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CRR EXTRAS

Friday, January 15, 2010

Budgets, Elections, Taxes Oh My!

The Alabama Legislature Returns for Final Session of the Term

Budgeting and posturing for this year's elections will color all that occurs in the Alabama Legislature's final regular session of the quadrennium, which began Tuesday. Debate this week centered on what money the state does or does not have, and how lawmakers will appropriate whatever amount they decide is available. The vile "T" word also quickly wormed its way into the proceedings with a Senate committee on Thursday approving the same \$22 million annual unemployment compensation tax increase the Alabama Retail Association and other business groups kept off your books in the 2009 session.

The federal economic stimulus, past and yet to come, figures into the budget discussion with the governor counting on Congress to come through and bail Alabama and other states out of a crisis again, while legislative fiscal officials say revenue shortfalls for both state operating budgets could mean layoffs, furloughs and profound cuts to services. Another federal infusion only delays the inevitability of dealing with fewer operating dollars and finding alternate revenue sources to fill the gaps, national and state economists contend. Translation: More than likely, lawmakers eventually will approve tax increases, although most legislative leaders say not in 2010.



"I know it's an election year, but when we work on the budgets, we are going to have to have cooperation."

House Speaker Seth Hammett

Amidst the budget angst, lawmakers running for re-election will spend plenty of time positioning themselves on such issues as ethics, gambling and charter schools. The Legislature will operate this session with six new members, one fewer representative (at least until mid-February) and with at least 15 incumbents who plan to either seek another

TOP ISSUES

- [\\$22 Million Tax Increase Clears Committee](#)
- [Wednesday Hearing Set on Private Ballot Bill](#)
- [Lawmakers Propose Tax Incentives, Credits](#)
- [Delinquent Credit Late Fee in Hopper](#)
- [Removal of Grocery Sales Tax Back](#)
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BILLS

- [HB 001](#)
- [HB 003](#)
- [HB 034](#)
- [HB 046](#)
- [HB 085](#)
- [HB 088](#)
- [HB 119](#)
- [HB 181](#)
- [HB 212](#)
- [HB 260](#)
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- [SB 011](#)
- [SB 114](#)
- [SB 212](#)
- [SB 225](#)
- [SB 248](#)
- [SB 253](#)

- [H.R. 3590](#)
- [H.R. 3962](#)

office or retire after this session, including the House speaker, who'll be leaving after 32 years in the Legislature and 12 years as speaker.

Your ARA lobbyists have spent the first legislative week scouring all 566 bills introduced to determine how the legislation impacts retailers and will continue to do so as the session progresses.

If you have a question or insight that you'd like to share during the 2010 regular session, please contact [ARA President Rick Brown](#) or [ARA Vice President Alison Wingate](#).

>> Other News

UNEMPLOYMENT COMPENSATION

As Predicted, \$22 Million Annual Tax Increase is Back

Even before the shock wore off from the invoice you received Jan. 1 for **\$108 to \$152 MORE** in unemployment compensation taxes **on EACH person you employ**, the Senate Business and Labor Committee voted 7-2 to **increase the taxes employers pay** for unemployment compensation by at least **\$22 million ANNUALLY**. Tom Surtees, director of the Alabama Department of Industrial Relations, told the committee the legislation could raise taxes on employers by as much as **\$40 million annually**.



Tom Surtees

The committee's Republican members – [Paul Sanford of Huntsville](#) and [Jabo Waggoner of Birmingham](#) – voted against the bill with all the Democrats: [Priscilla Dunn, Bessemer](#); [Charles Bishop, Jasper](#); [Bobby Denton, Muscle Shoals](#); [Marc Keahey, Grove Hill](#); [Zeb Little, Cullman](#); [Larry Means, Attalla](#) and the sponsor, [Senate President Pro Tempore Roger Smitherman, Birmingham](#), voting for the tax increase, according to the committee clerk's records. The job-killing **SB 11** would expand benefits to at least another 6,000 unemployed Alabamians. The bill is slightly altered from the version proposed and successfully thwarted in the 2009 regular session. The Birmingham Democrat's bill, which the full Senate could consider as early as next week, calls for the state to **expand benefits permanently to receive** \$100.5 million in **temporary federal economic stimulus funds** by:

- Reducing, from five quarters to four quarters, the length of time an applicant must have been employed in order to qualify

- [Budget to dominate session](#)
- [Riley tells Legislature there's no financial crisis in Alabama](#)
- [Democrats critical of Riley's 'no financial crisis' position](#)
- [Riley stands firm on forecast for Alabama budgets](#)
- [Alabama governor counts on federal money for budgets](#)
- [Alabama Senate committee approves bill that would allow more to collect unemployment compensation](#)
- [Full text of Gov. Bob Riley's State of State address](#)
- [Legislators face difficult choices](#)
- [Ward to propose bill aimed at improving state's economy](#)
- [Bill: Local firms would have to verify workers or lose license](#)
- [RetailPAC endorses Byrne; Candidate talks about jobs for Alabamians](#)
- [White House nears deal on health care](#)

ARA CONTACTS

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for benefits.

