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SYNOPSIS:

This bill would exclude from gross income of individuals the net capital gain derived from the exchange of precious metal bullion.

This bill does not allow a deduction for net capital losses derived from the exchange of precious metal bullion.

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



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

30 (1) Includes gains, profits and income derived from
31 salaries, wages, or compensation for personal services of
32 whatever kind, or in whatever form paid, including the
33 salaries, income, fees, and other compensation of state,
34 county, and municipal officers and employees, or from
35 professions, vocations, trades, business, commerce or sales,
36 or dealings in property whether real or personal, growing out
37 of ownership or use of or interest in such property; also from
38 interest, royalties, rents, dividends, securities, or
39 transactions of any business carried on for gain or profit and
40 the income derived from any source whatever, including any
41 income not exempted under this chapter and against which
42 income there is no provision for a tax. The term "gross
43 income" as used herein also includes alimony and separate
44 maintenance payments to the extent they are includable in
45 gross income for federal income tax purposes under 26 U.S.C. §
46 71, relating to alimony and separate maintenance payments. The
47 term "gross income" as used herein also includes any amount
48 included in gross income under 26 U.S.C. § 83 at the time it
49 is so included under 26 U.S.C. § 83.

50 (2) For purposes of this chapter, the reductions in tax
51 attributes required by 26 U.S.C. § 108 shall be applied only
52 to the net operating losses determined under this chapter and
53 the basis of depreciable property. The basis reductions of
54 depreciable property shall not exceed the basis reductions for
55 federal income tax purposes. All other tax attribute
56 reductions required by 26 U.S.C. § 108 shall not be



57 recognized.

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

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

63 b. Amounts received, other than amounts paid by reason
64 of the death of the insured, under life insurance, endowment
65 or annuity contracts, determined in accordance with 26 U.S.C.
66 § 72;

67 c. The value of property acquired by gift, bequest,
68 devise, or descent, but the income from such property shall be
69 included in the gross income, in accordance with 26 U.S.C. §
70 102;

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

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

78 f. Interest on obligations of the State of Alabama and
79 any county, municipality, or other political subdivision
80 thereof;

81 g. The rental value of a parsonage provided to a
82 minister of the gospel to the extent excludable under 26
83 U.S.C. § 107;

84 h. Income from discharge of indebtedness to the extent



85 allowed by 26 U.S.C. § 108;

86 i. For each individual resident taxpayer, or each
87 husband and wife filing a joint income tax return, as the case
88 may be, any gain realized from the sale of a personal
89 residence of the taxpayer shall be excluded to the extent
90 excludable for federal income tax purposes under 26 U.S.C. §
91 121;

92 j. Contributions made by an employer on behalf of an
93 employee to a trust which is part of a qualified cash or
94 deferred arrangement, as defined in 26 U.S.C. § 401(k)(2) or 5
95 U.S.C. § 8437, under which the employee has an election
96 whether the contribution will be made to the trust or received
97 by the employee in cash and contributions made by an employer
98 for an employee for an annuity contract, which contributions
99 would be excludable from the gross income, for federal income
100 tax purposes, of the employee in accordance with the
101 provisions of 26 U.S.C. § 403(b). The limitations imposed by
102 26 U.S.C. § 402(g) shall apply for purposes of this paragraph;

103 k. Amounts that an employee is allowed to exclude from
104 gross income for federal income tax purposes pursuant to 26
105 U.S.C. § 125, relating to cafeteria plans, and 26 U.S.C. §
106 132, relating to certain fringe benefits; and

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

111 m.1. Amounts received by a full-time hourly waged paid
112 employee as compensation for work performed in excess of 40



113 hours in a week.

114 2. The exemption provided pursuant to this paragraph
115 shall be available for tax years that begin after December 31,
116 2023, and end prior to June 30, 2025.

117 3. Each employer shall submit to the Department of
118 Revenue, on forms prescribed by the department, all of the
119 following:

120 (i) For the tax year beginning January 1, 2023, the
121 total amount received by full-time hourly wage-paid employees
122 as compensation for work performed in excess of 40 hours in a
123 week and the total number of employees for which it was paid.
124 The data shall be due no later than January 31, 2024.

125 (ii) For the tax year beginning on or after January 1,
126 2024, and each tax year thereafter, the total amount received
127 by full-time hourly wage-paid employees as compensation for
128 work performed in excess of 40 hours in a week and the total
129 number of employees for which it was paid. The data shall be
130 provided monthly or quarterly and shall be due no later than
131 the due date for the corresponding monthly or quarterly
132 withholding tax returns.

133 (iii) Additional information as may be required by the
134 department.

135 4. The department shall report to the Legislative
136 Services Agency - Fiscal Division and the Department of
137 Finance the data collected and compiled pursuant to
138 subparagraph 3. no later than 30 days after the due date of
139 such data.

140 [n. Any net capital gain derived from the exchange of](#)



141 precious metal bullion. For purposes of this paragraph,
142 "precious metal bullion" means coins, bars or rounds
143 containing primarily refined gold, silver, platinum, or
144 palladium that is marked and valued primarily by its weight,
145 purity, and content.

146 (4) The term "gross income," in the case of a resident
147 individual, includes income from sources within and outside
148 Alabama, including without limitation, the resident's
149 proportionate share of any income arising from a Subchapter K
150 entity, Alabama S corporation, or estate or trust, regardless
151 of the geographic source of the income. The term gross income,
152 in the case of a nonresident individual, includes only income
153 from property owned or business transacted in Alabama. For
154 purposes of this article, proportionate share shall be defined
155 by reference to (i) the status of the individual owner as a
156 partner or member of a Subchapter K entity, shareholder of an
157 Alabama S corporation, or beneficiary of an estate or trust,
158 and (ii) the allocable interest in that entity owned by the
159 individual.

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

162 Section 3. This act shall become effective on January
163 1, 2025.