

## HB389 INTRODUCED



1 HB389

2 1BAC3LL-1

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SYNOPSIS:

Under current law, the state levies an income tax upon all residents of the state and upon all nonresidents who receive income from Alabama sources. Taxpayers are allowed an optional standard deduction, as well as dependent exemptions in computing income subject to the tax.

This bill would increase the optional standard deduction and expand the adjusted gross income range allowable for the maximum optional standard deduction and the dependent exemption to increase the threshold at which the state imposes individual income taxes.

A BILL  
TO BE ENTITLED  
AN ACT

Relating to income taxes; to amend Sections 40-18-15 and 40-18-19, Code of Alabama 1975, to increase the optional standard deduction and expand the adjusted gross income range allowable for the maximum optional standard deduction; and to expand the adjusted gross income range allowable for the maximum dependent exemption.



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29 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

30 Section 1. Sections 40-18-15 and 40-18-19, Code of  
31 Alabama 1975, are hereby amended as follows:

32 "§40-18-15

33 (a) No deduction shall be allowed for any losses,  
34 expenses, or interest deferred or disallowed pursuant to 26  
35 U.S.C. § 267 or for any cost required to be capitalized in  
36 accordance with 26 U.S.C. § 263A; otherwise, there shall be  
37 allowed as deductions:

38 (1) All ordinary and necessary expenses paid or  
39 incurred during the taxable year in carrying on any trade or  
40 business, as determined in accordance with 26 U.S.C. § 162.

41 (2) Interest paid or accrued within the taxable year on  
42 indebtedness, limited to the amount allowable as an interest  
43 deduction for federal income tax purposes in the corresponding  
44 tax year or period pursuant to the provisions of 26 U.S.C. §§  
45 163, 264, and 265.

46 (3) The following taxes paid or accrued within the  
47 taxable year:

48 a. Income taxes, Federal Insurance Contribution Act  
49 taxes, taxes on self-employment income, and estate and gift  
50 taxes imposed by authority of the United States or any  
51 possession of the United States.

52 b. State and local, and foreign, occupational license  
53 taxes, and contributions to state unemployment funds.

54 c. State and local, and foreign, real property taxes.

55 d. State and local personal property taxes.

56 e. The generation-skipping transfer (GST) tax imposed



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57 on income distributions by 26 U.S.C. § 2601.

58 f. The taxes described in paragraphs c., d., and e.  
59 shall be deductible only to the extent that the taxes are  
60 deductible for federal income tax purposes under 26 U.S.C. §  
61 164 (relating to taxes).

62 g. In addition, there shall be allowed as a deduction,  
63 state and local, and foreign taxes, except income taxes, and  
64 taxes imposed by authority of the United States or any  
65 possession of the United States, which are paid or accrued  
66 within the taxable year in carrying on a trade or business or  
67 an activity described in 26 U.S.C. § 212 (relating to expenses  
68 for the production of income).

69 h. Notwithstanding paragraph g., any tax described in  
70 any paragraph preceding paragraph g. that is paid or accrued  
71 in connection with an acquisition or disposition of property  
72 shall be treated as part of the cost of the acquired property  
73 or, in the case of a disposition, as a reduction in the amount  
74 realized on the disposition of that property.

75 (4) Losses sustained during the taxable year and not  
76 compensated for by insurance or otherwise if incurred in a  
77 trade or business, in accordance with 26 U.S.C. § 165(c)(1).

78 (5) Losses sustained during the taxable year and not  
79 compensated for by insurance or otherwise, if incurred in any  
80 transaction entered into for profit, though not connected with  
81 the trade or business in accordance with 26 U.S.C. §  
82 165(c)(2); but, in the case of a taxpayer other than a  
83 resident of the state, only as to those transactions within  
84 the state.



