

HB250 ENROLLED



1 HB250
2 5V1ZG36-2
3 By Representative Garrett
4 RFD: Ways and Means Education
5 First Read: 15-Jan-26



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1 Enrolled, An Act,

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3 Relating to income taxes; to amend Section 40-18-14,
4 Code of Alabama 1975, to exclude from gross income of an
5 individual taxpayer amounts paid by an employer as a
6 contribution to a Trump Account; and to make the exclusion for
7 amounts paid by an employer on any qualified education loan
8 permanent for individual taxpayers.

9 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

10 Section 1. Section 40-18-14, Code of Alabama 1975, is
11 hereby amended as follows:

12 "§40-18-14

13 (a) The term "gross income" as used herein:

14 (1) Includes gains, profits and income derived from
15 salaries, wages, or compensation for personal services of
16 whatever kind, or in whatever form paid, including the
17 salaries, income, fees, and other compensation of state,
18 county, and municipal officers and employees, or from
19 professions, vocations, trades, business, commerce or sales,
20 or dealings in property whether real or personal, growing out
21 of ownership or use of or interest in such property; also from
22 interest, royalties, rents, dividends, securities, or
23 transactions of any business carried on for gain or profit and
24 the income derived from any source whatever, including any
25 income not exempted under this chapter and against which
26 income there is no provision for a tax. The term "gross
27 income" as used herein also includes alimony and separate
28 maintenance payments to the extent they are includable in



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29 gross income for federal income tax purposes under 26 U.S.C. §
30 71, relating to alimony and separate maintenance payments. The
31 term "gross income" as used herein also includes any amount
32 included in gross income under 26 U.S.C. § 83 at the time it
33 is so included under 26 U.S.C. § 83.

34 (2) For purposes of this chapter, the reductions in tax
35 attributes required by 26 U.S.C. § 108 shall be applied only
36 to the net operating losses determined under this chapter and
37 the basis of depreciable property. The basis reductions of
38 depreciable property shall not exceed the basis reductions for
39 federal income tax purposes. All other tax attribute
40 reductions required by 26 U.S.C. § 108 shall not be
41 recognized.

42 (3) Gross income does not include the following items
43 which shall be exempt from income tax under this chapter:

44 a. Amounts received under life insurance policies and
45 contracts paid by reason of the death of the insured in
46 accordance with 26 U.S.C. § 101;

47 b. Amounts received, other than amounts paid by reason
48 of the death of the insured, under life insurance, endowment
49 or annuity contracts, determined in accordance with 26 U.S.C.
50 § 72;

51 c. The value of property acquired by gift, bequest,
52 devise, or descent, but the income from such property shall be
53 included in the gross income, in accordance with 26 U.S.C. §
54 102;

55 d. Interest upon obligations of the United States or
56 its possessions; or securities issued under provisions of the



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57 Federal Farm Loan Act of July 18, 1916;

58 e. Any amounts received by an individual which are
59 excludable from gross income under 26 U.S.C. § 104, relating
60 to compensation for injuries or sickness, or 26 U.S.C. § 105,
61 relating to amounts received under accident or health plans;

62 f. Interest on obligations of the State of Alabama and
63 any county, municipality, or other political subdivision
64 thereof;

65 g. The rental value of a parsonage provided to a
66 minister of the gospel to the extent excludable under 26
67 U.S.C. § 107;

68 h. Income from discharge of indebtedness to the extent
69 allowed by 26 U.S.C. § 108;

70 i. For each individual resident taxpayer, or each
71 husband and wife filing a joint income tax return, as the case
72 may be, any gain realized from the sale of a personal
73 residence of the taxpayer shall be excluded to the extent
74 excludable for federal income tax purposes under 26 U.S.C. §
75 121;

76 j. Contributions made by an employer on behalf of an
77 employee to a trust which is part of a qualified cash or
78 deferred arrangement, as defined in 26 U.S.C. § 401(k)(2) or 5
79 U.S.C. § 8437, under which the employee has an election
80 whether the contribution will be made to the trust or received
81 by the employee in cash and contributions made by an employer
82 for an employee for an annuity contract, which contributions
83 would be excludable from the gross income, for federal income
84 tax purposes, of the employee in accordance with the



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85 provisions of 26 U.S.C. § 403(b). The limitations imposed by
86 26 U.S.C. § 402(g) shall apply for purposes of this paragraph;

87 k. Amounts that an employee is allowed to exclude from
88 gross income for federal income tax purposes pursuant to 26
89 U.S.C. § 125, relating to cafeteria plans, and 26 U.S.C. §
90 132, relating to certain fringe benefits; and

91 1. Amounts paid or incurred by an employer on behalf of
92 an employee if the amounts may be excluded from gross income
93 for federal income tax purposes by an employee pursuant to 26
94 U.S.C. § 129, relating to dependent care expenses.

