

SB225 INTRODUCED



1 SB225
2 7BNM3VV-1
3 By Senators Jones, Butler, Allen, Givhan, Weaver, Woods, Bell,
4 Kelley, Hovey, Kitchens, Shelnutt, Chambliss, Stutts, Elliott,
5 Barfoot, Waggoner, Carnley, Price, Chesteen
6 RFD: Finance and Taxation Education
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SYNOPSIS:

Currently, certain income is exempt from state income taxes.

This bill would exempt the first \$5,000 earned from drill pay by a member of the Alabama National Guard from state income tax.

This bill would also make nonsubstantive, technical revisions to update the existing code language to current style.

A BILL
TO BE ENTITLED
AN ACT

Relating to exemptions from state income taxation; to amend Section 40-18-19, Code of Alabama 1975; to exempt the first \$5,000 of taxable income earned from inactive duty training from state income tax for individuals that serve in the Alabama National Guard; and to make nonsubstantive, technical revisions to update the existing code language to current style.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-18-19, Code of Alabama 1975, is amended to read as follows:



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29 "§40-18-19

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

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

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

40 (3) The first eight thousand dollars (\$8,000) of any
41 retirement compensation, retirement allowances, pensions and
42 annuities, or optional allowances, received by any eligible
43 firefighter, as defined in Sections 36-32-1 and 36-32-2, or
44 his or her designated beneficiary, from any firefighting
45 agency established in the State of Alabama, but only if such
46 retirement compensation, retirement allowances, pensions and
47 annuities, or optional allowances ~~as~~ are awarded as a result
48 of fire protection services rendered. This subdivision shall
49 become effective for the taxable years beginning January 1,
50 1987, and thereafter ~~following its passage and approval by the~~
51 ~~Governor, or upon its otherwise becoming a law~~; provided, that
52 for the taxable years beginning on or after January 1, 1991,
53 all of the pension and retirement payments shall be exempt
54 from taxation.

55 (4) The first eight thousand dollars (\$8,000) of any
56 retirement compensation, retirement allowances, pensions and



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57 annuities, or optional allowances received by any eligible
58 peace officer, as defined in ~~subdivision (11) of~~ Section
59 36-21-60 (11), or his or her designated beneficiary, from any
60 police retirement system established in the State of Alabama,
61 but only if the retirement compensation, retirement
62 allowances, pensions and annuities, or optional allowances are
63 awarded as a result of police services rendered. This
64 subdivision shall become effective for taxable years beginning
65 January 1, 1984, and thereafter; provided, that for the
66 taxable years beginning on or after January 1, 1991, all of
67 the pension and retirement payments shall be exempt from
68 taxation.

69 (5) Income received as annuities under the United
70 States Retirement System from the United States Government
71 Civil Service Retirement and Disability Fund, including income
72 received from the Tennessee Valley Authority's pension system,
73 income received as annuities under the United States Foreign
74 Service Retirement and Disability Fund, or income received
75 from any other United States government retirement and
76 disability fund.

77 (6) Beginning January 1, 1991, all payments made on or
78 after such date to a retiree or his designated beneficiary
79 under a "defined benefit plan," as defined under 26 U.S.C. §
80 414(j), to the extent such payment would be taxable for
81 federal income tax purposes.

82 (7) Net income realized by individuals and partnerships
83 from time to time in the business of conducting a financial
84 business employing monied capital coming into competition with



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85 the business of national banks, but only if such individuals
86 and partnerships are subject to an excise tax imposed by this
87 state on or with respect to such income.

88 (8) In the case of a single person or a married person
89 not living with husband or wife, a personal exemption of one
90 thousand five hundred dollars (\$1,500) or, in the case of a
91 head of a family or a married person living with husband or
92 wife, a personal exemption of three thousand dollars (\$3,000),
93 but a husband and wife living together shall receive only one
94 personal exemption of three thousand dollars (\$3,000) against
95 their aggregate income, and in case they make separate returns
96 each must claim a personal exemption of one thousand five
97 hundred dollars (\$1,500).

98 (9)-a. Three hundred dollars (\$300) for each person,
99 other than husband or wife, dependent upon the taxpayer, and
100 over half of whose support, for the calendar year in which the
101 taxable year for the taxpayer begins, was received from the
102 taxpayer.