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85           (6) Casualty and theft losses sustained during the  
86 taxable year of property not connected with the conduct of a  
87 trade or business or a transaction entered into for profit as  
88 determined in accordance with subsections (c)(3) and (h) of 26  
89 U.S.C. § 165. In the case of a nonresident, the deduction  
90 shall be allowed only for the losses arising from property  
91 located within the State of Alabama and the limitations in 26  
92 U.S.C. § 165 shall be applied with regard only to the  
93 taxpayer's Alabama adjusted gross income. No loss shall be  
94 allowed if at the time of filing the return, the loss has been  
95 claimed on a federal estate tax return.

96           (7) Losses from debts ascertained to be worthless and  
97 charged off during the taxable year of ascertainment, if  
98 sustained in the conduct of the regular trade or business of  
99 the taxpayer.

100           (8) A reasonable allowance for the exhaustion, wear and  
101 tear of property from which any income is derived, including a  
102 reasonable allowance for obsolescence, in accordance with 26  
103 U.S.C. §§ 167 and 168, and an allowance for the amortization  
104 of intangibles determined in accordance with 26 U.S.C. § 197.

105           (9) In the case of mines, oil, and gas wells, other  
106 natural deposits and timber, a reasonable allowance for  
107 depletion and for depreciation of improvements, according to  
108 the peculiar condition in each case based upon the cost,  
109 including the cost of development not otherwise deducted, such  
110 reasonable allowance in all cases to be made under rules and  
111 regulations to be prescribed by the Department of Revenue;  
112 and, in the case of leasehold interests, the deduction allowed



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113 by this section shall be equitably apportioned between the  
114 lessor and the lessee.

115 (10) Charitable contributions to the extent allowed for  
116 federal income tax purposes under 26 U.S.C. § 170 (relating to  
117 charitable contributions and gifts).

118 (11) The deduction allowed to the individual for  
119 federal income tax purposes by 26 U.S.C. § 219 (relating to  
120 retirement savings).

121 (12) The deduction allowed for federal income tax  
122 purposes by 26 U.S.C. § 404 (relating to qualified pension,  
123 profit sharing, stock bonus, and annuity plans).

124 (13) For each individual income taxpayer, medical and  
125 dental expenses, including amounts paid for medicine and drugs  
126 and amounts paid for accident and health insurance, as  
127 determined in accordance with 26 U.S.C. § 213; provided,  
128 however, that the limitation of the deduction to the excess of  
129 those expenses over 7.5 percent of adjusted gross income as  
130 provided in 26 U.S.C. § 213 shall instead be limited to the  
131 excess of those expenses over ~~4.0~~four percent of adjusted  
132 gross income.

133 (14) For each individual income taxpayer, the deduction  
134 determined in accordance with 26 U.S.C. § 212 for all the  
135 ordinary and necessary expenses paid or incurred during the  
136 taxable year for the production or collection of income, or  
137 for the management, conservation, or maintenance of property  
138 held for the production of income, or in connection with the  
139 determination, collection, or refund of any tax.

140 (15) Any expense not exceeding \$1,000 actually incurred



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141 during the taxable year in constructing on his or her property  
142 a family radioactive fallout shelter, as approved and  
143 certified by the State Department of Emergency Management, and  
144 any amount not exceeding \$1,000 which he or she contributed  
145 during the taxable year toward the construction of a community  
146 radioactive fallout shelter.

147 (16) A deduction from the taxpayer's adjusted gross  
148 income for state income tax purposes of the total cost of  
149 installation for conversion from gas or electricity to wood as  
150 the primary energy source for heating their individual  
151 domestic homes for the taxable year during which a conversion  
152 was completed.

153 (17) Alimony and separate maintenance payments, the  
154 amount deductible to be the same as the amount deductible for  
155 federal income tax purposes under 26 U.S.C. § 215 (relating to  
156 alimony payments).

157 (18) Moving expenses paid or incurred during the  
158 taxable year as allowed under 26 U.S.C. § 217 (relating to  
159 moving expenses). However, in applying 26 U.S.C. § 217, the  
160 term "new principal place of work" means only places of work  
161 located within the State of Alabama.

