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**FISCAL NOTE**

Senate Bill 189 as introduced provides an exemption of up to \$40,000 in tangible business personal property from state ad valorem tax, beginning October 1, 2023, which would reduce annual ad valorem tax receipts to the following funds, beginning in Fiscal Year 2024, by the following estimated amounts: \$2.02 million to the Public School Fund; \$1.68 million to the State General Fund; and \$670,000 to the Veterans Assistance Fund. This bill would also reduce receipts to any county or municipality that, by local ordinance or resolution, adopts the same exemption for local ad valorem taxes.

This bill also provides that any amount of cancellation of indebtedness income resulting from loan forgiveness for disadvantaged farmers and ranchers provided under Section 1005 of the federal American Rescue Plan Act (ARPA) shall not be treated as income, not be considered in determining deductibility of otherwise deductible expenses, and be excluded from calculations in determining federal income tax deduction, which would prevent these provisions from increasing income tax receipts to the Education Trust Fund by an undetermined amount dependent upon the difference in the tax liability of these taxpayers under the provisions of this bill and their tax liability otherwise under current law.

Further, this bill increases the threshold for submitting estimated monthly sales tax payments from \$2,500 in state sales tax liability, currently, to \$5,000, which would remove an estimated 2,467 sales tax licensees from the requirement of making monthly estimated payments. The removal of these required estimated filings will temporarily reduce sales tax receipts held in escrow by an estimated \$5.5 million in the month immediately preceding passage of this bill; however this reduction will be offset by the eventual collection of actual sales tax receipts.

In addition, this bill would, for Alabama financial institutions excise taxpayers and corporate income taxpayers, (1) extend the due date of tax returns by one-month, beginning with the 2021 tax year, and (2) allow the Department of Revenue to grant a one-month extension for the 2020 tax year.

Finally, this bill allows sales tax applicants and licensees to deposit certified funds with the Department of Revenue in lieu of the required surety bond currently required by law.

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Arthur Orr, Chairperson  
Finance and Taxation Education