

PUBLICATION

Alabama Legislative Update - Week 7: Economic Incentives Still a Top Priority

March 27, 2012

Upon reaching the halfway mark of the 2012 Regular Session and before taking a week off, the Alabama Legislature continued their pro-business focus on job creation.

Senate News

Aircraft Incentive Legislation Passes Upper Chamber. The Senate voted 28-0 to pass a version of HB 39, a bill that would exempt from state sales tax the parts and systems used to repair or renovate military or transport aircraft, including helicopters, that are based out-of-state. The incentive legislation is designed to assist in-state aerospace companies that refurbish aircraft. Proponents say that these companies are currently at a competitive disadvantage versus their competitors in other states, such as Florida, where the parts used in such conversions are exempt from taxes. The Senate added an amendment that provides the sales-tax exemption would expire in May 2020 unless extended by the Legislature. The Senate version now goes to the House for final passage.

"Heroes for Hire" Goes to Governor. The Senate gave final legislative approval to a bill which would provide a tax credit of \$1,000 to a business that hires an unemployed veteran who was deployed overseas and is hired within two years of his or her discharge. The bill would also give a tax credit of up to \$2,000 to help an unemployed veteran start a small business. The bill was passed by the house in February and awaits the signature of Governor Bentley, who has voiced support for the bill.

Film Incentives Move Forward. On the same day that Academy Award winning actress Octavia Spencer was honored by her home state, a Senate committee approved a bill that would increase tax incentives for film production in the state. The measure would increase the amount the state could allocate for tax incentives each year from \$10 million to \$15 million. Detractors of the bill note that the funding for the incentives will come from the state's Education Trust Fund, which is the budget reserved for funding public schools.

Committee Approves Lower Benefits for State Employees. The Senate Finance and Taxation -- General Fund Committee, in a 7-4 vote, approved a plan that is estimated to save the state \$5 billion over 31 years by reducing benefits for state employees. Senate Bill 388 would not affect current employees, only employees starting work on or after January 1, 2013. Supporters of the plan hope the changes will make Alabama's Teachers' Retirement System and Employees' Retirement System more workable for the state. Opponents worry that lower benefits would drive away top-quality candidates for state jobs.

Recall Bill Passes Committee but Needs Work. The Senate Constitution, Campaign Finance, Ethics, and Elections Committee approved a bill providing for a recall procedure for state-elected officials, but the approval was conditioned on additional work being done to the bill. Alabama would be the 20th state with a recall procedure if the bill passes.

House News

While the House spent a significant amount of time passing necessary "Sunset Bills," legislation to keep a number of state agencies running, members also found time to pass key legislation:

House Committee Approves Bill to Extend Capital Credits. The House Economic Development and Tourism Committee approved SB 48, by Senator Arthur Orr, R-Decatur, which provides that businesses that qualify for the state's income tax capital credits may carry forward the credits for up to four additional years.

A Revenue Department report on the actual utilization of capital credits shows that significant portions of credits are not taken because many of the companies are not profitable in their early years of operation. If enacted, qualifying companies that create at least 100 jobs and make capital investments of at least \$100 million may have up to an additional four years to take the capital credits.

House Passes Bill Setting Up Housing Trust Fund. The House passed HB 110, which would set up a Housing Trust Fund that could help local governments and non-profit groups repair or build apartments or houses for low-income Alabamians. The bill would not allocate state funds for the Housing Trust Fund but would let Alabama qualify for federal grants if they become available. The bill will now move to the Senate for consideration.

Winery Bill Debated but No Compromise Yet. The House Economic Development and Tourism Committee heard debate over the farm winery bill, which would allow wineries producing less than 250,000 gallons per year to self-distribute. Opponents of the bill do not want to disrupt Alabama's three-tier system, which requires that wineries, distributors and retailers maintain complete separation. Supporters of the bill note that no large distributor wants to deal with such small producers. A compromise will be sought over the legislative spring break.

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.