

SB69 INTRODUCED



1 SB69

2 SLKSL57-1

3 By Senators Givhan, Chesteen, Carnley, Livingston

4 RFD: Finance and Taxation Education

5 First Read: 13-Jan-26



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4 SYNOPSIS:

5 Under current law, certain compensation for
6 active service members of the United States Armed
7 Forces is not subject to state income tax.

8 This bill would expand this exemption to include
9 certain compensation of civilian employees of the U.S.
10 Department of Defense and Armed Forces.

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13 A BILL

14 TO BE ENTITLED
15 AN ACT

16
17 Relating to income tax; to amend Section 40-18-3, Code
18 of Alabama 1975, to exempt certain compensation of civilian
19 employees of the U.S. Department of Defense and Armed Forces
20 from state income tax.

21 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

22 Section 1. Section 40-18-3, Code of Alabama 1975, is
23 amended to read as follows:

24 "§40-18-3

25 (a) The salaries, fees, commissions, or other income of
26 officers or agents of the United States or its agencies and
27 instrumentalities or its contractees, received from the United
28 States or from its agencies and instrumentalities, shall be



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29 subject to income taxes levied by the State of Alabama as
30 other income is taxed, but without discrimination, and only to
31 the same extent and in the same manner as other income is
32 taxed, insofar as the State of Alabama may be constitutionally
33 or legally authorized to tax such income;~~provided, that.~~

34 (b) Notwithstanding subsection (a), money paid by the
35 United States to ~~a person~~an individual as compensation as a
36 civilian employee of the U.S. Department of Defense or Armed
37 Forces, or for active service as a member of the ~~armed~~
38 ~~forces~~Armed Forces of the United States, including members of
39 the National Guard and Reserve components, shall not be
40 subject to income taxes levied by the State of Alabama, for
41 compensation earned while the individual is:

42 (1) In~~in~~ a combat zone designated by an executive order
43 of the President of the United States~~ri~~

44 (2) Deployed~~deployed~~ to locations outside the United
45 States~~ri~~ or

46 (3) Activated~~activated~~ by the Governor of the State of
47 Alabama or the President of the United States to support state
48 or federal response to emergencies within or outside of the
49 United States ~~shall not be subject to income taxes levied by~~
50 ~~the State of Alabama.~~"

51 Section 2. The provisions of this act shall apply to
52 tax years beginning on or after January 1, 2027.

53 Section 3. This act shall become effective on January
54 1, 2027.