

1 HB162  
2 217551-3  
3 By Representatives Greer, Mooney, Whitt, Clouse, Lee, Marques,  
4 Faust, Ingram, Wilcox, Ball, Sorrell, Smith and Lipscomb  
5 RFD: Ways and Means Education  
6 First Read: 18-JAN-22

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ENGROSSED

A BILL  
TO BE ENTITLED  
AN ACT

To amend Section 40-18-19, Code of Alabama 1975,  
relating to exemptions from state income taxation; to provide  
that up to \$6,000 of taxable retirement income is exempt from  
state income tax for individuals who are 65 years of age or  
older.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-18-19, Code of Alabama 1975,  
is amended to read as follows:

"§40-18-19.

"(a) The following exemptions from income taxation  
shall be allowed to every individual resident taxpayer:

"(1) Retirement allowances, pensions and annuities,  
or optional allowances, approved by the Board of Control of  
the Teachers' Retirement System of Alabama, which exempt  
status is set out in Section 16-25-23.

"(2) Retirement allowances, pensions and annuities,  
or optional allowances, approved by the Board of Control of  
the Employees' Retirement System of Alabama, which exempt  
status is set out in Section 36-27-28.

1           "(3) The first eight thousand dollars (\$8,000) of  
2 any retirement compensation, retirement allowances, pensions  
3 and annuities, or optional allowances, received by any  
4 eligible firefighter, as defined in Sections 36-32-1 and  
5 36-32-2, or his or her designated beneficiary, from any  
6 firefighting agency established in the State of Alabama, but  
7 only if such retirement compensation, retirement allowances,  
8 pensions and annuities, or optional allowances as are awarded  
9 as a result of fire protection services rendered. This  
10 subdivision shall become effective for the taxable years  
11 beginning January 1, 1987, and thereafter following its  
12 passage and approval by the Governor, or upon its otherwise  
13 becoming a law; provided, that for the taxable years beginning  
14 on or after January 1, 1991, all of the pension and retirement  
15 payments shall be exempt from taxation.

16           "(4) The first eight thousand dollars (\$8,000) of  
17 any retirement compensation, retirement allowances, pensions  
18 and annuities, or optional allowances received by any eligible  
19 peace officer, as defined in subdivision (11) of Section  
20 36-21-60, or his or her designated beneficiary, from any  
21 police retirement system established in the State of Alabama,  
22 but only if the retirement compensation, retirement  
23 allowances, pensions and annuities, or optional allowances are  
24 awarded as a result of police services rendered. This  
25 subdivision shall become effective for taxable years beginning  
26 January 1, 1984, and thereafter; provided, that for the  
27 taxable years beginning on or after January 1, 1991, all of

1 the pension and retirement payments shall be exempt from  
2 taxation.

3 "(5) Income received as annuities under the United  
4 States Retirement System from the United States Government  
5 Civil Service Retirement and Disability Fund, including income  
6 received from the Tennessee Valley Authority's pension system,  
7 income received as annuities under the United States Foreign  
8 Service Retirement and Disability Fund, or income received  
9 from any other United States government retirement and  
10 disability fund.

11 "(6) Beginning January 1, 1991, all payments made on  
12 or after such date to a retiree or his designated beneficiary  
13 under a "defined benefit plan," as defined under Section  
14 414(j) of the Internal Revenue Code of 1986, as amended from  
15 time to time, to the extent such payment would be taxable for  
16 federal income tax purposes.

17 "(7) Net income realized by individuals and  
18 partnerships from time to time in the business of conducting a  
19 financial business employing ~~moneyed~~ monied capital coming  
20 into competition with the business of national banks, but only  
21 if such individuals and partnerships are subject to an excise  
22 tax imposed by this state on or with respect to such income.

23 "(8) In the case of a single person or a married  
24 person not living with husband or wife, a personal exemption  
25 of one thousand five hundred dollars (\$1,500) or, in the case  
26 of a head of a family or a married person living with husband  
27 or wife, a personal exemption of three thousand dollars

1 (\$3,000), but a husband and wife living together shall receive  
2 only one personal exemption of three thousand dollars (\$3,000)  
3 against their aggregate income, and in case they make separate  
4 returns each must claim a personal exemption of one thousand  
5 five hundred dollars (\$1,500).

6 "(9) a. Three hundred dollars (\$300) for each  
7 person, other than husband or wife, dependent upon the  
8 taxpayer, and over half of whose support, for the calendar  
9 year in which the taxable year for the taxpayer begins, was  
10 received from the taxpayer.

11 "b. For tax years beginning after December 31, 2006,  
12 for taxpayers with adjusted gross income equal to or less than  
13 ~~\$20,000~~ twenty thousand dollars (\$20,000), one thousand  
14 dollars (\$1,000) for each person other than husband or wife,  
15 dependent upon the taxpayer, and over half of whose support,  
16 for the calendar year in which the taxable year for the  
17 taxpayer begins, was received from the taxpayer.