162 (19) Any expense not exceeding \$35,000 actually  
163 incurred during the taxable year in removing from his or her  
164 property any architectural or transportation barriers to  
165 handicapped persons with nonambulatory and semiambulatory  
166 disabilities; provided, however, that any improvements  
167 resulting from that expense shall not be eligible to be  
168 capitalized for depreciation.



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169           (20) Notwithstanding subdivision (1), the deduction for  
170 expenses of travel, entertainment, and meals shall be  
171 determined in accordance with 26 U.S.C. § 274.

172           (21) The deduction allowed by 26 U.S.C. § 179 (relating  
173 to expensing certain depreciable property), provided that no  
174 deduction shall be allowed under subdivision (8) for any  
175 amount allowed as a deduction under this subdivision.

176           (22) The deduction allowed by 26 U.S.C. § 195 (relating  
177 to amortization of start-up expenditures), but in the case of  
178 a nonresident, only if the principal place of business of the  
179 business investigated, created, or acquired is located in the  
180 State of Alabama.

181           (23) The deduction allowed by subdivision (1), to the  
182 extent that it consists of unreimbursed employee business  
183 expenses, and the deduction allowed by subdivision (14) shall  
184 be allowed only to the extent that the aggregate of the  
185 deductions exceeds two percent of adjusted gross income.

186           (24) The reasonable medical and legal expenses paid or  
187 incurred by the taxpayer in connection with the adoption of a  
188 minor. For purposes of this subdivision, medical expenses  
189 shall include any medical and hospital expenses of the adoptee  
190 and the adoptee's biological mother which are incident to the  
191 adoptee's birth and subsequent medical care and which, in the  
192 case of the adoptee, are paid or incurred before the petition  
193 is granted.

194           (25) The amount of any aid or assistance, whether in  
195 the form of property, services, or monies, provided to the  
196 State Industrial Development Authority pursuant to Section





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197 41-10-44.8(d) in order to induce an approved company to  
198 undertake a major project within the state.

199 (26) The amount of premiums paid pursuant to a  
200 qualifying insurance contract for qualified long-term care  
201 coverage.

202 (27) The amount deductible by the taxpayer in  
203 accordance with 26 U.S.C. § 162(h).

204 (28) The amount, up to five thousand dollars (\$5,000)  
205 per annum, contributed subsequent to December 31, 2007, to the  
206 Alabama Prepaid Affordable College Tuition Program or the  
207 Alabama College Education Savings Program as defined in  
208 Chapter 33C of Title 16. If the taxpayer makes a nonqualified  
209 withdrawal as defined by ~~Section 529 of the Internal Revenue~~  
210 ~~Code~~ (26 U.S.C. 529), the amount of the nonqualified  
211 withdrawal, plus 10 percent of the amount withdrawn, shall be  
212 added back to the income of the contributing taxpayer in the  
213 year the nonqualified withdrawal was distributed.

214 (b) (1) In lieu of the deductions allowable to  
215 individual taxpayers, as provided in subdivision (a) (1) ~~of~~  
216 ~~subsection (a)~~ to the extent of unreimbursed employee business  
217 expenses, and as provided in subdivisions (2), (3), (5), (6),  
218 (10), (13), (14), (15), (16), (19), (22), and (26) of  
219 subsection (a), the taxpayer may elect to take the optional  
220 standard deduction of 20 percent of the adjusted gross income  
221 or \$2,000, whichever is the lesser. Taxpayers filing jointly  
222 as defined in Section 40-18-27 may elect to take the optional  
223 standard deduction of 20 percent of the adjusted gross income  
224 or \$4,000, whichever is the lesser.



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225 (2) For tax years beginning after December 31, 2006,  
226 the optional standard deduction shall be determined as  
227 follows:

228 a. The standard deduction for married taxpayers filing  
229 jointly with adjusted gross income of \$20,000 or less shall be  
230 \$7,500. For married taxpayers filing jointly with adjusted  
231 gross income of greater than \$20,000, the standard deduction  
232 shall be reduced by \$175 for each \$500 of adjusted gross  
233 income in excess of \$20,000. Notwithstanding the preceding  
234 sentence, the standard deduction shall not be less than \$4,000  
235 for married taxpayers filing jointly.

