

SB86 INTRODUCED



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



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SYNOPSIS:

This bill would provide for the establishment of portable benefit accounts for independent contractors.

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



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29 entitled to operate within the State of Alabama under Title 5
30 of the Code of Alabama 1975.

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

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

36 a. Administered by a portable benefit account provider;
37 and

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

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

45 a. A bank;

46 b. An investment management firm; and

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

49 §25-1-71

50 (a) Any person or entity, including an Internet or
51 application based entity, may contribute funds to one or more
52 portable benefit accounts.

53 (b) Where a hiring party contributes to a portable
54 benefit account as a form of compensation, the contribution
55 shall not be used as a criterion for determining a worker's
56 employment classification.



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57 (c) A contribution to a portable benefit account may be
58 made using the funds of the hiring party or a percentage of
59 funds withheld from compensation owed to an independent
60 contractor if:

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

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

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

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

71 §25-2-72

72 (a) 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 (b) 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 Section 3. This act shall become effective on October

87 1, 2025.