

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



SYNOPSIS:

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

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

A BILL
TO BE ENTITLED
AN ACT

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

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

"§40-18-3

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



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

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

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

(2) Deployed ~~deployed~~ to locations outside the United States ; or

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

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

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