located within an enhanced use lease area shall be deemed to be for public uses and purposes.

(5) The local governing body shall certify all of the following before approving the project plant:

a. That a feasible method exists for the relocation and compensation of any individuals, families, and businesses that will be displaced by the project in decent, safe, and sanitary accommodations within their means and without undue hardship to such individuals, families, and businesses.

b. That the project plan conforms to the applicable master plan of the local entity, if there is one.

c. That the project plan will afford maximum opportunity, consistent with the sound needs of the public entity as a whole, for the rehabilitation, redevelopment, or revitalization of the tax increment district by private enterprise.

(6) A copy of the project plan shall be mailed to the governing body of each deferred tax recipient, before approval of the project plan.

(7) The local governing body may at any time adopt an amendment to a project plan by complying with the procedures for the original adoption of a project plan.

(8) The public entity that created the tax increment district, and each deferred tax recipient with respect to the tax increment district, notwithstanding any provision in this chapter to the contrary, by written mutual agreement duly authorized, executed, and delivered thereby, may establish an advisory board for the tax increment district composed of the mayor or the chair of the county commission of the public entity, as appropriate, a member of the governing body of the public entity that represents the largest area in the tax increment district, and other members as the respective governing body, or its designee, of each deferred tax recipient may appoint; provided a majority of the members of an advisory board must be members of the governing body of the public entity.

(b) Judicial review of a decision of a public entity related to a tax increment district shall be as provided by law."

"§11-99-5

(a) The tax increment base shall be determined as provided in this section.

(b) Upon application in writing by the local finance officer, the tax assessor, or the officer of the county performing the duties of a tax assessor, for each county in which any part of the district is located shall determine, according to his or her best judgment from all sources available to him or her, the full aggregate value of the taxable property in the district located in that county as of the date of creation of the tax increment district. The aggregate valuation from all such tax assessors or other such public officials, upon certification to the local finance officer, shall constitute the tax increment base of the district~~;~~, provided, ~~however,~~ if a public entity creates a district that is to succeed and continue the programs and project plans for redevelopment and revitalization of property in an existing tax increment district upon its expiration, the public entity and each deferred tax recipient with respect to the successor tax increment district, notwithstanding any provision in this chapter to the contrary, by written mutual agreement duly authorized, executed, and delivered thereby, may agree that the aggregate value of all taxable property included in both the expiring district and the successor district shall be the aggregate value of the taxable property as originally determined for the tax increment base of the expiring district as of the date of creation of the expiring district and without redetermination of the value of the taxable property as of the date of creation of the successor district or some other date.

(c) If the public entity that created a tax increment district in which not less than 50 percent, by area, of the real property within the tax increment district is a blighted or economically distressed area adopts an amendment to the original project plan for the tax increment district that includes additional project costs for which tax increments may be received by the public entity, the tax increment base for the district shall not be redetermined.

(d) If the public entity that created a tax increment district in which not less than 50 percent, by area, of the real property within the tax increment district is an enhanced use lease area or which includes an area that a local governing body has determined to be a Major 21st Century Manufacturing Zone adopts an amendment to the original project plan for the tax increment district that includes additional project costs for which tax increments may be received by the public entity or an expansion of the tax increment district, the tax increment base for the district shall not be redetermined.

(e) There shall be a rebuttable presumption that any property within a tax increment district, acquired or leased as lessee by the public entity or any agency or instrumentality thereof within one year immediately preceding the date of the creation of the district, was so acquired or leased in contemplation of the creation of the district. The presumption may be rebutted by the public entity with proof that the property was so leased or acquired primarily for a purpose other than to reduce the tax increment base. If the presumption is not rebutted, in determining the tax increment base of the district, but for no other purpose, the taxable status of the property shall be determined as though the lease or acquisition had not occurred.

(f) The local tax assessor or person performing his or her duties shall identify upon the tax records prepared by him or her under Chapter 7 of Title 40 those parcels of property which are within each existing tax increment district, specifying the name of each district. A similar notation shall also appear on the tax records made by the local finance officer.

(g) The Department of Revenue shall annually give notice to the designated finance officer of all taxing authorities levying taxes on property within each district as to both the assessed and equalized value of the property and the assessed and equalized value of the tax increment base. The notice shall state that the taxes collected in excess of the base will be paid to the public entity."

"§11-99-6

(a) Positive tax increments of a tax increment district shall be allocated and paid over to the public entity that created the district for each year commencing on the October 1 following the date when the district is created until the earlier of:

(1) That time, after: (i) The period of duration of the

tax increment district, as established pursuant to this chapter, has expired~~,~~; and (ii) the completion of all projects and public improvements specified in, or purposes of, the project plan or amendments thereto, when the public entity has received aggregate tax increments from the district in an amount equal to the aggregate of all expenditures previously made or monetary obligations previously incurred for project costs for the district; or

(2) Thirty-five years after the last expenditure identified in the project plan is made. No expenditure may be provided for in the project plan to be made more than five years after the district is created, except as may be provided in an amendment to the project plan, and except in Class 3 municipalities where the expenditures may be made not more than 10 years thereafter if so provided and in tax increment districts in which not less than 50 percent, by area, of the real property within the tax increment district is an enhanced use lease area where the expenditures may be made not more than 15 years thereafter if so provided, unless an amendment is adopted by the local governing body under ~~subdivision (7) of~~ Section 11-99-4(7).

(b) Notwithstanding any other provision of law, every officer charged by law to collect and pay over or retain local general property taxes in the case of a tax increment district in which not less than 50 percent, by area, of the real property within the tax increment district is a blighted or economically distressed area, or state and local general property taxes in the case of a tax increment district in which not less than 50 percent, by area, of the real property within the tax increment district is an enhanced use lease area or which includes an area that a local governing body has determined to be a Major 21st Century Manufacturing Zone, shall first, on the next settlement date provided by law, pay over to the local finance officer out of all the taxes that have been collected, that portion that represents a tax increment allocable to a tax increment district, identifying the amount for each district.

(c) All tax increments received for a tax increment district, upon receipt by the local finance officer, shall be deposited into the tax increment fund for that district. The local finance officer may deposit additional monies into the fund pursuant to an appropriation by the local governing body. Monies shall be paid out of the fund only for direct payment of, or to reimburse the public entity for payments theretofore made by it for principal of or interest on tax increment obligations for that district if the obligations are general obligations of the public entity, or to satisfy claims of holders of tax increment obligations issued for that district, or for direct payment of, or to reimburse the public entity for payments theretofore made by the public entity that are used to pay project costs. Subject to any agreement with security holders, monies in the fund may be temporarily invested in the same manner as other surplus funds of the public entity. After the principal of and interest on all tax increment obligations of the district have been paid or provided for, subject to any agreement with security holders, if there remains in the fund any monies, they shall be paid over to the chief finance officer of the state, each county, each municipality, each school district, and to the general fund of the public entity in amounts as are due to each respectively, having due regard for what portion of these monies, if any, represents tax increments not allocated to the public entity and what portion thereof, if any, represents voluntary deposits of the public entity into the fund."

Section 2. This act shall become effective immediately.