95 m.1.(i) Amounts received by a full-time hourly waged
96 paid employee as compensation for work performed in excess of
97 40 hours in a week.

98 (ii) The exemption provided pursuant to this
99 subparagraph shall be available for tax years that begin after
100 December 31, 2023, and end on October 1, 2024.

101 2.(i) Amounts paid as overtime compensation in
102 accordance with the U.S. Fair Labor Standards Act.

103 (ii) The exemption provided pursuant to this
104 subparagraph shall be available beginning on October 1, 2024,
105 through June 30, 2025.

106 3. Notwithstanding subparagraph 2., for employers
107 governed by the National Railway Labor Act, the exemption
108 provided in this paragraph applies to hourly component
109 overtime compensation as defined in applicable collective
110 bargaining agreements.

111 4. Each employer shall submit to the Department of
112 Revenue, on forms prescribed by the department, all of the



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113 following:

114 (i) For the tax year beginning January 1, 2023, the
115 total amount received by full-time hourly wage-paid employees
116 as compensation for work performed in excess of 40 hours in a
117 week and the total number of employees for which it was paid.
118 The data shall be due no later than January 31, 2024.

119 (ii) For the tax year beginning on or after January 1,
120 2024, through September 30, 2024, the total amount received by
121 full-time hourly wage-paid employees as compensation for work
122 performed in excess of 40 hours in a week. Beginning on
123 October 1, 2024, and each year thereafter, the total amount
124 paid pursuant to this paragraph and the total number of
125 employees for which it was paid. The data shall be provided
126 monthly or quarterly and shall be due no later than the due
127 date for the corresponding monthly or quarterly withholding
128 tax returns.

129 (iii) Additional information as may be required by the
130 department.

131 5. The department shall report to the Legislative
132 Services Agency - Fiscal Division and the Department of
133 Finance the data collected and compiled pursuant to
134 subparagraph 4. no later than 30 days after the due date of
135 the data.

136 n. Any net capital gain derived from the exchange of
137 precious metal bullion. For purposes of this paragraph,
138 "precious metal bullion" means coins, bars, or rounds
139 containing primarily refined gold, silver, platinum, or
140 palladium that is marked and valued primarily by its weight,



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141 purity, and content.

142 o. For tax years beginning on or after January 1, 2026,
143 the amounts of principal or interest on any qualified
144 education loan which are paid by an employer, whether paid to
145 the employee or to their lender, and which are excluded from
146 an employee's federal gross income pursuant to 26 U.S.C. §
147 127(c)(1)(B) as amended by § 70412 of the One, Big, Beautiful
148 Bill Act, Pub. L. 119-21.

149 p. For tax years beginning on or after January 1, 2026,
150 amounts contributed by an employer to the Trump Account of an
151 employee or their dependent which are excluded from the
152 employee's federal gross income pursuant to § 70204 of the
153 One, Big, Beautiful Bill Act, Pub. L. 119-21.

154 (4) The term "gross income," in the case of a resident
155 individual, includes income from sources within and outside
156 Alabama, including without limitation, the resident's
157 proportionate share of any income arising from a Subchapter K
158 entity, Alabama S corporation, or estate or trust, regardless
159 of the geographic source of the income. The term "gross
160 income," in the case of a nonresident individual, includes
161 only income from property owned or business transacted in
162 Alabama. For purposes of this article, "proportionate share"
163 shall be defined by reference to (i) the status of the
164 individual owner as a partner or member of a Subchapter K
165 entity, shareholder of an Alabama S corporation, or
166 beneficiary of an estate or trust, and (ii) the allocable
167 interest in that entity owned by the individual.

168 (b) The Department of Revenue may adopt rules to

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169 provide for the administration of this section."

170 Section 2. This act shall become effective on May 1,

171 2026.



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Speaker of the House of Representatives

President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in and was passed by the House 12-Feb-26.

John Treadwell
Clerk

Senate

07-Apr-26

Passed