



# MBAAL STATE HOUSE UPDATE

## 2020 Regular Session: Week 7 Recap

Not surprisingly, the effects of COVID-19 have impacted the 2020 Regular Session. Representatives had planned to take a Spring Break the week of March 15-21 and return on March 26, with Senators scheduled to take a lengthier break and return on March 31. It is an understatement to say that those plans changed dramatically. House and Senate rules make it complicated to simply rearrange the legislature's schedule on a whim. Consequently, the Speaker of the House was forced to "convene" an empty chamber last Thursday and set the next meeting date. Had he not done that, the House could have potentially "burned" additional legislative days (i.e., officially convene but not do no work).

Late last week, Speaker Mac McCutcheon and Senate President Pro Tempore Del Marsh revealed the planned schedule for the remainder of the session, which must end on or before May 18. The current plan calls for both leaders to convene and quickly adjourn mostly empty chambers on March 31 and return nearly a month later, on April 28. The session on March 31 will be manned by a "skeleton crew," and the building will not be generally open to the public or, for that matter, non-essential legislative staffers. When the legislature reconvenes next month, the session will technically be half over, as it will be the fifteenth legislative day. It is unknown whether legislators will meet for the remaining 15 legislative days over the session's remaining 20 calendar days – it would certainly be an aggressive schedule. More than likely, remaining legislative days, however many there are, will be focused on passing the budgets, dealing with "essential" legislation, and coming up with responses to the coronavirus pandemic.

On the budgets, the state constitution requires budgets to be passed on or before September 30, since Alabama's fiscal year begins on October 1. As a result, appropriations are based on predictions of how much revenue will be available in the next year. Without the economic crisis we currently face, predicting available revenue would have been simple – or, more precisely, no more difficult than in previous years. But given that businesses and individuals are making and spending less money, legislators are likely to defer budget-writing until as late as possible, since doing so would give them a more accurate picture of the amount of tax revenue available for appropriation.

Luckily, from a legislative standpoint, the Association's top priority, the Elderly and Vulnerable Adult Financial Exploitation Prevention Act, is in a prime position to pass, as it only needs one legislative day to take its lone remaining procedural step: a vote on the Senate floor.

But for now, the Association will do its best to keep you informed on any updates, scheduling or otherwise, about the session. Please don't hesitate to reach out with any questions.



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As always, Capitol Notes provides readers with a brief summary of legislation that might impact Alabama's banking industry. Those summaries are as follows:

**House Bill 21** by **Rep. Chris Pringle (R-Mobile)** expands the Alabama Residential Mortgage Satisfaction Act to include commercial agricultural property, meaning secured creditors would be required to record the satisfaction of a mortgage for commercial agricultural property upon a written request of a mortgagor or a creditor of the mortgagor. The bill was favorably reported by the House Financial Services Committee on February 19 and is now able to be voted on by the full House.

**House Bill 159** by **Rep. Craig Lipscomb (R-Rainbow City)** clarifies how a Credit Union calculates its taxable income for state income tax purposes. Current law allows a Credit Union to deduct "reasonable additions to reserves for losses, bad debts, or extraordinary expenses" from its calculation of taxable income. With the 2019 passage of the Financial Institution Excise Tax Reform Act ("FIETRA"), the Alabama Department of Revenue became more focused on the breadth and scope of this deduction. So, working with the Credit Union industry, legislation was developed to ensure that this deduction was only used for its intended purpose. This legislation does not in any way impact how a bank calculates its tax liability. The bill was favorably reported by the House Financial Services Committee on February 19 and approved by the full House on March 3. The Senate Banking and Insurance Committee favorably reported the legislation and it is now in position to be voted on by the full Senate.

**House Bill 207** by **Rep. Chris Blackshear (R-Phenix City)** and **Senate Bill 166** by **Sen. Shay Shelnett (R-Trussville)**, the Financial Exploitation Prevention Act, gives financial service providers the authority to refuse or delay a financial transaction if there exists a reasonable belief that an elderly or vulnerable adult customer is or could be the target of financial exploitation. The bills also give financial service providers more discretion to contact persons, including non-accountholders, during an investigation into potential financial exploitation. The Alabama Bankers Association is the primary advocate for this legislation, though numerous other groups also support the bills. Both bills have passed through their respective House and Senate committees. The House bill was favorably reported by the House Financial Services Committee on February 19 and approved by the full House on March 3. The Senate Banking and Insurance Committee favorably reported the House legislation and it is now in position to be voted on by the full Senate.



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**Senate Bill 103** by **Sen. Linda Coleman-Madison (D-Birmingham)** increases the fee paid to probate judges to record mortgages and earmarks the additional revenue to the Housing Trust Fund. Under current law, the recording tax equates to \$75 for every \$50,000 of indebtedness, with the revenue distributed to probate judges, counties, and the state. Under this proposal, the recording tax would equate to \$100 for every \$50,000 of indebtedness. The revenue would still be distributed to probate judges, counties, and the state, but one-tenth of the revenue would also be distributed to the Housing Trust Fund. This fund was created several years ago but has never been funded by the Legislature. Funds would be allocated by an Advisory Board to non-profit entities around the state that work to provide low-income housing. The bill was originally referred to the Senate Governmental Affairs Committee but was re-referred to the Senate Finance and Taxation – General Fund Committee. It was originally placed on that committee’s agenda on February 19 but was carried over at the request of the sponsor. Several trade associations oppose the legislation and it is unlikely to reappear this session.

As of the end of the thirteenth legislative day, legislators have introduced 779 bills – 457 in the House and 322 in the Senate – and 176 resolutions. Of those 955 measures, 36 have been enacted into law as of this writing. The 2020 Regular Session can last for no more than thirty legislative days and must end on or before May 18.

The House and Senate plan to return on Tuesday, March 31, for the purposes of convening for the fourteenth legislative day, scheduling the next legislative day, and adjourning. More than likely, the legislature will return on April 28. v