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to Washington,  
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to benefit you!*

*Tuesday, May 20, 2008*

## **Business Avoids \$1 Billion in New Taxes**

### **2008 Session Ends without Education Budget;**

Governor Says Special Session to Come Before June 1

One of the most anti-business legislative sessions on record ended at midnight Monday with not one piece of anti-business legislation receiving final approval, thus **averting at least \$1 billion in new taxes for Alabama retailers and other businesses**. Close to 200 bills died on the final day of the 2008 regular legislative session, including the education budget, which means a special session comes next.

Among the bills left behind in the legislative wasteland was a group health insurance tax incentive for small businesses and their employees, which was linked to a rewrite of the 2001 "add-back" statute concerning corporate income taxes.

The Business Associations' Tax Coalition (BATC), a 30-member group of business and trade associations that includes the **Alabama Retail Association**, helped negotiate an agreement that would have given small businesses and their employees a substantial and immediate tax deduction for health insurance payments and corrected every major objection Alabama business had to the rewrite of the 2001 add-back statute.



The agreement would have generated enough revenue to cover what would have been lost from the health insurance deduction and provided enough to balance the education budget. However, a group of lawmakers held up the entire final legislative day in an effort to get an additional \$25 million for Alabama's colleges and universities.

## **CRR EXTRAS**

### **BILLS**

- [HB 73](#)
- [HB 144](#)
- [HB 196](#)
- [HB 274](#)
- [HB 350](#)
- [HB 393](#)
- [HB 455](#)
- [SB 229](#)
- [SB 431](#)

### **IN THE NEWS**

- [Budget for state schools dies amid Alabama Senate stalling tactics as legislative session ends](#)
- [Legislative letdown: Education budget fails to pass on final day](#)
- [Alabama grocery tax repeal fails on final day](#)
- [Statewide smoking ban dies without final vote](#)
- [PAC-to-PAC transfer ban dies](#)
- [Legislature funds break for education savings](#)

### **ARA CONTACTS**

[Rick Brown](#)  
President

When lawmakers return for a special session, which could be as early as next week, BATC expects that its agreement will be back on the table. The governor told reporters today that he hoped to call a special session before June 1.

That agreement wouldn't have been possible without:

- **a rock-solid coalition of 29 representatives in the Alabama House, led by Reps. Mike Hubbard and Cam Ward**, who, for four full legislative days, held off the House vote on the add-back rewrite, [HB 350](#) by Rep. Richard Lindsey, D-Centre, and
- **a conservative coalition of senators led by Sen. Del Marsh**, R-Anniston, who brokered the agreement in the Senate with the state's education workers' lobby and the governor.

HB 350 was linked to [HB 144](#) by Rep. Jay Love, R-Montgomery, legislation that would have given Alabama businesses with fewer than 25 employees and their employees who earn less than \$50,000 a deduction for the health insurance premiums they pay. **Thanks to all Alabama retailers who called during the past week and discussed this legislation with their senators making the agreement possible.**

Meanwhile, it appears the vast majority of the 65 companies that had challenged the 2001 add-back law are close to a settlement with the state, which could bring somewhere between \$25 million and \$35 million to the state's coffers and could be a mitigating factor for those lawmakers seeking more funding for higher education.

In the coming weeks, you'll get a full accounting of the 2008 regular session. In the meantime, a summary of other legislation that died on the final day follows.

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## >> Other News

### TAXES

#### **Tax-Free Rebates Die on Final Day**

The Alabama Senate on Monday failed to address [HB 455](#) by Rep. Terry Spicer, D-Elba, which would have waived state income tax on federal economic stimulus checks, which Alabamians began receiving in early May. Spicer's bill also would have denied businesses the ability to use the bonus depreciation included in the federal economic stimulus plan to lower their state income taxes.

The federal stimulus package gives businesses a tax break

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### LEGISLATIVE CONTACTS

To contact members of the Alabama Legislature:

#### **WRITE:**

Alabama State House  
11 South Union Street  
Montgomery, AL 36130

#### **CALL:**

HOUSE: (334) 242-7600  
SENATE: (334) 242-7800

#### **E-MAIL:**

Most representatives can be reached through the House e-mail system by using the following format:

[firstname.lastname@alhouse.org](mailto:firstname.lastname@alhouse.org).

Those without e-mail addresses can be reached through the general e-mail address:

[house3@alhouse.org](mailto:house3@alhouse.org)

There is no general e-mail address for senators. [Click here](#) for a roster of the state senators with their complete contact information.

#### **LINKS GO TO CONTACT INFO:**

The link to each lawmaker mentioned in this publication goes to their individual websites, which have contact information. You can also find out whose legislative district you live or work in under [Find Your Lawmaker](#) in the [Political Affairs](#) section of [alabamaretail.org](http://alabamaretail.org).

by allowing them to claim a larger deduction for the cost of new equipment instead of depreciating that cost over many years. Because Spicer's bill did not pass, Alabama businesses will receive a state income tax break as well as the federal deduction since our state tax law is patterned after the federal law.