18 "c. For tax years beginning after December 31, 2006,  
19 for taxpayers with adjusted gross income in excess of ~~\$20,000~~  
20 twenty thousand dollars (\$20,000) and equal to or less than  
21 ~~\$100,000~~ one hundred thousand dollars (\$100,000), five hundred  
22 dollars (\$500) for each person other than husband and wife,  
23 dependent upon the taxpayer, and over half of whose support,  
24 for the calendar year in which the taxable year for the  
25 taxpayer begins, was received from the taxpayer.

26 "For the purposes of this section, "dependent" shall  
27 mean: A son or daughter of the taxpayer or a descendant of

1 either; a stepson or stepdaughter of the taxpayer; a brother,  
2 sister, stepbrother, or stepsister of the taxpayer; the father  
3 or mother of the taxpayer or an ancestor of either; a  
4 stepfather or stepmother of the taxpayer; a son or daughter of  
5 a brother or sister of the taxpayer; a brother or sister of  
6 the father or mother of the taxpayer; a son-in-law,  
7 daughter-in-law, father-in-law, mother-in-law, brother-in-law,  
8 or sister-in-law of the taxpayer. As used in this paragraph  
9 the terms "brother" and "sister" include a brother or sister  
10 by the half blood. For the purpose of determining whether any  
11 of the foregoing relationships exist, a legally adopted child  
12 of a person shall be considered a child of such a person by  
13 blood.

14 "(10) Beginning January 1, 1998, all income,  
15 interest, dividends, gains, or benefits of any kind received  
16 from savings accounts or prepaid tuition contracts  
17 administered under Title 16, Chapter 33C, are exempt from all  
18 income taxation by the state and by all of its political  
19 subdivisions to the extent that the amounts remain on deposit  
20 in the PACT Trust Fund or the ACES Trust Fund, or are used to  
21 pay the designated beneficiary's qualified higher education  
22 expenses as defined in Section 529 of the Internal Revenue  
23 Code of 1986, as amended, or are refunded under such terms as  
24 would not carry a penalty under Section 529 of the Internal  
25 Revenue Code of 1986, as amended.

26 "(11) Beginning January 1, 2016, all income,  
27 interest, dividends, gains, or benefits of any kind received

1 from ABLE savings accounts administered under Title 16,  
2 Chapter 33C, are exempt from all income taxation by the state  
3 and by all of its political subdivisions to the extent that  
4 the amounts remain on deposit in the ABLE Trust Fund, or are  
5 used to pay the designated beneficiary's qualified disability  
6 expenses as defined in Section 529A of the Internal Revenue  
7 Code of 1986, as amended, or are refunded under such terms as  
8 would not carry a penalty under Section 529A of the Internal  
9 Revenue Code of 1986, as amended, or other applicable federal  
10 law.

11 "(12) Beginning January 1, 2018, amounts received by  
12 an individual from sources within a foreign country or  
13 countries which constitute a housing allowance, and earned  
14 income attributable to services performed by such individual  
15 received during the tax period are exempt from all income  
16 taxation by the state and by all of its political subdivisions  
17 to the extent such income is exempt from federal income tax  
18 pursuant to 26 U.S.C. Section 911.

19 "(13) a. Beginning January 1, 2023, the first six  
20 thousand dollars (\$6,000) of taxable retirement income.

21 "b. This exemption may only be claimed by individual  
22 taxpayers who are 65 years of age or older.

23 "(b) Of the following personal exemptions allowed  
24 resident taxpayers, each nonresident individual taxpayer shall  
25 be allowed that proportion thereof that the adjusted gross  
26 income received by said nonresident individual taxpayer from  
27 sources within the State of Alabama bears to his or her

1 adjusted gross income received from sources within and without  
2 the State of Alabama: In the case of a single person or a  
3 married person not living with husband or wife, a personal  
4 exemption of one thousand five hundred dollars (\$1,500) or, in  
5 the case of a head of a family or a married person living with  
6 husband or wife, a personal exemption of three thousand  
7 dollars (\$3,000), a husband and wife living together shall  
8 receive but one personal exemption of three thousand dollars  
9 (\$3,000) against their aggregate income; and, in case they  
10 make separate returns, each must claim a personal exemption of  
11 one thousand five hundred dollars (\$1,500); and the amount in  
12 subdivision (9) of subsection (a) for each person, other than  
13 husband or wife, dependent upon and receiving his or her chief  
14 support from the taxpayer."

15 Section 2. The Department of Revenue may enact rules  
16 as necessary to implement and administer the provisions of  
17 this act.

18 Section 3. This act shall become effective on the  
19 first day of the third month following its passage and  
20 approval by the Governor, or its otherwise becoming law.



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House of Representatives

Read for the first time and re-  
ferred to the House of Representa-  
tives committee on Ways and Means  
Education..... 18-JAN-22

Read for the second time and placed  
on the calendar with 1 substitute  
and..... 16-FEB-22

Read for the third time and passed  
as amended..... 09-MAR-22

Yeas 100, Nays 0, Abstains 0

Jeff Woodard  
Clerk