236 b. The standard deduction for married taxpayers filing  
237 separate returns with adjusted gross income of \$10,000 or less  
238 shall be \$3,750. For married taxpayers filing separate returns  
239 with adjusted gross income of greater than \$10,000, the  
240 standard deduction shall be reduced by \$88 for each \$250 of  
241 adjusted gross income in excess of \$10,000. Notwithstanding  
242 the preceding sentence, the standard deduction shall not be  
243 less than \$2,000 for married taxpayers filing separate  
244 returns.

245 c. The standard deduction for head of family taxpayers  
246 with adjusted gross income of \$20,000 or less shall be \$4,700.  
247 For head of family taxpayers with adjusted gross income of  
248 greater than \$20,000, the standard deduction shall be reduced  
249 by \$135 for each \$500 of adjusted gross income in excess of  
250 \$20,000. Notwithstanding the preceding sentence, the standard  
251 deduction shall not be less than \$2,000 for head of family  
252 taxpayers.



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253           d. The standard deduction for single taxpayers with  
254 adjusted gross income of \$20,000 or less shall be \$2,500. For  
255 single taxpayers with adjusted gross income of greater than  
256 \$20,000, the standard deduction shall be reduced by \$25 for  
257 each \$500 of adjusted gross income in excess of \$20,000.  
258 Notwithstanding the preceding sentence, the standard deduction  
259 shall not be less than \$2,000 for single taxpayers.

260           (3) For tax years beginning after December 31, 2018,  
261 the optional standard deduction shall be determined as  
262 follows:

263           a. The standard deduction for married taxpayers filing  
264 jointly with adjusted gross income of less than \$23,000 shall  
265 be \$7,500. For married taxpayers filing jointly, the standard  
266 deduction shall be reduced further by \$175 for each \$500 of  
267 adjusted gross income in excess of \$23,000. Notwithstanding  
268 the preceding sentence, the standard deduction shall not be  
269 less than \$4,000 for married taxpayers filing jointly.

270           b. The standard deduction for married taxpayers filing  
271 separate returns with adjusted gross income of less than  
272 \$10,500 shall be \$3,750. For married taxpayers filing separate  
273 returns, the standard deduction shall be reduced further by  
274 \$88 for each \$250 of adjusted gross income in excess of  
275 \$10,500. Notwithstanding the preceding sentence, the standard  
276 deduction shall not be less than \$2,000 for married taxpayers  
277 filing separate returns.

278           c. The standard deduction for head of family taxpayers  
279 with adjusted gross income of less than \$23,000 shall be  
280 \$4,700. For head of family taxpayers, the standard deduction



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281 shall be reduced further by \$135 for each \$500 of adjusted  
282 gross income in excess of \$23,000. Notwithstanding the  
283 preceding sentence, the standard deduction shall not be less  
284 than \$2,000 for head of family taxpayers.

285 d. The standard deduction for single taxpayers with  
286 adjusted gross income of less than \$23,000 shall be \$2,500.  
287 For single taxpayers, the standard deduction shall be reduced  
288 further by \$25 for each \$500 of adjusted gross income in  
289 excess of \$23,000. Notwithstanding the preceding sentence, the  
290 standard deduction shall not be less than \$2,000 for single  
291 taxpayers.

292 (4) For tax years beginning after December 31, 2021,  
293 the optional standard deduction shall be determined as  
294 follows:

295 a. The standard deduction for married taxpayers filing  
296 jointly with adjusted gross income of less than twenty-five  
297 thousand five hundred dollars (\$25,500) shall be eight  
298 thousand five hundred dollars (\$8,500). For married taxpayers  
299 filing jointly, the standard deduction shall be reduced  
300 further by one hundred seventy-five dollars (\$175) for each  
301 five hundred dollars (\$500) of adjusted gross income in excess  
302 of twenty-five thousand five hundred dollars (\$25,500).  
303 Notwithstanding the preceding sentence, the standard deduction  
304 shall not be less than five thousand dollars (\$5,000) for  
305 married taxpayers filing jointly.

