

PUBLICATION

Alabama Legislative Update - Week 10: Immigration Bill Passes, Job Retention Incentives Hotly Contested

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Immigration Bill Passes

The much-debated Alabama Immigration Bill saw some long-anticipated action this week, and it began Tuesday when the House Public Safety and Homeland Security Committee approved revisions to the law. This change would specify that an officer, with reasonable suspicion that a person is in the country illegally, can only detain and question the suspected illegal immigrant when giving the driver a traffic citation or making an arrest. The current law allows the inquiries to be made during traffic "stops." The revised bill would allow an officer to also question passengers in a car about their citizenship if the officer is giving the driver a ticket or arresting him/her, and provided the officer has "reasonable suspicion" that the passengers are illegal immigrants. On Thursday, the House voted 64-34 to approve the rewrite of the law while keeping the core of the 2011 immigration law. Legislators who wanted the law to be repealed entirely mounted a filibuster but were ultimately unable to stop a vote. Republicans voted to cut off debate after more than five hours. The bill now moves to the Alabama Senate.

Substitute Version of Proposed Job Retention Incentives Bill Will Not Allow Tax Incentives for Job Retention

Members of the Senate Finance & Taxation-Education Committee gutted a hotly-contested portion of the House-approved job creation incentive bill this week and approved a substitute version of the job creation incentive proposal, one that does not include incentives for job retention. The bills are a proposed constitutional amendment and enabling bill that, if passed and ratified by voters, would allow companies that build new or expanded facilities in Alabama to keep as much as 90 percent of the state income taxes withheld from the pay of new employees. In much of the state, a company could keep up to 50 percent of the withheld state income taxes of new employees for a project that added 50 to 250 employees, and up to 90 percent for a project that added more than 250 workers. In a "favored geographical area," typically one with high poverty rates, the job-creation requirements would be lower. The governor would decide how long a company would get the income-tax benefit, but the total amount collected by a company could not exceed the cost of the new construction or expansion that qualified for the benefit, and the benefit could not last longer than 20 years after the project was put in service. Under the House-passed plan's benefit for "retention" projects, the governor could let an existing company keep from 1 percent to 75 percent of the state income taxes withheld from the pay of all employees at a facility, not just new employees. In fact, an approved company wouldn't have to add any new jobs. A company could qualify for a retention-project benefit if it spent at least \$2 million to renovate or expand a facility, or at least \$500,000 in a favored geographical area.

Supporters contend the retention benefit could help a struggling employer stay in business. Two Senate leaders, President Pro Tem Del Marsh and Senator Trip Pittman, who chairs the Finance and Taxation-Education Committee, have both expressed opposition to the House-passed version of the plan. Marsh and Pittman said they would oppose the bill if the full Senate were to restore the retention benefit, which Pittman's committee eliminated. Marsh predicts the bill will die in the Senate with that benefit restored. Without the plan, income taxes from new employees would go to the Education Trust Fund, the main source of state money for

public schools and colleges. Consequently, the two largest and most influential interest groups, business and the teachers' union, are once again at odds.

HB 160 now goes before the full Senate as early as this week. Governor Bentley has stated that this bill is one of his top priorities. The plan's sponsor, Representative Barry Mask, said he would ask the House to accept the Senate version of the bill if the full Senate were to pass the plan without the retention benefit. Opponents, however, are considering talking the bill to death. At least 21 of the 35 senators would have to agree to stop any filibuster to clear the way for a vote and the bill's possible approval. Senator Jabo Waggoner, chairman of the Rules Committee, said, "it's too close to call."

Legislative Pay Hotly Debated; Sent To Conference Committee

A House bill designed to limit legislative pay was ripped apart by the Senate earlier this week. The bill ties legislative pay to median household income and brings legislative expense approval under the same guidelines set for the state. It also sets specific procedures in place that would take any future pay raises out of the legislature's hands. Seeing the passion on both sides of the debate, legislative leaders decided to call a committee on conference to try and work out the differences between the two houses. The only changes that were made to the House bill, however, were a revision that allows any adjustments to compensation to occur in January, not December, and an addition of a reimbursement procedure. On Thursday, a joint committee on conference between the House and Senate put the final touches on the legislation and sent it back to the two houses. Late Thursday, the House concurred. If the Senate concurs, the bill will be on the ballot for vote in November.

TVA Megasite Legislation Clears Senate

The Senate approved the "Major 21st Century Manufacturing" bill, written to help Huntsville lure a large employer to a proposed TVA Megasite, by a vote of 31-0. The bill broadens current tax increment financing, or TIF, laws to include large industrial sites capable of attracting more than \$100 million in private investment. It would allow Huntsville to borrow money up front to buy land, improve roads, add water and sewer lines, and even construct manufacturing facilities at the 1,500-acre Sewell farm in southeast Limestone County. The city of Huntsville could then use the anticipated increase in property tax collections to repay the loan. Under the proposed legislation, any Alabama city could create a "Major 21st Century Manufacturing" TIF zone for automotive, aviation, medical, pharmaceutical, semiconductor, computer, electronics, energy conservation, cyber technology or biomedical companies willing to invest a minimum of \$100 million on a site larger than 500 acres. The bill now goes to the House for consideration.

Committee Approves Bill Tied to Federal Patient Protection and Affordable Care Act

On Wednesday, the House approved a bill that would create a state health insurance exchange where individuals and businesses could compare different insurance plans. Commonly referred to as "the exchange," it would provide a centralized location where individuals may obtain comparative information on available health insurance plans and would facilitate the purchase and sale of those plans. Under the federal Patient Protection and Affordable Care Act, states will be required to have such exchanges in place by 2014, and by 2013, states must be able to show the exchanges are in progress or risk the federal government setting up an exchange for them. The bill also creates a Small Employer Insurance Marketplace where small employers with 50 or fewer full and part-time employees could access health insurance coverage for their employees beginning in 2014. In 2016, employers with 100 or fewer employees would be eligible to offer coverage via the small employer exchange.

Committee Rejects Occupational Tax

On Wednesday, 12 of 15 members of a House Committee voted against an occupational tax plan that was expected to raise \$60 million per year. The same committee also voted down a similar bill proposed by the same legislator, Representative Demetrius Newton.

Wine Bill Dies by One Vote

The House Economic Development and Tourism Committee voted 7-6 to kill a bill that would have allowed small wineries to self-distribute. The bill had implications against Alabama's three-tier system, which requires separation of all three levels of the alcohol industry (manufacturers, distributors and retailers). Small wineries and proponents of the bill note that distributors do not want to deal in the comparatively small amount of product produced by some small wineries. Opponents say they would be open to alternatives that do not endanger the three-tier system. Alabama has close to a dozen small wineries.

Schools To Receive Letter Grades

The Alabama House approved a bill that would require the state to give letter grades to schools and school systems to measure performance. The bill would require the state superintendent of education to develop the grading based on several performance indicators including test scores and college readiness. The bill now goes to the Senate.

The Alabama State Public Policy Team will continue to monitor all proposed and pending legislation and maintain a presence in the State House throughout the legislative session.