

Ad Valorem Tax

Constitutional Provisions:

(1) Levying Provisions:

Section 214 of the *Constitution of Alabama of 1901*, now appearing as Section 214 of the Official Recompilation of the *Constitution of Alabama of 1901*.

Limited total state property tax levied for state purposes to 6.5 mills.

Amendment No. 111 to Section 260 of the *Constitution of Alabama of 1901*, now appearing as Section 260 of the Official Recompilation of the *Constitution of Alabama of 1901*, (proposed by Act 1956-82, 1st Ex. Sess., proclaimed ratified September 7, 1956).

Section 260 provided a tax of 3 mills for the Public School Fund to be applied to the support and maintenance of public schools and restated the authority of the Legislature to levy a total state ad valorem tax up to 6.5 mills, including the 3 mills provided by this section, for the Public School Fund (See Legislative History-Acts 1935, No. 194). Amendment 111 replaced reference to the "public school fund" with "educational fund" and reference to use of the 3-mill tax for the "support and maintenance of the public schools" with "support and furtherance of education."

(2) Exemption Provisions:

Section 91 of the *Constitution of Alabama of 1901*, now appearing as Section 91 of the Official Recompilation of the *Constitution of Alabama of 1901*.

Prohibited the Legislature from taxing the real or personal property of the state, counties or municipal corporations or cemeteries and certain property used exclusively for religious worship, schools or for purely charitable purposes. (See also Amendment No. 373).

(3) Other Provisions:

Amendment No. 373 to the *Constitution of Alabama of 1901*, now appearing as Section 217 of the Official Recompilation of the *Constitution of Alabama of 1901*, "Lid Bill" (proposed by Act 1978-6, 2nd Ex. Sess., proclaimed ratified November 20, 1978, effective October 1, 1978).

- (a) Established the current classes of property, assessment ratios and the maximum total amount of ad valorem tax payable on any item in any one year (as a percentage of fair market value).
- (b) Provided the option of current use value for Class III property.
- (c) Provided that taxable property be assessed uniformly by local governments at the state ratio effective October 1, 1978 and further provided for the adjustment of the ratios (within a

prescribed range of assessment ratios of 5% to 35%) as applied to property taxes levied by local authorities.

- (d) Established procedures for increasing local millage rates above limits otherwise provided in the *Constitution* as follows:
 - (i) proposal by the local governing body after a public hearing;
 - (ii) approval by the Legislature;
 - (iii) approval by a majority of affected voters in a special election.
- (e) Provided that, on or after October 1, 1978, taxing authorities may levy and collect up to 2 mills property tax for reimbursement for certain reappraisal costs, with any collections above the reassessment costs in the year the tax terminates to be used for general purposes.
- (f) Restated exemption of property devoted exclusively to religious, educational or charitable purposes (see also Section 91) and provided additional exemptions. (See Major Exemptions).

Statutory Authority:

Sections 38-4-12, 38-4-12.1, 38-4-13, and 40-1-1 through 40-11-5, *Code of Alabama 1975*.

Tax Base:

A property tax is levied on the owners of real and personal property within Alabama. All property is assessed in one of four classes at the ratios and maximums below:

Class	Description	Assessment Ratio	Annual Max. Payable (as % of Market Value²)	Total Millage Equivalent
I	All property of utilities	30%	2.00%	66.7
II	All property not otherwise classified	20%	1.50%	75
III	All agricultural, forest and single-family, owner-occupied residential property, including owner-occupied residential manufactured homes, located on land owned by the manufactured home owner, and historical buildings and sites	10%	1.00%	100
IV	All private passenger automobiles and motor trucks of the type commonly known as "pickup trucks" used for personal use	15%	1.25%	83.3

² Total (including state and all applicable local levies) payable per taxpayer per property. The cities of Mountain Brook, Vestavia Hills and Huntsville are exempted from the ceiling by Amendment No. 373 "Lid Bill." Other cities may be exempted by constitutional amendment. The fair and reasonable market value of the property (to which the appropriate assessment ratio is applied) is determined by the local tax assessor and local Board of Equalization except in the case of public utility property, where the Department of Revenue makes such determinations.