- Granting full benefits to part-time workers who lose their jobs if they meet certain requirements.
- Allowing the unemployed enrolled in an approved workforce-training program to receive full benefits. Under the substitute version of the bill Business and Labor adopted, only those already training for a "high-demand" occupation, who is "making satisfactory progress" when their unemployment benefits are exhausted, would qualify.
- Allowing a worker who voluntarily leaves his or her job to receive full unemployment benefits if the departure is due to the threat of domestic violence against the employee or the employee's family. Under the committee-approved bill, those who qualify for unemployment under this provision would not impact the employer's experience rating.

As the Capital Retail Report conveyed in its final 2009 report, it was inevitable that this legislation would reappear in this as well as the 2011 session, because the state has until Sept. 30, 2011, to decide whether to expand benefits to receive the \$100 million under the American Recovery and Reinvestment Act of 2009. Smitherman acted with laser speed to get the bill out of committee, and **the Business Associations' Tax Coalition will match that speed in its efforts to stop the bill's progress.**

Unemployment in Alabama stands at 10.5 percent. The state paid out \$29.9 million in unemployment benefits last week to 126,000 Alabamians, **more benefits paid than any other week in Alabama history**, Surtees said. In 2009, Alabamians received \$1.24 billion in unemployment compensation benefits. Of those total benefits, Alabama employers supplied \$680 million through taxes and \$564 million came from federal funds, he said.

The record unemployment has strained the Alabama Unemployment Compensation Trust Fund to the point that employers now must pay into the fund at the highest rate possible. At the first of the year, Industrial Relations let employers know how much they would owe in unemployment compensation taxes for the first quarter of this year. Those rate increases, due May 1, range from 30 percent to 169 percent, a burden that makes it hard for employers to consider making new hires. Should Smitherman's bill pass, it will be even longer before Alabama's employers put more people to work.

[>> Comparison of 2009 vs. 2010 unemployment compensation tax rates](#)

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

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

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.

TAX INCENTIVES AND CREDITS

Ward, Others Propose Tax Incentives and Credits

Some proposed legislation could make it easier for retailers and other businesses to expand and hire more workers, including

[HB 212](#) by [Rep. Cam Ward, R-Alabaster](#). Ward says his Alabama Job Growth Act:

- Offers enhanced incentives to companies locating or expanding in economically-distressed counties (the 12 counties with the highest unemployment rate and lowest per capita income).
- Incentivizes large businesses to locate to Alabama's developed counties;
- Encourages job creation in all 67 counties; and
- Gives a boost to communities with military installations;

"Tax incentives to businesses will help relieve the pain associated with unemployment and lost revenues," said Ward, who is seeking the Senate District 14 seat occupied by Hank Erwin, who is running for lieutenant governor.

[Rep. Robert Bentley, R-Tuscaloosa](#), has proposed [HB 260](#), a 50 percent tax deduction on gross wages paid for hiring the unemployed, while [Rep. Thad McClammy, D-Montgomery](#), introduced [HB 285](#), which would give a tax credit for hiring students 18 and younger to work during school breaks, after school and on weekends. [House Speaker Seth Hammett, D-Andalusia](#), said Tuesday that before he agrees to tax credits for adding more employees, he wants empirical data on the number of people who will be hired. All three bills have been assigned to the House Education Appropriations Committee.

Love Again Champions Increase of Health Insurance Deduction

Perhaps three times will be a charm for [Rep. Jay Love, R-Montgomery](#), who has introduced [HB 181](#) to raise income deduction employers and employees receive health insurance premiums from 150 percent to 200 percent. In a 2008 special session, legislation authored by Love gave Alabama businesses with fewer than 25 employees and their employees who earn less than \$50,000 a 150 percent deduction for the health insurance premiums they pay. That deduction can be applied for the first time on 2009 returns.

The determining date for whether a company qualifies for the deduction is the last day of the tax year, regardless of the number employed during the year. The employer must have



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

BENEFIT FROM THE VALUE

Now, Even More Benefits from ARA



Your Business Can Save Thousands

ARA constantly strives to increase the Value its members received from membership. Many members have been using our low-cost workers' comp program for years, but were asking for more. In January, we announced more savings. ARA members now have access to:

Cost-Saving Credit Card Processing:

Through a partnership with Huntsville-based **CHECKredi**, ARA members get rates normally reserved for only the largest stores.

