

## SB65 INTRODUCED



1 EQUB29-1

2 By Senators Jones, Allen, Butler, Melson, Stutts, Weaver,  
3 Givhan, Williams, Sessions, Barfoot, Orr, Albritton, Gudger,  
4 Bell

5 RFD: County and Municipal Government

6 First Read: 07-Mar-23

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SYNOPSIS:

Under existing law, an occupational license tax based on income may be levied by a municipality on certain persons gainfully employed in the municipality.

This bill would enact the "Family Income Protection Act."

This bill would incrementally reduce any occupational license tax levied by a municipality greater than one percent based on an annual reduction in the percent of the tax until the tax would be one percent.

This bill would provide that any occupational license tax levied by any municipality would not apply to any person performing an occupation in the police jurisdiction of the municipality or on any property annexed into the municipality after January 1, 2023.

This bill would provide a referendum under certain conditions in any county in which two or more municipalities levied an occupational license tax greater than one percent on January 1, 2023.

This bill would prohibit any municipality from levying a new occupational license tax or increasing any existing occupational license tax.

This bill would provide certain exceptions from occupational license taxes for certain temporary



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29 workers and for severance pay.

30 This bill would also specify that the power of a  
31 municipality to license an exhibition, trade, business  
32 vocation, occupation, or profession only applies to  
33 activity engaged in or carried on in the municipality;  
34 would further provide for refund procedures for any  
35 remittances based on activities of licensees outside of  
36 the jurisdiction of a municipality; and would further  
37 provide for remittance procedures by employers.

38

39 A BILL

40 TO BE ENTITLED

41 AN ACT

42

43 Relating to municipal occupational license taxes; to  
44 add Section 11-51-91.1 to the Code of Alabama 1975, to reduce  
45 any municipal occupational license tax greater than one  
46 percent based on an annual reduction in the tax until the tax  
47 would be one percent; to provide that any occupational license  
48 tax levied by any municipality would not apply to any person  
49 performing an occupation in the police jurisdiction of the  
50 municipality or on any property annexed into the municipality  
51 after January 1, 2023; to provide for a referendum under  
52 certain conditions in certain counties in which two or more  
53 municipalities levied an occupational tax greater than one  
54 percent on January 1, 2023; to prohibit a municipality from  
55 levying a new occupational license tax or increasing the rate  
56 of any existing municipal occupational license tax; to provide



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57 for certain exceptions from any occupational taxes for certain  
58 temporary workers and for severance pay; to specify the power  
59 of a municipality pursuant to Section 11-51-90 of the Code of  
60 Alabama 1975, to license an exhibition, trade, business,  
61 vocation, occupation, or profession only within the corporate  
62 limits and jurisdiction of the municipality, to further  
63 provide for refunds and collections of the license fees and  
64 taxes, and to provide that these provisions are retroactive  
65 and declaratory of existing law.

66 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

67 Section 1. Section 11-51-91.1 is added to the Code of  
68 Alabama 1975, to read as follows:

69 §11-51-91.1

70 (a) This section shall be known and may be cited as the  
71 "Family Income Protection Act."

72 (b) (1) Effective October 1, following the effective  
73 date of this section, the rate of any occupational license tax  
74 on the income of a natural person levied by a municipality in  
75 this state and imposed on a natural person derived from the  
76 conduct of a vocation, occupation, calling, or profession  
77 shall be incrementally reduced as follows: The maximum tax  
78 rate in any municipality shall be capped at the tax rate in  
79 effect on January 1, 2023, except as further provided in this  
80 subsection. In any municipality where the maximum tax rate of  
81 the levy on January 1, 2023, is greater than one percent, the  
82 maximum tax rate of the levy shall be reduced to a maximum  
83 rate of one percent by subtracting not less than two-tenths of  
84 one percent from the maximum tax rate of the levy on October 1



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85 following the effective date of this act and each October 1  
86 thereafter until the occupational tax is reduced to one  
87 percent. For example, if the rate of the levy of the  
88 occupational tax is two percent, for the first year, the  
89 maximum tax rate of the levy applicable in the municipality  
90 would be reduced to 1.8 percent; for the second year, the  
91 maximum rate of the levy applicable in the municipality would  
92 be reduced to 1.6 percent; and continuing for each year  
93 thereafter until the maximum rate of the levy applicable in  
94 the municipality would be one percent.

95 (2) Any municipality that has voluntarily reduced the  
96 rate of occupational license tax in the municipality by  
97 two-tenths of one percent or more prior to October 1 of any  
98 year shall not be required to make a further reduction in its  
99 rate of levy for that year.