Tax Rate:

State levy of 6.5 mills per dollar of assessed value. (A mill is 1/1000 of a dollar or 1/10 of a cent, so that 6.5 mills equal \$.0065 or .65% of \$1. One mill equals \$1 of taxes per \$1,000 of assessed value of property.)

Example of application of state millage rate to determine state ad valorem taxes due: Assuming a home has an appraised value of \$100,000 and the homeowner (taxpayer) is eligible for the \$4,000 state homestead exemption. (See Major Exemptions).

\$100,000	(appraised value)
x 10%	(assessment ratio of Class III property)
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\$ 10,000	(assessed value)
-4,000	(homestead exemption)
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\$ 6,000	
x .0065	(6.5 mills)
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\$ 39	(State ad valorem tax due)

Information regarding local levies follows Legislative History.

Collections:

By County Tax Collector or Revenue Commissioner; remitted to State Treasury on the 5th and 20th of each month.

Fiscal Year	Collections (\$) (State only) ³	Percent Change
2020	392,907,368	5.57
2019	372,182,990	3.82
2018	358,482,745	2.52
2017	349,685,343	2.06
2016	342,628,804	2.92

Source: "Comparative Summary of Revenues by Revenue Source" Report.

³ Does not include property tax relief replacement revenues from income tax receipts. Section 40-18-58 of the *Code of Alabama 1975*, provides an appropriation from income tax receipts to the Property Tax Relief Fund (Section 40-9-24) to replace revenue losses which result from homestead exemptions. The transferred amount is distributed as are other state property tax receipts.

Property Tax Relief Fund Collections:

Fiscal Year	Collections (\$)	Percent Change
2020	58,137,693	4.57
2019	55,599,404	4.40
2018	53,254,158	2.99
2017	51,705,847	2.62
2016	50,384,782	2.10

Source: "Comparative Summary of Revenues by Revenue Source" Report.

Distribution:

3-mills to the Public School Fund; 2.5-mills to the State General Fund; and 1-mill distributed as follows: (1) \$20,773,500 to the Department of Human Resources for "old age pension purposes"; (2) one percent of the entire 1-mill levy to the Alabama Historical Commission for capital improvements and maintenance of the Confederate Memorial Park in Chilton County; (3) the amount appropriated by the Legislature in the annual appropriations act to the Department of Revenue for administrative costs; (4) the amount required by the Department of Human Resources for pension payments to Confederate soldier and sailor widows; and (5) the remainder to the Alabama Veterans' Assistance Fund. County, municipal, and other special tax district levies are generally earmarked.

Major Exemptions:

Section 91 of the *Constitution of Alabama of 1901*, exempts the real and personal property of the state, counties, or other municipal corporations, or cemeteries and property devoted exclusively to religious, educational or charitable purposes, as does Amendment No. 373. Amendment No. 373 also exempts household and kitchen furniture, all farm tractors, all farming implements when used exclusively in connection with agricultural property and all stocks of goods, wares and merchandise (inventory). Several sections, between 40-9-1 through 40-9-38, *Code of Alabama 1975*, provide a listing of additional property tax exemptions for various organizations and for various types of property. Among these are a \$4,000 (in assessed value) homestead exemption from state taxes for those 65 or under (up to 160 acres) and a total exemption from state ad valorem taxes on homesteads for those over 65 years of age or those who are retired due to total and permanent disability, regardless of age, or who are blind, regardless of age. Municipal industrial development projects, county industrial development projects and property and projects of Municipal Industrial Development Boards, Downtown Redevelopment Authorities, County Industrial Development Boards, County Industrial Development Authorities, and

Municipal Medical Clinic Boards may be exempt from certain ad valorem taxes as provided by *Code of Alabama 1975*, Sections 11-54-31, 11-20-12, 11-54-96, 11-54A-14, 11-20-47, 11-92A-18 and 11-58-14, respectively. Numerous other statutes exempt other authorities, facilities, commissions, corporations, districts, and foundations from property taxes.

