

SB79 INTRODUCED



1 SB79

2 FKRXAD5-1

3 By Senators *Roberts, Barfoot, Waggoner, Jones, Butler, Givhan,*

4 *Shelnutt*

5 RFD: Finance and Taxation Education

6 First Read: 13-Jan-26



1
2
3

4 SYNOPSIS:

5 Under current law, any contributions made by an
6 employer to a Trump Account on behalf of an employee,
7 or dependent of an employee pursuant to 26 U.S.C. §
8 530A, shall be included in gross income of the
9 employee.

10 Under expiring law, an individual taxpayer is
11 allowed an exclusion from gross income for amounts paid
12 by their employer on any qualified education loan
13 pursuant to 26 U.S.C. § 127(c)(1)(B).

14 This bill would exclude contributions by the
15 employer to Trump Accounts from the gross income of an
16 individual taxpayer and make the exclusion for amounts
17 paid by an employer on qualified education loans
18 permanent for individual taxpayers.

19
20
21 A BILL

22 TO BE ENTITLED

23 AN ACT

24
25 Relating to income taxes; to amend Section 40-18-14,
26 Code of Alabama 1975, to exclude from gross income of an
27 individual taxpayer amounts paid by an employer as a
28 contribution to a Trump Account; and to make the exclusion for

SB79 INTRODUCED



29 amounts paid by an employer on any qualified education loan
30 permanent for individual taxpayers.

31 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

34 "§40-18-14

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

36 (1) Includes gains, profits and income derived from
37 salaries, wages, or compensation for personal services of
38 whatever kind, or in whatever form paid, including the
39 salaries, income, fees, and other compensation of state,
40 county, and municipal officers and employees, or from
41 professions, vocations, trades, business, commerce or sales,
42 or dealings in property whether real or personal, growing out
43 of ownership or use of or interest in such property; also from
44 interest, royalties, rents, dividends, securities, or
45 transactions of any business carried on for gain or profit and
46 the income derived from any source whatever, including any
47 income not exempted under this chapter and against which
48 income there is no provision for a tax. The term "gross
49 income" as used herein also includes alimony and separate
50 maintenance payments to the extent they are includable in
51 gross income for federal income tax purposes under 26 U.S.C. §
52 71, relating to alimony and separate maintenance payments. The
53 term "gross income" as used herein also includes any amount
54 included in gross income under 26 U.S.C. § 83 at the time it
55 is so included under 26 U.S.C. § 83.

56 (2) For purposes of this chapter, the reductions in tax



57 attributes required by 26 U.S.C. § 108 shall be applied only
58 to the net operating losses determined under this chapter and
59 the basis of depreciable property. The basis reductions of
60 depreciable property shall not exceed the basis reductions for
61 federal income tax purposes. All other tax attribute
62 reductions required by 26 U.S.C. § 108 shall not be
63 recognized.

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

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

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

73 c. The value of property acquired by gift, bequest,
74 devise, or descent, but the income from such property shall be
75 included in the gross income, in accordance with 26 U.S.C. §
76 102;

77 d. Interest upon obligations of the United States or
78 its possessions; or securities issued under provisions of the
79 Federal Farm Loan Act of July 18, 1916;

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

84 f. Interest on obligations of the State of Alabama and

SB79 INTRODUCED



85 any county, municipality, or other political subdivision
86 thereof;

87 g. The rental value of a parsonage provided to a
88 minister of the gospel to the extent excludable under 26
89 U.S.C. § 107;

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

92 i. For each individual resident taxpayer, or each
93 husband and wife filing a joint income tax return, as the case
94 may be, any gain realized from the sale of a personal
95 residence of the taxpayer shall be excluded to the extent
96 excludable for federal income tax purposes under 26 U.S.C. §
97 121;

98 j. Contributions made by an employer on behalf of an
99 employee to a trust which is part of a qualified cash or
100 deferred arrangement, as defined in 26 U.S.C. § 401(k)(2) or 5
101 U.S.C. § 8437, under which the employee has an election
102 whether the contribution will be made to the trust or received
103 by the employee in cash and contributions made by an employer
104 for an employee for an annuity contract, which contributions
105 would be excludable from the gross income, for federal income
106 tax purposes, of the employee in accordance with the
107 provisions of 26 U.S.C. § 403(b). The limitations imposed by
108 26 U.S.C. § 402(g) shall apply for purposes of this paragraph;

109 k. Amounts that an employee is allowed to exclude from
110 gross income for federal income tax purposes pursuant to 26
111 U.S.C. § 125, relating to cafeteria plans, and 26 U.S.C. §
112 132, relating to certain fringe benefits; and



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

117 m.1.(i) Amounts received by a full-time hourly waged
118 paid employee as compensation for work performed in excess of
119 40 hours in a week.

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

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

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

128 3. Notwithstanding subparagraph 2., for employers
129 governed by the National Railway Labor Act, the exemption
130 provided in this paragraph applies to hourly component
131 overtime compensation as defined in applicable collective
132 bargaining agreements.

133 4. Each employer shall submit to the Department of
134 Revenue, on forms prescribed by the department, all of the
135 following:

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



SB79 INTRODUCED

141 (ii) For the tax year beginning on or after January 1,
142 2024, through September 30, 2024, the total amount received by
143 full-time hourly wage-paid employees as compensation for work
144 performed in excess of 40 hours in a week. Beginning on
145 October 1, 2024, and each year thereafter, the total amount
146 paid pursuant to this paragraph and the total number of
147 employees for which it was paid. The data shall be provided
148 monthly or quarterly and shall be due no later than the due
149 date for the corresponding monthly or quarterly withholding
150 tax returns.

151 (iii) Additional information as may be required by the
152 department.

153 5. The department shall report to the Legislative
154 Services Agency - Fiscal Division and the Department of
155 Finance the data collected and compiled pursuant to
156 subparagraph 4. no later than 30 days after the due date of
157 the data.

158 n. Any net capital gain derived from the exchange of
159 precious metal bullion. For purposes of this paragraph,
160 "precious metal bullion" means coins, bars, or rounds
161 containing primarily refined gold, silver, platinum, or
162 palladium that is marked and valued primarily by its weight,
163 purity, and content.

164 o. For tax years beginning on or after January 1, 2026,
165 the amounts of principal or interest on any qualified
166 education loan which are paid by an employer, whether paid to
167 the employee or to their lender, and which are excluded from
168 an employee's federal gross income pursuant to 26 U.S.C. §



169 127(c)(1)(B) as amended by § 70412 of the One, Big, Beautiful
170 Bill Act, Pub. L. 119-21.

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

176 (4) The term "gross income," in the case of a resident
177 individual, includes income from sources within and outside
178 Alabama, including without limitation, the resident's
179 proportionate share of any income arising from a Subchapter K
180 entity, Alabama S corporation, or estate or trust, regardless
181 of the geographic source of the income. The term "gross
182 income," in the case of a nonresident individual, includes
183 only income from property owned or business transacted in
184 Alabama. For purposes of this article, "proportionate share"
185 shall be defined by reference to (i) the status of the
186 individual owner as a partner or member of a Subchapter K
187 entity, shareholder of an Alabama S corporation, or
188 beneficiary of an estate or trust, and (ii) the allocable
189 interest in that entity owned by the individual.

190 (b) The Department of Revenue may adopt rules to
191 provide for the administration of this section."

192 Section 2. This act shall become effective on May 1,
193 2026.