

HB228 INTRODUCED



1 HB228
2 RJ5DYNM-1
3 By Representatives Starnes, Stubbs, Bolton, Travis, Crawford,
4 Jackson, Fidler, Mooney, Daniels, Paschal, Rehm, Shaw, Oliver,
5 Bedsole, Robertson, Hammett, Brown, Marques
6 RFD: Ways and Means Education
7 First Read: 06-Feb-25



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SYNOPSIS:

Currently, certain income is exempt from state income taxes.

This bill would exempt the first \$5,000 earned from drill pay by a member of the Alabama National Guard from state income tax.

A BILL
TO BE ENTITLED
AN ACT

Relating to exemptions from state income taxation; to amend Section 40-18-19, Code of Alabama 1975; to exempt the first \$5,000 of taxable income earned from inactive duty training from state income tax for individuals that serve in the Alabama National Guard.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 18-40-19, 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



HB228 INTRODUCED

29 Teachers' Retirement System of Alabama, which exempt status is
30 set out in Section 16-25-23.

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

35 (3) The first eight thousand dollars (\$8,000) of any
36 retirement compensation, retirement allowances, pensions and
37 annuities, or optional allowances, received by any eligible
38 firefighter, as defined in Sections 36-32-1 and 36-32-2, or
39 his or her designated beneficiary, from any firefighting
40 agency established in the State of Alabama, but only if such
41 retirement compensation, retirement allowances, pensions and
42 annuities, or optional allowances as are awarded as a result
43 of fire protection services rendered. This subdivision shall
44 become effective for the taxable years beginning January 1,
45 1987, and thereafter following its passage and approval by the
46 Governor, or upon its otherwise becoming a law; provided, that
47 for the taxable years beginning on or after January 1, 1991,
48 all of the pension and retirement payments shall be exempt
49 from taxation.

50 (4) The first eight thousand dollars (\$8,000) of any
51 retirement compensation, retirement allowances, pensions and
52 annuities, or optional allowances received by any eligible
53 peace officer, as defined in subdivision (11) of Section
54 36-21-60, or his or her designated beneficiary, from any
55 police retirement system established in the State of Alabama,
56 but only if the retirement compensation, retirement



HB228 INTRODUCED

57 allowances, pensions and annuities, or optional allowances are
58 awarded as a result of police services rendered. This
59 subdivision shall become effective for taxable years beginning
60 January 1, 1984, and thereafter; provided, that for the
61 taxable years beginning on or after January 1, 1991, all of
62 the pension and retirement payments shall be exempt from
63 taxation.

64 (5) Income received as annuities under the United
65 States Retirement System from the United States Government
66 Civil Service Retirement and Disability Fund, including income
67 received from the Tennessee Valley Authority's pension system,
68 income received as annuities under the United States Foreign
69 Service Retirement and Disability Fund, or income received
70 from any other United States government retirement and
71 disability fund.

72 (6) Beginning January 1, 1991, all payments made on or
73 after such date to a retiree or his designated beneficiary
74 under a "defined benefit plan," as defined under 26 U.S.C. §
75 414(j), to the extent such payment would be taxable for
76 federal income tax purposes.

77 (7) Net income realized by individuals and partnerships
78 from time to time in the business of conducting a financial
79 business employing monied capital coming into competition with
80 the business of national banks, but only if such individuals
81 and partnerships are subject to an excise tax imposed by this
82 state on or with respect to such income.

83 (8) In the case of a single person or a married person
84 not living with husband or wife, a personal exemption of one



HB228 INTRODUCED

85 thousand five hundred dollars (\$1,500) or, in the case of a
86 head of a family or a married person living with husband or
87 wife, a personal exemption of three thousand dollars (\$3,000),
88 but a husband and wife living together shall receive only one
89 personal exemption of three thousand dollars (\$3,000) against
90 their aggregate income, and in case they make separate returns
91 each must claim a personal exemption of one thousand five
92 hundred dollars (\$1,500).

93 (9) a. Three hundred dollars (\$300) for each person,
94 other than husband or wife, dependent upon the taxpayer, and
95 over half of whose support, for the calendar year in which the
96 taxable year for the taxpayer begins, was received from the
97 taxpayer.

98 b. For tax years beginning after December 31, 2006, for
99 taxpayers with adjusted gross income equal to or less than
100 twenty thousand dollars (\$20,000), one thousand dollars
101 (\$1,000) for each person other than husband or wife, dependent
102 upon the taxpayer, and over half of whose support, for the
103 calendar year in which the taxable year for the taxpayer
104 begins, was received from the taxpayer.

105 c. For tax years beginning after December 31, 2006, for
106 taxpayers with adjusted gross income in excess of twenty
107 thousand dollars (\$20,000) and equal to or less than one
108 hundred thousand dollars (\$100,000), five hundred dollars
109 (\$500) for each person other than husband and wife, dependent
110 upon the taxpayer, and over half of whose support, for the
111 calendar year in which the taxable year for the taxpayer
112 begins, was received from the taxpayer.