Legislative History:

Acts 1935, No. 194, p. 256

Levied the 3-mill tax specified by Section 260 of the *Constitution of Alabama of 1901*, plus 1-mill for needy Confederate soldiers and sailors and their widows, and 2.5 mills for general state purposes; set the assessment ratio of taxable property at 60% of fair market value and specified certain exemptions.

Acts 1951, No. 703, p. 1211

Established the State Department of Public Welfare (now the State Department of Human Resources) and provided that the surplus or residue of the proceeds from the levy of the 1-mill tax for the relief of needy Confederate soldiers and sailors and their widows be used for old age assistance purposes exclusively before any part may be expended for any other purposes of the department of public welfare.

Acts 1967, No. 502, p. 1215

Changed assessment ratio to 30% of market value.

Acts 1971, 3rd Ex. Sess., No. 116, p. 4339, (Constitutional Amendment No. 325, now appearing as Section 217 of the Official Recompilation of the *Constitution of Alabama of 1901*.)

- (1) Created three classes of taxable property with the following state assessment ratios:
 - Class I - all property of utilities - 30%
 - Class II - all property not otherwise classified - 25%
 - Class III - all agricultural, forest and residential property - 15%
- (2) Provided that taxable property be assessed by local governments according to the classes and assessment ratios above; further provided that the Legislature could vary the local governments' assessment ratio for each class of property or fix a uniform ratio for all property and that such ratios could vary among counties (within a prescribed range of 15% to 35%); also provided for local adjustment of tax rates.
- (3) Established maximum amount of total ad valorem tax payable on one property in any one year at 1.5% of fair market value.
- (4) Restated certain exemptions.

Acts 1971, 3rd Ex. Sess., No. 166, p. 4413

Restated and further defined property classes and assessment ratios, provided additional exemptions; and established differing assessment ratios for counties, as authorized by Act 1971-116, 3rd Ex. Sess.

Acts 1973, No. 1216, p. 2062

Changed assessment ratios of several individual counties.

Civil Action No. 2877-N. (U.S. District Court for the Middle District of Alabama, Northern Division, March 8, 1974)

Required a statewide re-valuation of all real property in Alabama, fairly appraising each parcel of real estate at its current market value.

Civil Action 77-242-H. (U.S. District Court for the Southern District of Alabama, Northern Division, April 21, 1978)

Declared Section 40-8-1(e) *Code of Alabama 1975*, unconstitutional because the varying county assessment ratios provided therein created a disparity in rates among counties that was determined to be arbitrary and grossly unequal. However, the provision in Amendment No. 325 allowing the Legislature to vary assessment ratios among counties was upheld.

Acts 1975, No. 1187, p. 2319

Provided that 1% of the 1-mill ad valorem tax allocated for the relief of needy Confederate soldiers and sailors and their widows be remitted to the Alabama Historical Commission to provide for capital improvements and maintenance at the Confederate Memorial Park at Mountain Creek, Chilton County, Alabama.

Acts 1978, 2nd Ex. Sess., No. 46, p. 1724

Restated and further defined classes and assessment ratios as prescribed by Constitutional Amendment No. 373-Lid Bill.

Acts 1982, No. 302, p. 384

Provided a formula method for determining the current use value of agricultural and forest land.

Acts 1991, No. 694, p. 1340

Provided that a registration fee be paid in lieu of ad valorem taxes on manufactured homes which are rented or leased or located on land owned by someone other than the owner of the manufactured home. An owner-occupied manufactured home located on land owned by the occupant remained subject to ad valorem taxes.

