

1 SB18
2 217520-2
3 By Senators Orr, Butler, Allen, Melson, Jones, Williams,
4 Givhan, Waggoner, Scofield, Reed, Whatley, Barfoot, Chambliss,
5 Elliott and Livingston
6 RFD: Finance and Taxation Education
7 First Read: 11-JAN-22
8 PFD: 12/16/2021

1 SB18

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4 ENGROSSED

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7 A BILL
8 TO BE ENTITLED
9 AN ACT

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11 To amend Section 40-18-19, Code of Alabama 1975,
12 relating to exemptions from state income taxation; to provide
13 that up to \$6,000 of taxable retirement income is exempt from
14 state income tax for individuals who are 65 years of age or
15 older.

16 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

19 "§40-18-19.

20 "(a) The following exemptions from income taxation
21 shall be allowed to every individual resident taxpayer:

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

26 "(2) Retirement allowances, pensions and annuities,
27 or optional allowances, approved by the Board of Control of

1 the Employees' Retirement System of Alabama, which exempt
2 status is set out in Section 36-27-28.

3 "(3) The first eight thousand dollars (\$8,000) of
4 any retirement compensation, retirement allowances, pensions
5 and annuities, or optional allowances, received by any
6 eligible firefighter, as defined in Sections 36-32-1 and
7 36-32-2, or his or her designated beneficiary, from any
8 firefighting agency established in the State of Alabama, but
9 only if such retirement compensation, retirement allowances,
10 pensions and annuities, or optional allowances as are awarded
11 as a result of fire protection services rendered. This
12 subdivision shall become effective for the taxable years
13 beginning January 1, 1987, and thereafter following its
14 passage and approval by the Governor, or upon its otherwise
15 becoming a law; provided, that for the taxable years beginning
16 on or after January 1, 1991, all of the pension and retirement
17 payments shall be exempt from taxation.

18 "(4) The first eight thousand dollars (\$8,000) of
19 any retirement compensation, retirement allowances, pensions
20 and annuities, or optional allowances received by any eligible
21 peace officer, as defined in subdivision (11) of Section
22 36-21-60, or his or her designated beneficiary, from any
23 police retirement system established in the State of Alabama,
24 but only if the retirement compensation, retirement
25 allowances, pensions and annuities, or optional allowances are
26 awarded as a result of police services rendered. This
27 subdivision shall become effective for taxable years beginning

1 January 1, 1984, and thereafter; provided, that for the
2 taxable years beginning on or after January 1, 1991, all of
3 the pension and retirement payments shall be exempt from
4 taxation.

5 "(5) Income received as annuities under the United
6 States Retirement System from the United States Government
7 Civil Service Retirement and Disability Fund, including income
8 received from the Tennessee Valley Authority's pension system,
9 income received as annuities under the United States Foreign
10 Service Retirement and Disability Fund, or income received
11 from any other United States government retirement and
12 disability fund.

13 "(6) Beginning January 1, 1991, all payments made on
14 or after such date to a retiree or his designated beneficiary
15 under a "defined benefit plan," as defined under Section
16 414(j) of the Internal Revenue Code of 1986, as amended from
17 time to time, to the extent such payment would be taxable for
18 federal income tax purposes.

19 "(7) Net income realized by individuals and
20 partnerships from time to time in the business of conducting a
21 financial business employing ~~moneyed~~ monied capital coming
22 into competition with the business of national banks, but only
23 if such individuals and partnerships are subject to an excise
24 tax imposed by this state on or with respect to such income.

25 "(8) In the case of a single person or a married
26 person not living with husband or wife, a personal exemption
27 of one thousand five hundred dollars (\$1,500) or, in the case

1 of a head of a family or a married person living with husband
2 or wife, a personal exemption of three thousand dollars
3 (\$3,000), but a husband and wife living together shall receive
4 only one personal exemption of three thousand dollars (\$3,000)
5 against their aggregate income, and in case they make separate
6 returns each must claim a personal exemption of one thousand
7 five hundred dollars (\$1,500).

8 "(9) a. Three hundred dollars (\$300) for each
9 person, other than husband or wife, dependent upon the
10 taxpayer, and over half of whose support, for the calendar
11 year in which the taxable year for the taxpayer begins, was
12 received from the taxpayer.

13 "b. For tax years beginning after December 31, 2006,
14 for taxpayers with adjusted gross income equal to or less than
15 ~~\$20,000~~ twenty thousand dollars (\$20,000), one thousand
16 dollars (\$1,000) for each person other than husband or wife,
17 dependent upon the taxpayer, and over half of whose support,
18 for the calendar year in which the taxable year for the
19 taxpayer begins, was received from the taxpayer.