Spicer's bill would have only allowed businesses to take the current state deduction. Consequently under his legislation, businesses that pay corporate income taxes in Alabama would have had to apply different depreciation schedules for their federal and their state returns.

**ARA had supported Spicer's bill in its original form, which waived the state income tax on the federal tax rebates and left the business tax incentives unaltered.**

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### **Senate Never Debates Elimination of Food Sales Tax Repeal of Federal Income Tax Paid Deduction Dies Too**

Senators never got around Monday to a constitutional amendment that would have dropped the state's 4 percent sales tax on food items as defined by the federal food stamp program and end the deduction Alabama taxpayers take for the federal income tax they pay. The Senate leadership didn't put the bill on the Senate's first work agenda Monday because proponents hadn't secured enough votes to bring the bill up before the state's budgets.



**HB 274** by Rep. John Knight, D-Montgomery, faced an uphill battle even if it had made it to the Senate floor for debate Monday. As a constitutional amendment, it would have needed 21 votes to achieve final passage; then the governor would have to sign it; and it would have to go before voters in the November general election.

The House approved the bill April 15. The Senate version, **SB 431** by Sen. Hank Sanders, D-Selma, also died without being considered by the Senate.

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## **SMOKING/TOBACCO**

### **State Smoking Laws Remain the Same**



For committee assignments and clerk contacts for the Alabama Legislature, see [ARA's 2011 Legislative Roster](#).

**BENEFIT FROM THE VALUE**

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**Discounted Inbound and  
Outbound Shipping:**

A bill to ban smoking in most public places and all indoor workplaces in Alabama never got ignited on the Alabama Legislature's final legislative day. The Alabama House didn't get to [SB 229](#), sponsored by Sen. Vivian Davis Figures, D-Mobile, before adjourning for the 2008 regular session.

A House committee had made changes to the Senate bill, so unless the full House had returned the bill to its Senate origins, it still would have had to go back to the Senate to approve the House changes. Gov. Bob Riley had said he would sign the ban into law if it had been approved.

Free-standing bars in which "*servicing of food is only incidental*" to alcoholic beverage service would have been exempt from the smoking ban, while bars within restaurants were included in the ban.

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## ALCOHOL

### Higher Alcohol Content Beers Don't Get Served

Another of the bills that died on the final legislative day was [HB 196](#) by Rep. Thomas Jackson, D-Selma, which would have allowed for the sale of beer with alcohol content as high as 13.9 percent.

Jackson's bill would have permitted the sale of beer with more than double the six percent alcohol content that state law now allows. Under the bill, a "*beer*" could have contained from one half of 1 percent or more of alcohol by volume to 13.9 percent by volume. The legislation was pushed by a Birmingham area-based group called "*Free the Hops*," which would like Alabamians to be able to enjoy specialty beers.

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### Wet-Dry Referendum Law Stays as Is

Among the bills that died in the Alabama Senate on Monday was [HB 393](#) by Rep. James Martin, D-Clanton, which would have allowed any size city in a dry county to vote to approve the sale of alcoholic beverages.

Current law allows cities in dry counties with 7,000 or more residents to call a wet-dry referendum. It also allows cities with 4,000 or more residents to vote to go wet if there is already a wet city in the county. Martin's bill would have required a petition of 25 percent of the voters for a referendum to be called, no matter the city size.

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### IMPORTANT EVENT THIS WEEK

WHAT: **Birmingham Business Leadership Exchange**  
WHEN: **6 p.m. Wednesday, April 6**

WHERE: Regions Center Upper Lobby Auditorium, 1900 5th Avenue North

*Complimentary parking available at Regions Center deck via 19th St. North*

The Speaker's Commission on Job Creation is partnering with the Birmingham Business Alliance to invite business owners of companies across the industrial spectrum to attend a "Business Leadership Exchange," and share their ideas about how to improve the business climate in the state. If you have any questions, please **contact the office of House Speaker Mike Hubbard at 334-242-7668**. If you are unable to come to the Birmingham exchange but would like to submit ideas and recommendations, you may [email them to Alabama Jobs Commission](#)

or join the conversation on Facebook at

[facebook.com/speakersjobscommission](https://facebook.com/speakersjobscommission)

## CAMPAIGN FINANCE AND ELECTIONS

### No Compromise on PAC-to-PAC Transfer Ban

A conference committee of House and Senate members never reached an agreement on a PAC-to-PAC transfer ban.

The House and Senate passed different versions of the ban on campaign money transfers between political action committees early in the session.

After two and half months, the conference committee never came forward with a compromise version of [HB 73](#) by Rep. Jeff McLaughlin, D-Guntersville.

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The *Capitol Retail Report* is another **Benefit from the Value** of [Alabama Retail Association](#) membership. For more benefits, go to [www.alabamaretail.org](http://www.alabamaretail.org)