

SB86 ENGROSSED



1 SB86
2 62GAZ13-2
3 By Senators Orr, Albritton
4 RFD: Finance and Taxation General Fund
5 First Read: 04-Feb-25



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A BILL
TO BE ENTITLED
AN ACT

Relating to employee benefits; to add Article 7 of Chapter 1 of Title 25, commencing with Section 25-1-70 to the Code of Alabama 1975, to provide for the establishment of portable benefit accounts for independent contractors; and to provide for deductions of contributions to portable benefit accounts for Alabama income tax purposes.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall be known and may be cited as the "Portable Benefits Act."

Section 2. Article 7, Chapter 1 of Title 25, starting with Section 25-1-70, is added to the Code of Alabama 1975, to read as follows:

§25-1-70

For purposes of this act, the following words have the following meanings:

(1) BANK. A banking corporation or trust company entitled to operate within the State of Alabama under Title 5 of the Code of Alabama 1975.

(2) HIRING PARTY. A person or entity who hires or enters into a contract for the performance of work with an



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29 independent contractor.

30 (3) PORTABLE BENEFIT ACCOUNT. An account opened by an
31 independent contractor that is:

32 a. Administered by a portable benefit account provider;
33 and

34 b. Owned by an independent contractor for the purpose
35 of funding the purchase of one of more benefit plans,
36 including, but not limited to, plans that provide health
37 benefits, income replacement insurance, life insurance, or
38 retirement benefits.

39 (4) PORTABLE BENEFIT ACCOUNT PROVIDER. The
40 administrator of a portable benefit account and includes:

41 a. A bank;

42 b. An investment management firm; and

43 c. A technology provider or program manager that offers
44 services through a bank or investment management firm.

45 §25-1-71

46 (a) Any person or entity, including an Internet or
47 application based entity, may contribute funds to one or more
48 portable benefit accounts.

49 (b) Where a hiring party contributes to a portable
50 benefit account as a form of compensation, the contribution
51 may not be construed by an Alabama court as any element of an
52 employment relationship, including, but not limited to, for
53 purposes of imposing liability on the hiring party under the
54 Alabama Workers' Compensation Act.

55 (c) A contribution to a portable benefit account may be
56 made using the funds of the hiring party or a percentage of



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57 funds withheld from compensation owed to an independent
58 contractor if:

59 (1) The withholding of compensation is expressly agreed
60 to in writing by both parties;

61 (2) The written agreement is clear, unambiguous, and
62 prominently displayed either in a services agreement or other
63 contract between the independent contractor and the hiring
64 party or a separate notice;

65 (3) The withholding of compensation is voluntary and
66 requires an independent contractor to opt in; and

67 (4) The independent contractor may choose to opt out of
68 the agreement at any time.

69 §25-1-72

70 (a) The following deductions may be made for tax years
71 beginning after December 31, 2025:

72 (1) A hiring party that contributes its own funds to a
73 portable benefit account as a form of compensation may deduct
74 as a business expense on the Alabama income tax return to
75 compute Alabama taxable income an amount equal to 100 percent
76 of the amount contributed from its own funds during the tax
77 year.

78 (2) A qualifying independent contractor may deduct, as
79 an adjustment to income on the employee's Alabama individual
80 income tax return, an amount equal to 100 percent of the
81 amount contributed by a hiring party as a form of compensation
82 to a portable benefit account during the applicable tax year
83 as well as any contributions that the independent contractor
84 made to a portable benefit account during the applicable tax



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85 year.

86 (b) Nothing in this section shall allow any item to be
87 deducted more than once.

88 Section 3. This act shall become effective on December
89 31, 2025.



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92 Senate

93 Read for the first time and referred04-Feb-25
94 to the Senate committee on Finance
95 and Taxation General Fund
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97 Read for the second time and placed05-Feb-25
98 on the calendar:
99 0 amendments
100
101 Read for the third time and passed11-Feb-25
102 as amended
103 Yeas 32
104 Nays 0
105 Abstains 0
106
107

108 Patrick Harris,
109 Secretary.
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