306 b. The standard deduction for married taxpayers filing  
307 separate returns with adjusted gross income of less than  
308 twelve thousand seven hundred fifty dollars (\$12,750) shall be



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309 four thousand two hundred fifty dollars (\$4,250). For married  
310 taxpayers filing separate returns, the standard deduction  
311 shall be reduced further by eighty-eight dollars (\$88) for  
312 each two hundred fifty dollars (\$250) of adjusted gross income  
313 in excess of twelve thousand seven hundred fifty dollars  
314 (\$12,750). Notwithstanding the preceding sentence, the  
315 standard deduction shall not be less than two thousand five  
316 hundred dollars (\$2,500) for married taxpayers filing separate  
317 returns.

318 c. The standard deduction for head of family taxpayers  
319 with adjusted gross income of less than twenty-five thousand  
320 five hundred dollars (\$25,500) shall be five thousand two  
321 hundred dollars (\$5,200). For head of family taxpayers, the  
322 standard deduction shall be reduced further by one hundred  
323 thirty-five dollars (\$135) for each five hundred dollars  
324 (\$500) of adjusted gross income in excess of twenty-five  
325 thousand five hundred dollars (\$25,500). Notwithstanding the  
326 preceding sentence, the standard deduction shall not be less  
327 than two thousand five hundred dollars (\$2,500) for head of  
328 family taxpayers.

329 d. The standard deduction for single taxpayers with  
330 adjusted gross income of less than twenty-five thousand five  
331 hundred dollars (\$25,500) shall be three thousand dollars  
332 (\$3,000). For single taxpayers, the standard deduction shall  
333 be reduced further by twenty-five dollars (\$25) for each five  
334 hundred dollars (\$500) of adjusted gross income in excess of  
335 twenty-five thousand five hundred dollars (\$25,500).  
336 Notwithstanding the preceding sentence, the standard deduction



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337 shall not be less than two thousand five hundred dollars  
338 (\$2,500) for single taxpayers.

339 (5) For tax years beginning after December 31, 2025,  
340 the optional standard deduction shall be determined as  
341 follows:

342 a. The standard deduction for married taxpayers filing  
343 jointly with adjusted gross income of less than twenty-eight  
344 thousand dollars (\$28,000) shall be nine thousand five hundred  
345 dollars (\$9,500). For married taxpayers filing jointly, the  
346 standard deduction shall be reduced further by one hundred  
347 seventy-five dollars (\$175) for each five hundred dollars  
348 (\$500) of adjusted gross income in excess of twenty-eight  
349 thousand dollars (\$28,000). Notwithstanding the preceding  
350 sentence, the standard deduction shall not be less than six  
351 thousand dollars (\$6,000) for married taxpayers filing  
352 jointly.

353 b. The standard deduction for married taxpayers filing  
354 separate returns with adjusted gross income of less than  
355 fourteen thousand dollars (\$14,000) shall be four thousand  
356 seven hundred fifty dollars (\$4,750). For married taxpayers  
357 filing separate returns, the standard deduction shall be  
358 reduced further by eighty-eight dollars (\$88) for each two  
359 hundred fifty dollars (\$250) of adjusted gross income in  
360 excess of fourteen thousand dollars (\$14,000). Notwithstanding  
361 the preceding sentence, the standard deduction shall not be  
362 less than three thousand dollars (\$3,000) for married  
363 taxpayers filing separate returns.

364 c. The standard deduction for head of family taxpayers



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365 with adjusted gross income of less than twenty-eight thousand  
366 dollars (\$28,000) shall be five thousand seven hundred dollars  
367 (\$5,700). For head of family taxpayers, the standard deduction  
368 shall be reduced further by one hundred thirty-five dollars  
369 (\$135) for each five hundred dollars (\$500) of adjusted gross  
370 income in excess of twenty-eight thousand dollars (\$28,000).  
371 Notwithstanding the preceding sentence, the standard deduction  
372 shall not be less than three thousand dollars (\$3,000) for  
373 head of family taxpayers.