Acts 1993, No. 309, p. 464

Allocated a portion of the proceeds from the 1-mill tax for veterans' homes in Bay Minette and Huntsville.

Acts 1997, No. 279, p. 499

Capped the amount that the Department of Human Resources receives from the 1-mill tax at \$20,773,500 annually; established the Alabama Veterans' Assistance Fund; and allocated the residue from the 1-mill tax to the Alabama Veterans' Assistance Fund.

Acts 1999, No. 399, p. 663

Provided that property owned by customer-owned coin operated telephone companies and broadband personal communication services companies would be taxed as Class II property rather than as Class I property.

Acts 1999, 2nd Ex. Sess., No. 665 p. 131

Exempted shares of stock from ad valorem tax.

Acts 2000, No. 242, p. 386 (Constitutional Amendment No. 669, now appearing as Section 269.07 of the Official Recompilation of the *Constitution of Alabama of 1901*.)

Removed the requirement that at least a 3-mill county school tax must be levied before a 3-mill district school tax may be levied under Amendment No. 3.

Acts 2005, 1st Ex. Sess., No. 215, p. 423 (Constitutional Amendment No. 778, now appearing as Section 269.08 of the Official Recompilation of the *Constitution of Alabama of 1901*.)

Proposed a constitutional amendment to require 10 mills of ad valorem tax in each public school district (no longer "or equivalent") beginning October 1, 2006.

Acts 2009, No. 551, p. 1593

Proposed an amendment to Section 269 of the *Constitution of Alabama of 1901*, to remove the supermajority vote requirement for the 1-mill countywide school tax to become effective.

(The proposed amendment was defeated at the 2010 General Election.)

Acts 2011, No. 544, p. 996

Established the Homeowners and Storm Victims Protection Act of 2011. Allowed single-family dwellings and a fully-developed lot owned by a home builder to be classified as residential property for ad valorem taxes. The reclassification terminates when one of the following occurs: (1) the classification has been in place for 24 months; (2) the owner no longer holds a valid license; or (3) the sale, transfer, or other action resulting in the single-family dwelling or fully-developed lot no longer being held by the person seeking reclassification.

Acts 2011, No. 710, p. 2192

Provided that residential property does not lose its classification as residential property for a period of 24 months if the property is not used as the owner's single-family dwelling because the property is not inhabitable or is otherwise under repair after being damaged by a natural disaster. Also, any homestead exemption is not affected during any period the homestead is being repaired after being damaged by a natural disaster.

Acts 2012, No. 313, p. 708

Increased the income limit for persons over 65 years of age to qualify for a full homestead exemption (state and local) from \$7,500 to \$12,000 in net taxable income as shown on the person's and spouse's United States income tax return or other appropriate evidence. Reinstated an income limit for persons retired due to total and permanent disability to qualify for a full homestead exemption at \$12,000 in net taxable income as shown on the person's and spouse's United States income tax return or other appropriate evidence.

Acts 2013, No. 295, p. 1003

Restored the following homestead exemption provisions that were changed by Act 2012-313, retroactive to August 1, 2012:

- Language interpreted by Attorney General Opinion to allow persons totally disabled to receive a full homestead exemption regardless of income.
- Language allowing persons over 65 with adjusted gross income less than \$12,000 on their State income tax return to receive a homestead exemption of \$5,000 of assessed value of the county portion of their ad valorem taxes.

The provision in Act 2012-313 that increased the income limitations for persons over 65 to receive a full (state and local) homestead exemption from \$7,500 on their Federal income tax return to \$12,000 was not changed.

Assessed a penalty for any person who knowingly and willfully gives false information for claiming a homestead exemption or assisting another person in claiming a homestead exemption. Authorized the Department of Revenue, by regulation, to issue certificates of disability to persons determined to be "permanently and totally disabled" and requires the Department to automatically grant a certificate to any person drawing any pension or annuity from the armed services, a private company or any governmental agency because they are permanently and totally disabled.

