

SB297 ENGROSSED



1 SB297
2 VXCJLVP-2
3 By Senator Melson
4 RFD: Finance and Taxation General Fund
5 First Read: 04-Apr-24



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A BILL
TO BE ENTITLED
AN ACT

Relating to state income tax for individuals; to amend Section 40-18-14, as last amended by Act 2023-421, 2023 Regular Session, Code of Alabama 1975; to exclude net capital gains derived from the exchange of precious metal bullion from state income taxes.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall be known and may be cited as the Sound Money Tax Neutrality Act.

Section 2. Section 40-18-14, as last amended by Act 2023-421, 2023 Regular Session, Code of Alabama 1975, is amended to read as follows:

"§40-18-14

(a) The term "gross income" as used herein:

(1) Includes gains, profits and income derived from salaries, wages, or compensation for personal services of whatever kind, or in whatever form paid, including the salaries, income, fees, and other compensation of state, county, and municipal officers and employees, or from professions, vocations, trades, business, commerce or sales, or dealings in property whether real or personal, growing out of ownership or use of or interest in such property; also from



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29 interest, royalties, rents, dividends, securities, or
30 transactions of any business carried on for gain or profit and
31 the income derived from any source whatever, including any
32 income not exempted under this chapter and against which
33 income there is no provision for a tax. The term "gross
34 income" as used herein also includes alimony and separate
35 maintenance payments to the extent they are includable in
36 gross income for federal income tax purposes under 26 U.S.C. §
37 71, relating to alimony and separate maintenance payments. The
38 term "gross income" as used herein also includes any amount
39 included in gross income under 26 U.S.C. § 83 at the time it
40 is so included under 26 U.S.C. § 83.

41 (2) For purposes of this chapter, the reductions in tax
42 attributes required by 26 U.S.C. § 108 shall be applied only
43 to the net operating losses determined under this chapter and
44 the basis of depreciable property. The basis reductions of
45 depreciable property shall not exceed the basis reductions for
46 federal income tax purposes. All other tax attribute
47 reductions required by 26 U.S.C. § 108 shall not be
48 recognized.

49 (3) Gross income does not include the following items
50 which shall be exempt from income tax under this chapter:

51 a. Amounts received under life insurance policies and
52 contracts paid by reason of the death of the insured in
53 accordance with 26 U.S.C. § 101;

54 b. Amounts received, other than amounts paid by reason
55 of the death of the insured, under life insurance, endowment
56 or annuity contracts, determined in accordance with 26 U.S.C.



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57 § 72;

58 c. The value of property acquired by gift, bequest,
59 devise, or descent, but the income from such property shall be
60 included in the gross income, in accordance with 26 U.S.C. §
61 102;

62 d. Interest upon obligations of the United States or
63 its possessions; or securities issued under provisions of the
64 Federal Farm Loan Act of July 18, 1916;

65 e. Any amounts received by an individual which are
66 excludable from gross income under 26 U.S.C. § 104, relating
67 to compensation for injuries or sickness, or 26 U.S.C. § 105,
68 relating to amounts received under accident or health plans;

69 f. Interest on obligations of the State of Alabama and
70 any county, municipality, or other political subdivision
71 thereof;

72 g. The rental value of a parsonage provided to a
73 minister of the gospel to the extent excludable under 26
74 U.S.C. § 107;

75 h. Income from discharge of indebtedness to the extent
76 allowed by 26 U.S.C. § 108;

77 i. For each individual resident taxpayer, or each
78 husband and wife filing a joint income tax return, as the case
79 may be, any gain realized from the sale of a personal
80 residence of the taxpayer shall be excluded to the extent
81 excludable for federal income tax purposes under 26 U.S.C. §
82 121;

83 j. Contributions made by an employer on behalf of an
84 employee to a trust which is part of a qualified cash or



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85 deferred arrangement, as defined in 26 U.S.C. § 401(k)(2) or 5
86 U.S.C. § 8437, under which the employee has an election
87 whether the contribution will be made to the trust or received
88 by the employee in cash and contributions made by an employer
89 for an employee for an annuity contract, which contributions
90 would be excludable from the gross income, for federal income
91 tax purposes, of the employee in accordance with the
92 provisions of 26 U.S.C. § 403(b). The limitations imposed by
93 26 U.S.C. § 402(g) shall apply for purposes of this paragraph;

94 k. Amounts that an employee is allowed to exclude from
95 gross income for federal income tax purposes pursuant to 26
96 U.S.C. § 125, relating to cafeteria plans, and 26 U.S.C. §
97 132, relating to certain fringe benefits; and

98 l. Amounts paid or incurred by an employer on behalf of
99 an employee if the amounts may be excluded from gross income
100 for federal income tax purposes by an employee pursuant to 26
101 U.S.C. § 129, relating to dependent care expenses.

102 m.1. Amounts received by a full-time hourly waged paid
103 employee as compensation for work performed in excess of 40
104 hours in a week.

105 2. The exemption provided pursuant to this paragraph
106 shall be available for tax years that begin after December 31,
107 2023, and end prior to June 30, 2025.

108 3. Each employer shall submit to the Department of
109 Revenue, on forms prescribed by the department, all of the
110 following:

111 (i) For the tax year beginning January 1, 2023, the
112 total amount received by full-time hourly wage-paid employees



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113 as compensation for work performed in excess of 40 hours in a
114 week and the total number of employees for which it was paid.
115 The data shall be due no later than January 31, 2024.

116 (ii) For the tax year beginning on or after January 1,
117 2024, and each tax year thereafter, the total amount received
118 by full-time hourly wage-paid employees as compensation for
119 work performed in excess of 40 hours in a week and the total
120 number of employees for which it was paid. The data shall be
121 provided monthly or quarterly and shall be due no later than
122 the due date for the corresponding monthly or quarterly
123 withholding tax returns.

124 (iii) Additional information as may be required by the
125 department.

126 4. The department shall report to the Legislative
127 Services Agency - Fiscal Division and the Department of
128 Finance the data collected and compiled pursuant to
129 subparagraph 3. no later than 30 days after the due date of
130 such data.

131 n. Any net capital gain derived from the exchange of
132 precious metal bullion. For purposes of this paragraph,
133 "precious metal bullion" means coins, bars or rounds
134 containing primarily refined gold, silver, platinum, or
135 palladium that is marked and valued primarily by its weight,
136 purity, and content.

137 (4) The term "gross income," in the case of a resident
138 individual, includes income from sources within and outside
139 Alabama, including without limitation, the resident's
140 proportionate share of any income arising from a Subchapter K



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141 entity, Alabama S corporation, or estate or trust, regardless
142 of the geographic source of the income. The term gross income,
143 in the case of a nonresident individual, includes only income
144 from property owned or business transacted in Alabama. For
145 purposes of this article, proportionate share shall be defined
146 by reference to (i) the status of the individual owner as a
147 partner or member of a Subchapter K entity, shareholder of an
148 Alabama S corporation, or beneficiary of an estate or trust,
149 and (ii) the allocable interest in that entity owned by the
150 individual.

151 (b) The Department of Revenue may adopt rules to
152 provide for the administration of this section."

153 Section 3. This act shall become effective on January
154 1, 2025.

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157 Senate

158 Read for the first time and referred04-Apr-24
159 to the Senate committee on Finance
160 and Taxation General Fund
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162 Read for the second time and placed25-Apr-24
163 on the calendar:
164 0 amendments
165
166 Read for the third time and passed30-Apr-24
167 as amended
168 Yeas 34
169 Nays 0
170 Abstains 0

171
172
173 Patrick Harris,
174 Secretary.
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