Discounted Inbound and Outbound Shipping:

fewer than 25 employees to qualify under the law on the final day of the year.

Love's original legislation, supported by ARA and the Business Associations' Tax Coalition, a 30-member group of business and trade associations chaired by ARA President Rick Brown, sought a 200 percent deduction to be accomplished in phases over a minimum of five years. **ARA again has made the increase of the small business health insurance deduction to 200 percent a featured plank in its 2010 State Legislative Agenda.**

[>> Learn more about ARA's 2010 Legislative Agenda](#)

More than 90 percent of ARA members employ fewer than 25 employees and thus would qualify for this deduction if they offer group health insurance to their employees. This legislation does **NOT** require companies to offer health insurance. It merely gives businesses a reason to offer health insurance, by making it more affordable. This bill also is in the House Education Appropriations Committee.

ARA LEGISLATIVE AGENDA IN ACTION

Lawmakers Propose Late Fee for Delinquent Credit

2010 could be the year for a modest \$8 increase in late fees for delinquent consumer credit payments, which ARA has advocated since 2007.

Currently, a creditor can charge \$10 or five percent of the scheduled payment, whichever is greater up to a cap of \$100, when a credit payment is 10 days late. That has been the case since 1997, when the Alabama Legislature increased the late charge from \$5. Obviously, the cost to a creditor for collecting delinquent payments has increased in the past 13 years. As part of [ARA's 2010 State Legislative Agenda](#), your association is asking for an increase to \$18, which is still low compared to what out-of-state banks and credit-card companies can assess.



[HB 34](#) by [Rep. Craig Ford, D-Gadsden](#), and [SB 253](#) by [Sen. Mitchell, D-Luverne](#), have introduced legislation that would

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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

accomplish the ARA-backed increase. The bills await action by the respective Banking and Insurance committees.

TAXES

Knight Again Proposes to Remove Grocery Sales Tax; Bill Would Limit State Deduction of Federal Income Taxes

[Rep. John Knight, D-Montgomery](#), for the third year, has introduced his proposed state constitutional amendment to remove the 4 percent state sales tax from groceries state by reducing the income tax deduction for federal income taxes paid.



ARA will monitor [HB1](#) closely and needs any input you can offer as this bill evolves, if it evolves. "*We discussed that enough last year,*" the House speaker said early this week. "*The sponsors don't have sufficient votes to pass it, and they won't even ask the House to consider it anytime soon.*" This bill has been assigned to the House Education Appropriations Committee. [Sen. Hank Sanders, D-Selma](#), has introduced similar legislation, [SB 225](#), which awaits action by the Senate Finance and Taxation, Education, Committee.

Two other bills on the same subject, also have been introduced:

- [Sen. Arthur Orr, R-Decatur](#), once again proposes allowing a county or a municipality to exempt the local sales tax on food. [SB 212](#) would give county or city officials the authority to exempt food, as defined by food stamp regulations or as defined by the county commission or municipal governing body, from their local sales taxes. In many areas of the state this could reduce sales taxes by as much as 6 percent. The bill awaits action in the Senate Finance and Taxation, Education, Committee.
 - Another Senate bill, [SB 248](#) by [Sen. Scott Beason, R-Gardendale](#), would gradually eliminate the state sales tax on food by 1 percent at the start of each fiscal year after the education fund grows by 3 percent. It also would prohibit cities and counties from raising their sales and use taxes on food. It is pending in the Senate Finance and Taxation Education Committee.
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Proposal: Drop Sales Taxes on Over-the-Counter Medications

In an attempt to lower the tax burden on Alabama families, [Rep. Mac Gipson, R-Prattville](#), again has introduced [HB 88](#), which would remove the city, county and state sales taxes on over-the-counter-medications. For the purposes of the tax exemption, a product must have a label identifying the product as a drug. The label must contain a "*drug facts*" panel or a statement of active ingredients. Grooming and hygiene products, as well as dietary supplements, are explicitly excluded from the tax exemption. This bill has been assigned to the House Education Appropriations Committee.

Todd Again Proposes Cigarette Tax Increase

For the third year, Rep. [Patricia Todd](#), D-Birmingham, has proposed tripling the taxes on a pack of cigarettes. [HB 119](#) would raise the state tax on cigarettes from 26 cents per pack to 75 cents per pack. **ARA continues to support comprehensive tax reform over patchwork tax policy and will continue to monitor this legislation.**

Campaign Finance and Elections

Hearing Set for Wednesday on Private Ballot Bill

At 9 a.m. Wednesday in Room 603 of the Alabama State House, the House Constitution and Elections Committee will hold a public hearing on [HB 3](#) by Rep. [Greg Canfield](#), R-Vestavia Hills, which would guarantee the right of individuals to vote by secret ballot in all public votes for referenda or for employee representation.