374 d. The standard deduction for single taxpayers with  
375 adjusted gross income of less than twenty-eight thousand  
376 hundred dollars (\$28,000) shall be three thousand five hundred  
377 dollars (\$3,500). For single taxpayers, the standard deduction  
378 shall be reduced further by twenty-five dollars (\$25) for each  
379 five hundred dollars (\$500) of adjusted gross income in excess  
380 of twenty-eight thousand dollars (\$28,000). Notwithstanding  
381 the preceding sentence, the standard deduction shall not be  
382 less than three thousand dollars (\$3,000) for single  
383 taxpayers.

384 (c) A deduction is allowable for the amount of federal  
385 income tax paid or accrued within the taxable year. In the  
386 case of a nonresident taxpayer, the amount of federal income  
387 tax deductible to Alabama shall be determined by the ratio  
388 that the amount of adjusted gross income received from sources  
389 within the State of Alabama bears to the amount of adjusted  
390 gross income received from sources within and outside the  
391 State of Alabama.

392 (d) If separate returns are filed by husband and wife



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393 and one spouse elects to claim the optional standard  
394 deduction, the other spouse must also claim the optional  
395 standard deduction, unless, for the tax returns filed for the  
396 2014 and subsequent tax years, the spouses have lived apart  
397 for the entire year. In this case, each spouse may claim  
398 either the optional standard deduction or itemized deductions.  
399 Neither spouse may claim a deduction for expenses paid by the  
400 other spouse.

401 (e) In the case of a nonresident individual:

402 (1) The deductions allowed in subdivisions (1), (2),  
403 (3), (4), (5), (7), (8), (9), (11), (12), (19), (21), (23),  
404 and (25) of subsection (a) shall be allowed only to the extent  
405 that they are paid or incurred in carrying on a trade or  
406 business within the State of Alabama and the deduction allowed  
407 by Section 40-18-15.2 shall be allowed only to the extent it  
408 arose from a trade or business carried on in Alabama.

409 (2) The deductions allowed by subdivisions (2), (3),  
410 (5), (8), (9), (14), and (19) of subsection (a) shall be  
411 allowed only to the extent arising from property located in  
412 Alabama or transactions producing income that is subject to  
413 tax in the State of Alabama.

414 (3) The amount of the deductions allowed by  
415 subdivisions (2), (3), (6), (10), (13), (15), (16), (17),  
416 (19), (24), and (26) of subsection (a), ~~and not allowed by~~  
417 subdivisions (1) or (2) of this subsection~~, or by subsection~~  
418 (b) if the taxpayer elects the standard deduction, shall be  
419 limited to the amount determined by multiplying the total of  
420 such deductions by a fraction, the numerator of which is the





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421 taxpayer's adjusted gross income determined using the rules  
422 provided in subdivisions (1) and (2) of this subsection and  
423 the denominator of which is the taxpayer's adjusted gross  
424 income determined under Section 40-18-14.2. The deduction  
425 allowed in subdivision (a) (17) ~~of subsection (a)~~ shall not be  
426 subtracted in calculating either the numerator or denominator  
427 in the previous sentence.

428 (f) Nothing in this section shall allow any item to be  
429 deducted more than once."

430 "§40-18-19

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

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

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

441 (3) The first eight thousand dollars (\$8,000) of any  
442 retirement compensation, retirement allowances, pensions and  
443 annuities, or optional allowances, received by any eligible  
444 firefighter, as defined in Sections 36-32-1 and 36-32-2, or  
445 his or her designated beneficiary, from any firefighting  
446 agency established in the State of Alabama, but only if such  
447 retirement compensation, retirement allowances, pensions and  
448 annuities, or optional allowances as are awarded as a result



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449 of fire protection services rendered. This subdivision shall  
450 become effective for the taxable years beginning January 1,  
451 1987, and thereafter following its passage and approval by the  
452 Governor, or upon its otherwise becoming a law; provided, that  
453 for the taxable years beginning on or after January 1, 1991,  
454 all of the pension and retirement payments shall be exempt  
455 from taxation.

