



**House Ways and Means Education Reported Substitute
for HB142**

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 independent contractor.



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

a. Administered by a portable benefit account provider; and

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

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

a. A bank;

b. An investment management firm; and

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

§25-1-71

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

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

(c) A contribution to a portable benefit account may be made using the funds of the hiring party or a percentage of funds withheld from compensation owed to an independent



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contractor if:

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

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

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

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

\$25-~~1~~-72

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

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

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



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

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

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