Acts 2015, 2nd Ex. Sess., No. 556, p. 2085

Established the Motor Vehicle Ad Valorem Tax Fairness Act. Removed the tax deferral on new motor vehicles being registered for the first time beginning January 1, 2016.

Local Rates:

1. County School Mills

<u>Mills</u>	<u>Constitutional Authorization</u>	<u>Implementation Statutes</u>
1-Countywide	Section 269 by Amendment No. 111	Section 16-13-160. Upon petition of at least 200 qualified electors to the county commission, an election is held and a 3/5 approval required.
3-Countywide	Amendment No. 3, now appearing as Section 269.01 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	Section 16-13-180. Upon petition of at least 200 qualified electors to the county commission an election is held.
3-District	Amendment No. 3, now appearing as Section 269.02 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	Section 16-13-180. Upon the request of county or city board of education to the county commission, an election is held.
5-Countywide	Amendment No. 202, now appearing as Section 269.04 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	Because of conflicting language in the Amendment, it is recommended that both a petition of 200 electors and a request by the local board of education be made to the county commission for an election.
3-District	Amendment No. 382, now appearing as Section 269.05 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	Lacking implementation language in the Amendment, the procedures for Amendment No. 3 (above) should be followed.

2. County Government Mills

<u>Mills</u>	<u>Constitutional Authorization</u>	<u>Implementation Statutes</u>
5 - (for general purposes)*	Section 215 by Amendment No. 208	Section 22-3-10; up to 5 mills may be levied for maintenance of a full-time county health officer and full-time health department; Section 11-9-1; for sanitary waste disposal systems. No election required.
2.5 - (for public buildings, bridges or roads-excess may be used for general purposes)	Section 215 by Amendment No. 208	Section 11-14-11; for public buildings, bridges or roads; Section 11-14-10; for courthouses, jails and hospitals; Section 11-14-16; for courthouses or jails. No election required.

<u>Mills</u>	<u>Constitutional Authorization</u>	<u>Implementation Statutes</u>
.1 - (for county hospitals)	Amendment No. 59 (Mobile and Montgomery Counties exempted), now appearing as Section 215.01 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	Section 11-14-10; for courthouses, jails, and hospitals. Election required.
4 - (for county hospitals and health facilities)	Amendment No. 72 (Mobile, Montgomery, and Jefferson Counties exempted), now appearing as Section 215.02 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	Section 11-14-10; for courthouses, jails, and hospitals. Election required.
.5 - (for public library)	Amendment No. 269, now appearing as Section 215.05 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	None. Election required.
Per acre tax (for forest fire protection). Local levy limited to the amount that, when combined with the state levy (currently \$.10), would result in a total tax of no more than \$.20.	Amendment No. 511, now appearing as Section 214.01 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	Section 9-13-197; Local legislative act required.

*May be higher if county has levied and is collecting the special 2 mill property tax authorized by Amendment No. 373(e).

3. Municipal Government Mills (may be levied by ordinance)

<u>Mills</u>	<u>Constitutional Authorization</u>	<u>Implementation Statutes</u>
5 - (for general purposes)	Section 216 (authorizes certain cities to levy more than 5 mills)	None. No election required.
7.5 - (for general purposes)	Amendment No. 56, now appearing as Section 216.04 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	None. Election required.
.5 - (for public library)	Amendment No. 269, now appearing as Section 215.05 of the Official Recompilation of the <i>Constitution of Alabama of 1901</i>)	None. Election required.