HB228 INTRODUCED

113 d. For tax years beginning after December 31, 2021, for
114 taxpayers with adjusted gross income equal to or less than
115 fifty thousand dollars (\$50,000), one thousand dollars
116 (\$1,000) for each person other than husband or wife, dependent
117 upon the taxpayer, and over half of whose support, for the
118 calendar year in which the taxable year for the taxpayer
119 begins, was received from the taxpayer.

120 e. For tax years beginning after December 31, 2021, for
121 taxpayers with adjusted gross income in excess of fifty
122 thousand dollars (\$50,000) and equal to or less than one
123 hundred thousand dollars (\$100,000), five hundred dollars
124 (\$500) for each person other than husband and wife, dependent
125 upon the taxpayer, and over half of whose support, for the
126 calendar year in which the taxable year for the taxpayer
127 begins, was received from the taxpayer.

128 For the purposes of this section, "dependent" shall
129 mean: A son or daughter of the taxpayer or a descendant of
130 either; a stepson or stepdaughter of the taxpayer; a brother,
131 sister, stepbrother, or stepsister of the taxpayer; the father
132 or mother of the taxpayer or an ancestor of either; a
133 stepfather or stepmother of the taxpayer; a son or daughter of
134 a brother or sister of the taxpayer; a brother or sister of
135 the father or mother of the taxpayer; a son-in-law,
136 daughter-in-law, father-in-law, mother-in-law, brother-in-law,
137 or sister-in-law of the taxpayer. As used in this paragraph
138 the terms "brother" and "sister" include a brother or sister
139 by the half blood. For the purpose of determining whether any
140 of the foregoing relationships exist, a legally adopted child



HB228 INTRODUCED

141 of a person shall be considered a child of such a person by
142 blood.

143 (10) Beginning January 1, 1998, all income, interest,
144 dividends, gains, or benefits of any kind received from
145 savings accounts or prepaid tuition contracts administered
146 under Title 16, Chapter 33C, are exempt from all income
147 taxation by the state and by all of its political subdivisions
148 to the extent that the amounts remain on deposit in the PACT
149 Trust Fund or the ACES Trust Fund, or are used to pay the
150 designated beneficiary's qualified higher education expenses
151 as defined in 26 U.S.C. § 529, or are refunded under such
152 terms as would not carry a penalty under 26 U.S.C. § 529.

153 (11) Beginning January 1, 2016, all income, interest,
154 dividends, gains, or benefits of any kind received from ABLE
155 savings accounts administered under Title 16, Chapter 33C, are
156 exempt from all income taxation by the state and by all of its
157 political subdivisions to the extent that the amounts remain
158 on deposit in the ABLE Trust Fund, or are used to pay the
159 designated beneficiary's qualified disability expenses as
160 defined in 26 U.S.C. § 529A, or are refunded under such terms
161 as would not carry a penalty under 26 U.S.C. § 529A, or other
162 applicable federal law.

163 (12) Beginning January 1, 2018, amounts received by an
164 individual from sources within a foreign country or countries
165 which constitute a housing allowance, and earned income
166 attributable to services performed by such individual received
167 during the tax period are exempt from all income taxation by
168 the state and by all of its political subdivisions to the



HB228 INTRODUCED

169 extent such income is exempt from federal income tax pursuant
170 to 26 U.S.C. § 911.

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

173 b. This exemption may only be claimed by individual
174 taxpayers who are 65 years of age or older.

175 (14) Beginning January 1, 2026, the first five thousand
176 dollars (\$5,000) of income received by a member of the Alabama
177 National Guard as payment for inactive duty training (IDT) as
178 described in 37 U.S.C. § 206.

179 (b) Of the following personal exemptions allowed
180 resident taxpayers, each nonresident individual taxpayer shall
181 be allowed that proportion thereof that the adjusted gross
182 income received by ~~said~~the nonresident individual taxpayer
183 from sources within the State of Alabama bears to his or her
184 adjusted gross income received from sources within and without
185 the State of Alabama: In the case of a single person or a
186 married person not living with husband or wife, a personal
187 exemption of one thousand five hundred dollars (\$1,500) or, in
188 the case of a head of a family or a married person living with
189 husband or wife, a personal exemption of three thousand
190 dollars (\$3,000), a husband and wife living together shall
191 receive but one personal exemption of three thousand dollars
192 (\$3,000) against their aggregate income; and, in case they
193 make separate returns, each must claim a personal exemption of
194 one thousand five hundred dollars (\$1,500); and the amount in
195 subdivision (a) (9) ~~of subsection (a)~~ for each person, other
196 than husband or wife, dependent upon and receiving his or her



HB228 INTRODUCED

197 chief support from the taxpayer.

198 (c) The Department of Revenue may enact rules as
199 necessary to implement and administer the provisions of this
200 ~~act~~section."

201 Section 2. This act shall become effective on October
202 1, 2025.