456 (4) The first eight thousand dollars (\$8,000) of any  
457 retirement compensation, retirement allowances, pensions and  
458 annuities, or optional allowances received by any eligible  
459 peace officer, as defined in ~~subdivision (11) of~~ Section  
460 36-21-60 (11), or his or her designated beneficiary, from any  
461 police retirement system established in the State of Alabama,  
462 but only if the retirement compensation, retirement  
463 allowances, pensions and annuities, or optional allowances are  
464 awarded as a result of police services rendered. This  
465 subdivision shall become effective for taxable years beginning  
466 January 1, 1984, and thereafter; provided, that for the  
467 taxable years beginning on or after January 1, 1991, all of  
468 the pension and retirement payments shall be exempt from  
469 taxation.

470 (5) Income received as annuities under the United  
471 States Retirement System from the United States Government  
472 Civil Service Retirement and Disability Fund, including income  
473 received from the Tennessee Valley Authority's pension system,  
474 income received as annuities under the United States Foreign  
475 Service Retirement and Disability Fund, or income received  
476 from any other United States government retirement and



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477 disability fund.

478 (6) Beginning January 1, 1991, all payments made on or  
479 after such date to a retiree or his designated beneficiary  
480 under a "defined benefit plan," as defined under 26 U.S.C. §  
481 414(j), to the extent such payment would be taxable for  
482 federal income tax purposes.

483 (7) Net income realized by individuals and partnerships  
484 from time to time in the business of conducting a financial  
485 business employing monied capital coming into competition with  
486 the business of national banks, but only if such individuals  
487 and partnerships are subject to an excise tax imposed by this  
488 state on or with respect to such income.

489 (8) In the case of a single person or a married person  
490 not living with husband or wife, a personal exemption of one  
491 thousand five hundred dollars (\$1,500) or, in the case of a  
492 head of a family or a married person living with husband or  
493 wife, a personal exemption of three thousand dollars (\$3,000),  
494 but a husband and wife living together shall receive only one  
495 personal exemption of three thousand dollars (\$3,000) against  
496 their aggregate income, and in case they make separate returns  
497 each must claim a personal exemption of one thousand five  
498 hundred dollars (\$1,500).

499 (9) a. Three hundred dollars (\$300) for each person,  
500 other than husband or wife, dependent upon the taxpayer, and  
501 over half of whose support, for the calendar year in which the  
502 taxable year for the taxpayer begins, was received from the  
503 taxpayer.

504 b. For tax years beginning after December 31, 2006, for



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505 taxpayers with adjusted gross income equal to or less than  
506 twenty thousand dollars (\$20,000), one thousand dollars  
507 (\$1,000) for each person other than husband or wife, dependent  
508 upon the taxpayer, and over half of whose support, for the  
509 calendar year in which the taxable year for the taxpayer  
510 begins, was received from the taxpayer.

511 c. For tax years beginning after December 31, 2006, for  
512 taxpayers with adjusted gross income in excess of twenty  
513 thousand dollars (\$20,000) and equal to or less than one  
514 hundred thousand dollars (\$100,000), five hundred dollars  
515 (\$500) for each person other than husband and wife, dependent  
516 upon the taxpayer, and over half of whose support, for the  
517 calendar year in which the taxable year for the taxpayer  
518 begins, was received from the taxpayer.

519 d. For tax years beginning after December 31, 2021, for  
520 taxpayers with adjusted gross income equal to or less than  
521 fifty thousand dollars (\$50,000), one thousand dollars  
522 (\$1,000) for each person other than husband or wife, dependent  
523 upon the taxpayer, and over half of whose support, for the  
524 calendar year in which the taxable year for the taxpayer  
525 begins, was received from the taxpayer.