103 b. For tax years beginning after December 31, 2006, for
104 taxpayers with adjusted gross income equal to or less than
105 twenty thousand dollars (\$20,000), one thousand dollars
106 (\$1,000) for each person other than husband or wife, dependent
107 upon the taxpayer, and over half of whose support, for the
108 calendar year in which the taxable year for the taxpayer
109 begins, was received from the taxpayer.

110 c. For tax years beginning after December 31, 2006, for
111 taxpayers with adjusted gross income in excess of twenty
112 thousand dollars (\$20,000) and equal to or less than one



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113 hundred thousand dollars (\$100,000), five hundred dollars
114 (\$500) for each person other than husband and wife, dependent
115 upon the taxpayer, and over half of whose support, for the
116 calendar year in which the taxable year for the taxpayer
117 begins, was received from the taxpayer.

118 d. For tax years beginning after December 31, 2021, for
119 taxpayers with adjusted gross income equal to or less than
120 fifty thousand dollars (\$50,000), one thousand dollars
121 (\$1,000) for each person other than husband or wife, dependent
122 upon the taxpayer, and over half of whose support, for the
123 calendar year in which the taxable year for the taxpayer
124 begins, was received from the taxpayer.

125 e. For tax years beginning after December 31, 2021, for
126 taxpayers with adjusted gross income in excess of fifty
127 thousand dollars (\$50,000) and equal to or less than one
128 hundred thousand dollars (\$100,000), five hundred dollars
129 (\$500) for each person other than husband and wife, dependent
130 upon the taxpayer, and over half of whose support, for the
131 calendar year in which the taxable year for the taxpayer
132 begins, was received from the taxpayer.

133 For the purposes of this section, "dependent" shall
134 mean: A son or daughter of the taxpayer or a descendant of
135 either; a stepson or stepdaughter of the taxpayer; a brother,
136 sister, stepbrother, or stepsister of the taxpayer; the father
137 or mother of the taxpayer or an ancestor of either; a
138 stepfather or stepmother of the taxpayer; a son or daughter of
139 a brother or sister of the taxpayer; a brother or sister of
140 the father or mother of the taxpayer; or a son-in-law,



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141 daughter-in-law, father-in-law, mother-in-law, brother-in-law,
142 or sister-in-law of the taxpayer. As used in this paragraph
143 the terms "brother" and "sister" include a brother or sister
144 by the half blood. For the purpose of determining whether any
145 of the foregoing relationships exist, a legally adopted child
146 of a person shall be considered a child of such ~~a~~ person by
147 blood.

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

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

168 (12) Beginning January 1, 2018, amounts received by an



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169 individual from sources within a foreign country or countries
170 which constitute a housing allowance, and earned income
171 attributable to services performed by such individual received
172 during the tax period are exempt from all income taxation by
173 the state and by all of its political subdivisions to the
174 extent such income is exempt from federal income tax pursuant
175 to 26 U.S.C. § 911.

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

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

180 (14) Beginning January 1, 2027, the first five thousand
181 dollars (\$5,000) of income received by a member of the Alabama
182 National Guard as payment for inactive duty training (IDT) as
183 described in 37 U.S.C. § 206.

184 (b) Of the following personal exemptions allowed
185 resident taxpayers, each nonresident individual taxpayer shall
186 be allowed that proportion thereof that the adjusted gross
187 income received by ~~said~~the nonresident individual taxpayer
188 from sources within the State of Alabama bears to his or her
189 adjusted gross income received from sources within and without
190 the State of Alabama: In the case of a single person or a
191 married person not living with husband or wife, a personal
192 exemption of one thousand five hundred dollars (\$1,500) or, in
193 the case of a head of a family or a married person living with
194 husband or wife, a personal exemption of three thousand
195 dollars (\$3,000), a husband and wife living together shall
196 receive but one personal exemption of three thousand dollars



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197 (\$3,000) against their aggregate income; and, in case they
198 make separate returns, each must claim a personal exemption of
199 one thousand five hundred dollars (\$1,500); and the amount in
200 subdivision (a) (9) ~~of subsection (a)~~ for each person, other
201 than husband or wife, dependent upon and receiving his or her
202 chief support from the taxpayer.

203 (c) The Department of Revenue may enact rules as
204 necessary to implement and administer the provisions of this
205 ~~act~~ section."

206 Section 2. This act shall become effective on October
207 1, 2026.