

1 SB231
2 209021-1
3 By Senator Barfoot
4 RFD: Finance and Taxation Education
5 First Read: 11-FEB-21

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8 SYNOPSIS: Under current law, contributions to an
9 Alabama Achieving a Better Life Experience (ABLE)
10 savings account are not deductible from taxable
11 income on an Alabama individual income tax return.

12 This bill provides a deduction for
13 contributions made to an Alabama ABLE savings
14 account from taxable income in an amount of up to
15 five thousand dollars per annum.

16
17 A BILL
18 TO BE ENTITLED
19 AN ACT

20
21 Relating to individual income tax; provides an
22 income tax deduction of up to five thousand dollars per annum
23 for contributions made to a qualifying Alabama Achieving a
24 Better Life Experience (ABLE) savings account.

25 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

26 Section 1. Section 40-18-15.8 is added to the Code
27 of Alabama 1975, to read as follows:

1 § 40-18-15.8.

2 (a) An individual taxpayer shall be allowed a
3 deduction from gross income, regardless of whether the
4 taxpayer itemizes income tax deductions in calculating the
5 income tax imposed pursuant to Section 40-18-5, for
6 contributions made to an Alabama Achieving a Better Life
7 Experience (ABLE) savings account, defined in Section
8 16-33C-3, Code of Alabama 1975, as prescribed by this section.

9 (b) An individual taxpayer will be allowed to deduct
10 contributions made on or after January 1, 2021 to an Alabama
11 ABLE savings account, by or on behalf of such individual, of
12 an amount up to five thousand dollars (\$5,000) per annum. If
13 the taxpayer makes a nonqualified withdrawal as defined by
14 Section 529A of the Internal Revenue Code (26 U.S.C. 529A),
15 the amount of the nonqualified withdrawal, plus 10 percent of
16 the amount withdrawn, shall be added back to the income of the
17 contributing taxpayer in the year the nonqualified withdrawal
18 was distributed. Rollover amounts transferred to an Alabama
19 ABLE savings account shall not be considered contributions for
20 purposes of this deduction to the extent that an Alabama
21 income tax deduction has already been claimed for the rollover
22 contribution amounts.

23 Section 2. The Department of Revenue may adopt rules
24 to assist with the administration of this act.

25 Section 3. This act shall become effective for tax
26 years beginning after December 31, 2020, following its passage

1 and approval by the Governor, or upon its otherwise becoming
2 law.