100 (3) In any county in which two or more municipalities  
101 levied an occupational license tax above one percent on  
102 January 1, 2023, a county-wide referendum shall be held at the  
103 first primary election in 2028 in the county on the continued  
104 levy of the occupational license tax by any municipalities in  
105 the county after the rate of the levy in the municipalities is  
106 reduced to one percent. The question on the ballot shall be as  
107 follows: "Shall municipalities be allowed to continue  
108 collecting occupational license taxes in Etowah County? \_\_\_Yes  
109 \_\_\_No." The judge of probate of the county shall prepare the  
110 ballot question on the ballot and tabulate the results. If a  
111 majority of the votes are "Yes" and in favor of the continued  
112 authorization for the levy of an occupational license tax by



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113 the municipalities, the municipalities may continue to levy  
114 the tax up to the rate of one percent. If a majority of the  
115 votes are "No" and against the continued authorization for the  
116 levy of the tax, the continued authorization for the levy of  
117 the occupational license tax shall be phased out by an  
118 additional two-tenths of one percent each October 1 thereafter  
119 until the municipalities in the county shall no longer be  
120 authorized to levy an occupational license tax in the  
121 municipalities.

122 (c) Any occupational license tax levied on the income  
123 of a natural person by a municipality shall not apply to any  
124 natural person conducting a vocation, occupation, calling, or  
125 profession in the police jurisdiction of the municipality or  
126 on any property annexed into the municipality after January 1,  
127 2023.

128 (d) After the effective date of this section,  
129 notwithstanding the provisions of Section 11-51-90, no  
130 municipality may levy a new occupational license tax pursuant  
131 to Section 11-51-90 or otherwise on the income of any natural  
132 person engaging in any occupation or increase the rate of any  
133 occupational license tax on the income of any natural person  
134 engaging in any occupation.

135 (e) Notwithstanding any other provision of law, after  
136 the effective date of this act, any occupational license tax  
137 levied in a municipality shall not apply to any employee  
138 providing services in the municipality for a period of 90 days  
139 or less if the employee's base for employment purposes is  
140 outside of the municipality or to any employee or other worker



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141 providing services in the municipality in response to a  
142 natural disaster or other state of emergency declared by the  
143 Governor or the President of the United States if the  
144 employee's base for employment purposes is outside of the  
145 municipality.

146 (f) Notwithstanding any other provision of law, after  
147 the effective date of this act, any occupational license tax  
148 levied in a municipality in the county shall not apply to any  
149 severance payments, supplemental unemployment payments,  
150 retirement incentive payments, or any similar payments paid by  
151 an employer to an employee.

152 Section 2.(a) A municipality shall not have the power,  
153 authority, or jurisdiction pursuant to Section 11-51-90 of the  
154 Code of Alabama 1975, to license any exhibition, trade,  
155 business vocation, occupation, or profession based on gross  
156 receipts or income or any portion of the gross receipts or  
157 income from any exhibition, trade, business, vocation,  
158 occupation, or profession engaged in or carried on outside of  
159 the corporate limits and jurisdiction of the municipality.

160 (b) Any municipality that collects any license fees or  
161 taxes based on any gross receipts or income of any licensee  
162 pursuant to Section 11-51-90 shall provide a reasonable  
163 procedure by ordinance for the refund of any portion of the  
164 gross receipts or income from any exhibition, trade, business,  
165 vocation, occupation, or profession engaged in or carried on  
166 outside of the corporate limits or jurisdiction of the  
167 municipality for any gross receipts or income on behalf of the  
168 licensee which were remitted to the municipality.



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169           (c) The employer of any taxpayer or licensee or any  
170 licensee licensed pursuant to Section 11-51-90 shall not remit  
171 nor be required to remit any license fees or taxes on any  
172 gross receipts or income of a licensee from any exhibition,  
173 trade, business, vocation, occupation, or profession engaged  
174 in or carried on outside of the corporate limits or  
175 jurisdiction of the municipality. The employer shall be held  
176 harmless for its remittances under this section provided the  
177 employer gives a signed statement that remittances are  
178 accurate to the best of the knowledge and belief of the  
179 employer.

180           (d) This paragraph is declaratory of existing law and  
181 intended to specify and clarify that a municipality may only  
182 collect license fees and taxes pursuant to Section 11-51-90  
183 based on activity that is specifically engaged in or carried  
184 out in the municipality and the municipality has no  
185 jurisdiction to levy or collect license fees on activities  
186 outside of the corporate limits or jurisdiction of the  
187 municipality.

188           Section 3. All laws or parts of laws which conflict  
189 with this act are repealed.

190           Section 4. This act shall become effective immediately  
191 following its passage and approval by the Governor, or its  
192 otherwise becoming law.