526 e. For tax years beginning after December 31, 2021, for  
527 taxpayers with adjusted gross income in excess of fifty  
528 thousand dollars (\$50,000) and equal to or less than one  
529 hundred thousand dollars (\$100,000), five hundred dollars  
530 (\$500) for each person other than husband and wife, dependent  
531 upon the taxpayer, and over half of whose support, for the  
532 calendar year in which the taxable year for the taxpayer



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533 begins, was received from the taxpayer.

534 f. For tax years beginning after December 31, 2025, for  
535 taxpayers with adjusted gross income equal to or less than  
536 sixty thousand dollars (\$60,000), one thousand dollars  
537 (\$1,000) for each person other than husband or wife, dependent  
538 upon the taxpayer, and over half of whose support, for the  
539 calendar year in which the taxable year for the taxpayer  
540 begins, was received from the taxpayer.

541 g. For tax years beginning after December 31, 2025, for  
542 taxpayers with adjusted gross income in excess of sixty  
543 thousand dollars (\$60,000) and equal to or less than one  
544 hundred twenty thousand dollars (\$120,000), five hundred  
545 dollars (\$500) for each person other than husband and wife,  
546 dependent upon the taxpayer, and over half of whose support,  
547 for the calendar year in which the taxable year for the  
548 taxpayer begins, was received from the taxpayer.

549 For the purposes of this section, "dependent" shall  
550 mean: A son or daughter of the taxpayer or a descendant of  
551 either; a stepson or stepdaughter of the taxpayer; a brother,  
552 sister, stepbrother, or stepsister of the taxpayer; the father  
553 or mother of the taxpayer or an ancestor of either; a  
554 stepfather or stepmother of the taxpayer; a son or daughter of  
555 a brother or sister of the taxpayer; a brother or sister of  
556 the father or mother of the taxpayer; a son-in-law,  
557 daughter-in-law, father-in-law, mother-in-law, brother-in-law,  
558 or sister-in-law of the taxpayer. As used in this paragraph  
559 the terms "brother" and "sister" include a brother or sister  
560 by the half blood. For the purpose of determining whether any



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561 of the foregoing relationships exist, a legally adopted child  
562 of a person shall be considered a child of such a person by  
563 blood.

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

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

584 (12) Beginning January 1, 2018, amounts received by an  
585 individual from sources within a foreign country or countries  
586 which constitute a housing allowance, and earned income  
587 attributable to services performed by such individual received  
588 during the tax period are exempt from all income taxation by



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589 the state and by all of its political subdivisions to the  
590 extent such income is exempt from federal income tax pursuant  
591 to 26 U.S.C. § 911.

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

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

596 (b) Of the following personal exemptions allowed  
597 resident taxpayers, each nonresident individual taxpayer shall  
598 be allowed that proportion thereof that the adjusted gross  
599 income received by said nonresident individual taxpayer from  
600 sources within the State of Alabama bears to his or her  
601 adjusted gross income received from sources within and without  
602 the State of Alabama: In the case of a single person or a  
603 married person not living with husband or wife, a personal  
604 exemption of one thousand five hundred dollars (\$1,500) or, in  
605 the case of a head of a family or a married person living with  
606 husband or wife, a personal exemption of three thousand  
607 dollars (\$3,000), a husband and wife living together shall  
608 receive but one personal exemption of three thousand dollars  
609 (\$3,000) against their aggregate income; and, in case they  
610 make separate returns, each must claim a personal exemption of  
611 one thousand five hundred dollars (\$1,500); and the amount in  
612 subdivision (a) (9) ~~of subsection (a)~~ for each person, other  
613 than husband or wife, dependent upon and receiving his or her  
614 chief support from the taxpayer.

615 (c) The Department of Revenue may enact rules as  
616 necessary to implement and administer the provisions of this



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617 act."

618 Section 2. This act shall become effective on October

619 1, 2025.