



Sales and Use Tax Exemption for Airport Authorities

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Background

- **The Alabama Department of Revenue (“ADOR”) has treated Airport Authorities as exempt from sales and use tax for over sixty (60) years**
- **ADOR changed its position in 2020**
- **The Huntsville-Madison County Airport Authority (“HMCAA”) received a letter in early 2020 stating that ADOR would not issue a tax exempt certificate to HMCAA for calendar year 2021**

Effect on Alabama Airport Authorities

- Airport authorities required to pay sales tax on day to day purchases (equipment, cleaning supplies, and office supplies)
- Contractors required to pay sales tax on materials purchased for airport construction projects, resulting in higher cost of construction
- For HMCAA, the estimated cost of sales tax for 2021 is \$1.75 million

Proposed Legislation

- **Airport Authorities need legislation that addresses two key issues**
- **(1) Make it clear that airport authorities are exempt from sales and use tax**
- **(2) Allow contractors to obtain certificates of exemption for airport construction projects (eliminating the need for a procurement agreement)**

Legislative Process

- **March 2020 - Meeting with Alabama Department of Revenue, no resolution**
- **April 2020**
 - **The Legislative Service Agency (“LSA”) drafted a Bill with input from HMCAA and other stakeholders**
 - **The Bill was filed and Chairman Poole agreed to add it to the Ways and Means Education Committee calendar during the 2020 regular session**
 - **The Bill ended there due to COVID-19 closures**

Legislative Process

- **September 2020**
 - **The draft Bill prepared by LSA is circulating among stakeholders**
 - **The Bill is to be “green-jacketed”**
 - **Anticipate pre-filing the Bill by the end of September**
 - **Bill will be assigned a Bill number and assigned to committee by the Clerk’s office**

Legislative Process

- **February 4, 2021 Regular Session**
 - **Could see the Bill on the first day that the Ways and Means Education Committee meets in the new session**
 - **If passed out of Committee, we will ask the Rules Committee to consider placing the Bill on the legislative calendar to be considered by the House**
 - **During this phase, airport authorities should work with their government representatives to gain support for the Bill**

Legislative Process

- **Senate**
 - **Senator Sam Givhan will pre-file and follow similar process in the Senate (companion Bill)**
 - **Both Bills will be tracked and we will proceed with the one that passes first**
- **Final Step**
 - **The Bill will move to be considered and signed by Governor Kay Ivey**

Questions?