20 "c. For tax years beginning after December 31, 2006,
21 for taxpayers with adjusted gross income in excess of ~~\$20,000~~
22 twenty thousand dollars (\$20,000) and equal to or less than
23 ~~\$100,000~~ one hundred thousand dollars (\$100,000), five hundred
24 dollars (\$500) for each person other than husband and wife,
25 dependent upon the taxpayer, and over half of whose support,
26 for the calendar year in which the taxable year for the
27 taxpayer begins, was received from the taxpayer.

1 "For the purposes of this section, "dependent" shall
2 mean: A son or daughter of the taxpayer or a descendant of
3 either; a stepson or stepdaughter of the taxpayer; a brother,
4 sister, stepbrother, or stepsister of the taxpayer; the father
5 or mother of the taxpayer or an ancestor of either; a
6 stepfather or stepmother of the taxpayer; a son or daughter of
7 a brother or sister of the taxpayer; a brother or sister of
8 the father or mother of the taxpayer; a son-in-law,
9 daughter-in-law, father-in-law, mother-in-law, brother-in-law,
10 or sister-in-law of the taxpayer. As used in this paragraph
11 the terms "brother" and "sister" include a brother or sister
12 by the half blood. For the purpose of determining whether any
13 of the foregoing relationships exist, a legally adopted child
14 of a person shall be considered a child of such a person by
15 blood.

16 "(10) Beginning January 1, 1998, all income,
17 interest, dividends, gains, or benefits of any kind received
18 from savings accounts or prepaid tuition contracts
19 administered under Title 16, Chapter 33C, are exempt from all
20 income taxation by the state and by all of its political
21 subdivisions to the extent that the amounts remain on deposit
22 in the PACT Trust Fund or the ACES Trust Fund, or are used to
23 pay the designated beneficiary's qualified higher education
24 expenses as defined in Section 529 of the Internal Revenue
25 Code of 1986, as amended, or are refunded under such terms as
26 would not carry a penalty under Section 529 of the Internal
27 Revenue Code of 1986, as amended.

1 "(11) Beginning January 1, 2016, all income,
2 interest, dividends, gains, or benefits of any kind received
3 from ABLE savings accounts administered under Title 16,
4 Chapter 33C, are exempt from all income taxation by the state
5 and by all of its political subdivisions to the extent that
6 the amounts remain on deposit in the ABLE Trust Fund, or are
7 used to pay the designated beneficiary's qualified disability
8 expenses as defined in Section 529A of the Internal Revenue
9 Code of 1986, as amended, or are refunded under such terms as
10 would not carry a penalty under Section 529A of the Internal
11 Revenue Code of 1986, as amended, or other applicable federal
12 law.

13 "(12) Beginning January 1, 2018, amounts received by
14 an individual from sources within a foreign country or
15 countries which constitute a housing allowance, and earned
16 income attributable to services performed by such individual
17 received during the tax period are exempt from all income
18 taxation by the state and by all of its political subdivisions
19 to the extent such income is exempt from federal income tax
20 pursuant to 26 U.S.C. Section 911.

21 "(13) a. Beginning January 1, 2023, the first six
22 thousand dollars (\$6,000) of taxable retirement income.

23 "b. This exemption may only be claimed by individual
24 taxpayers who are 65 years of age or older.

25 "(b) Of the following personal exemptions allowed
26 resident taxpayers, each nonresident individual taxpayer shall
27 be allowed that proportion thereof that the adjusted gross

1 income received by said nonresident individual taxpayer from
2 sources within the State of Alabama bears to his or her
3 adjusted gross income received from sources within and without
4 the State of Alabama: In the case of a single person or a
5 married person not living with husband or wife, a personal
6 exemption of one thousand five hundred dollars (\$1,500) or, in
7 the case of a head of a family or a married person living with
8 husband or wife, a personal exemption of three thousand
9 dollars (\$3,000), a husband and wife living together shall
10 receive but one personal exemption of three thousand dollars
11 (\$3,000) against their aggregate income; and, in case they
12 make separate returns, each must claim a personal exemption of
13 one thousand five hundred dollars (\$1,500); and the amount in
14 subdivision (9) of subsection (a) for each person, other than
15 husband or wife, dependent upon and receiving his or her chief
16 support from the taxpayer."

17 Section 2. The Department of Revenue may enact rules
18 as necessary to implement and administer the provisions of
19 this act.

20 Section 3. This act shall become effective on the
21 first day of the third month following its passage and
22 approval by the Governor, or its otherwise becoming law.

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Senate

Read for the first time and referred to the Senate
committee on Finance and Taxation Education 11-JAN-22

Read for the second time and placed on the calen-
dar 1 amendment..... 18-JAN-22

Read for the third time and passed as amended 16-FEB-22

Yeas 28
Nays 0

Patrick Harris,
Secretary.