Additional Notes Regarding Local Levies:

- (1) Local governments may levy additional mills for schools or other purposes (a) under the provisions of Amendment No. 373 "Lid Bill" outlined under Constitutional Provisions, (b) by local constitutional amendment, or (c) by general constitutional amendment. A general constitutional amendment requires passage of a legislative act by 3/5 votes of both houses and statewide approval of voters. A local constitutional amendment requires passage of a legislative act by 3/5 votes of both houses with no dissenting votes cast and approval of the Local Constitutional Amendment Commission with subsequent approval only by voters in the affected area. If there is a dissenting vote, then statewide approval is required.
- (2) Section 16-13-231 of the *Code of Alabama 1975*, requires that each school system receive an amount of local tax proceeds equivalent to 10 mills of school district tax in order to participate in the Foundation Program.
- (3) Numerous constitutional amendments and local implementation acts authorize certain local governments to levy additional property taxes for specified purposes.
- (4) Countywide school mill revenues are distributed to local school districts on the basis of the total calculated costs of the Foundation Program for those local school districts.
- (5) District school mill revenues are distributed directly to the district school system.
- (6) Local governments may also levy and collect the special 2 mills property tax authorized by Amendment No. 373 (l), related to reimbursement for certain reappraisal costs, if they have not already done so.

Local Homestead Exemptions (After Act 2013-295):

County Homestead Exemptions (Up to 160 Acres)

Eligibility	Assessed Value Limitation	Income Limitation	County School Tax Collected
Under Age 65	Not more than \$2,000*	None	Yes
Age 65 or older	Not more than \$2,000*	Adjusted Gross Income of \$12,000 or more (State Tax Return)	Yes
Age 65 or older	Not more than \$5,000	Adjusted Gross Income of less than \$12,000 (State Tax Return)	No
Age 65 or older	No Maximum	Not more than \$12,000 (Combined Taxable Income-Federal Tax Return)	No
Permanent and Total Disability, Regardless of Age	No Maximum	None	No
Blind, Regardless of Age	Not more than \$5,000	None	No

State, County and City – Principle Residence (Up to 160 Acres)

Eligibility	Assessed Value Limitation	Income Limitation	County School Tax Collected
Age 65 or older	No Maximum	Not more than \$12,000 (Combined Taxable Income-Federal Tax Return)	No
Permanent and Total Disability, Regardless of Age	No Maximum	None	No

*The counties, cities, or other taxing authority may grant a homestead exemption up to \$4,000 in assessed value.

Comparison with Neighboring States:

Florida

All property, real and personal is assessed, whether the property is taxable wholly or partially exempt or subject to classification reflecting a value less than its just value. All real estate and personal property (other than homesteads or property valued on use) is assessed at its full cash value. The assessed value of homesteads cannot exceed the assessment for the prior year plus the lesser of (1) 3% of that assessed value or (2) the percent change in the Consumer Price Index. Agricultural land

may be assessed based solely on its agricultural use. There is no state levy on real and tangible personal property.

Georgia

All real and personal property, unless expressly exempt, is assessed at 40% of its fair market value except bona fide conservation use property (up to 2000 acres) which is assessed at 40% of its current use value and property devoted to agricultural purposes (the first \$100,000 of fair market value and up to 2000 acres) which is assessed at 75% of the value of other realty. Timber is assessed at 100% of its fair market value at the time of its harvest or sale. For the 2015 tax year, the levy was 0.05 mills. For tax years beginning after 2015, there is no state tax levy.

Mississippi

All property, real and personal, is subject to taxation unless expressly exempted and is assessed in proportion to its value. The applicable rate is the total of all lawful levies. For purposes of assessment, taxable property is divided into 5 classes: Class I. Single-family, owner-occupied, residential real property, 10%; Class II. All other real property, 15%; Class III. Personal property, 15%; Class IV. Public utility property, 30%; and Class V. Motor vehicles, 30%. There is no state levy.

Tennessee

All property, real and personal, is taxed unless exempted. Real property of utilities is assessed at 55% of actual value, industrial and commercial property is assessed at 40% and farm and residential property is assessed at 25%. Tangible personal property is assessed at 55% for public utilities, 30% for industrial and commercial property, and 5% for all other tangible personal property. However, by statute, all tangible personal property, other than public utility property and industrial and commercial property, has no value. No state tax has been imposed since 1949.