This legislation, in part, is in response to labor union efforts to force employees to forego secret ballots in union representation elections, thus exposing employees to intimidation and coercion. **ARA and an alliance of other state business groups support the right to a private ballot in all elections and support efforts to guarantee that right.**

Alabama RetailPAC Endorses Byrne

The **Alabama Retail Association** jumped into the 2010 elections early this year. Last week, with the approval of the ARA board of directors, **Alabama RetailPAC**, ARA's political action committee, endorsed [Bradley Byrne](#) for governor. ARA

Vice Chairman Dianne Wammack, co-owner of [Cameras Brookwood](#) in Vestavia, made the endorsement public during a Tuesday, Jan. 5, news conference at ARA member retailer [The Pants Store](#) in Leeds. Mickey Gee, retired owner of the store, and ARA Vice President Alison Wingate also spoke during a Byrne news conference concerning the small and existing businesses portion of Byrne's "New Jobs for a New Alabama" plan. ARA's Immediate Past Chairman, Darrell Bourne with [Ragland Bros. Retail Cos. Inc.](#) in Huntsville, joined Byrne at the Piggly Wiggly in New Hope on Wednesday, Jan. 6, for a similar news conference.



"I'm proud that this highly respected group, which represents small business owners who face the challenges everyday of running businesses, making payroll, and paying taxes, have endorsed my campaign and my commitment to making Alabama the best place in the nation to start and grow a business."

GOP Gubernatorial Candidate Bradley Byrne on RetailPAC's endorsement

>> [Photos from the endorsement news conferences](#)

Makeup of House and Senate Differs from 2009

Three new lawmakers were sworn in before the first legislative day of the 2010 regular session: state Reps. [Elaine Beech](#), D-Chatom; [Lawrence McAdory](#), D-Bessemer; and [Phil Williams](#), R-Huntsville. They join Sens. [Paul Sanford](#), R-Huntsville; [Priscilla Dunn](#), D-Bessemer; and [Marc Keahey](#), D-Grove Hill, as the Alabama Legislature's newest members.

Lawmakers this week also observed a moment of silence for Democratic Rep. Lea Fite of Jacksonville, who died in October. Fite's seat will remain open until after Tuesday, Feb. 16, when his successor will be elected. Republican candidate Jay Dill of Jacksonville this week dropped out of the Republican runoff in the special election for the Alabama House District 40 seat, throwing his support to K.L. Brown of Jacksonville, now the lone Republican candidate. Once the

Secretary of State's office certifies Brown as the primary winner without a runoff, the general election will be held Feb. 16 with Brown, Democratic nominee Ricky Whaley and Independent Carol Hagan on the ballot.

House Committee Passes PAC-to-PAC Transfer Ban

On a voice vote, the Alabama House Constitution and Elections Committee on Wednesday approved [HB 85](#) by Rep. [Jeff McLaughlin](#), D-Guntersville. This bill would make transfers between political action committees unlawful with the exception of transfers from a PAC to a principal campaign committee. Similar legislation has been proposed in each of the past eight legislative sessions, making it as far as conference committee, but never passing both chambers. This legislation now moves to the full House for consideration.

Judicial Contribution Limitations in Committee Next Week

On Wednesday of next week, the House Constitution and Elections Committee will take up [HB 46](#) by Rep. [Chris England](#), D-Tuscaloosa, which would limit cash or in-kind contributions to any candidate seeking a judicial office to \$500 per election, and provide for a mechanism to increase that amount in future years for the effects of inflation.

NEXT LEGISLATIVE DAY

The Alabama Legislature will meet for organizational purposes beginning Jan. 11, 2011. The Alabama Senate and House will meet in regular session for 30 legislative days between March 1 and June 13, 2011.

FEDERAL

Health Care Legislation Could Be Signed by State of Union Address

Health care reform continues to move swiftly through Congress with labor leaders and Democratic negotiators apparently reaching an agreement at press time over the issue of a proposed tax on high-end health care plans. The U.S. Senate passed [H.R. 3590](#), The Patient Protection and Affordable Care Act, on Christmas Eve, while the U.S. House of Representatives approved the Affordable Health Care for

America Act, [H.R. 3962](#), on Nov. 7.

The president is pressing Congress to get legislation through both chambers and on his desk by the State of the Union address later this month or early February. If the legislation receives final approval, the health care acts would take effect in 2014.

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