SB297 ENROLLED



- 1 SB297
- 2 VXCJLVP-3
- 3 By Senator Melson
- 4 RFD: Finance and Taxation General Fund
- 5 First Read: 04-Apr-24



1 Enrolled, An Act,

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- 3 Relating to state income tax for individuals; to amend
- 4 Section 40-18-14, as last amended by Act 2023-421, 2023
- 5 Regular Session, Code of Alabama 1975; to exclude net capital
- 6 gains derived from the exchange of precious metal bullion from
- 7 state income taxes.
- 8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:
- 9 Section 1. This act shall be known and may be cited as
- 10 the Sound Money Tax Neutrality Act.
- 11 Section 2. Section 40-18-14, as last amended by Act
- 12 2023-421, 2023 Regular Session, Code of Alabama 1975, is
- 13 amended to read as follows:
- 14 "\$40-18-14
- 15 (a) The term "gross income" as used herein:
- 16 (1) Includes gains, profits and income derived from
- salaries, wages, or compensation for personal services of
- 18 whatever kind, or in whatever form paid, including the
- 19 salaries, income, fees, and other compensation of state,
- 20 county, and municipal officers and employees, or from
- 21 professions, vocations, trades, business, commerce or sales,
- 22 or dealings in property whether real or personal, growing out
- of ownership or use of or interest in such property; also from
- 24 interest, royalties, rents, dividends, securities, or
- 25 transactions of any business carried on for gain or profit and
- 26 the income derived from any source whatever, including any
- 27 income not exempted under this chapter and against which
- 28 income there is no provision for a tax. The term "gross



- 29 income" as used herein also includes alimony and separate
- 30 maintenance payments to the extent they are includable in
- 31 gross income for federal income tax purposes under 26 U.S.C. §
- 32 71, relating to alimony and separate maintenance payments. The
- 33 term "gross income" as used herein also includes any amount
- included in gross income under 26 U.S.C. § 83 at the time it
- is so included under 26 U.S.C. § 83.
- 36 (2) For purposes of this chapter, the reductions in tax
- 37 attributes required by 26 U.S.C. § 108 shall be applied only
- 38 to the net operating losses determined under this chapter and
- 39 the basis of depreciable property. The basis reductions of
- 40 depreciable property shall not exceed the basis reductions for
- 41 federal income tax purposes. All other tax attribute
- reductions required by 26 U.S.C. § 108 shall not be
- 43 recognized.
- 44 (3) Gross income does not include the following items
- 45 which shall be exempt from income tax under this chapter:
- 46 a. Amounts received under life insurance policies and
- 47 contracts paid by reason of the death of the insured in
- 48 accordance with 26 U.S.C. § 101;
- b. Amounts received, other than amounts paid by reason
- of the death of the insured, under life insurance, endowment
- or annuity contracts, determined in accordance with 26 U.S.C.
- 52 \$ 72;
- c. The value of property acquired by gift, bequest,
- 54 devise, or descent, but the income from such property shall be
- included in the gross income, in accordance with 26 U.S.C. §
- 56 102;



- d. Interest upon obligations of the United States or its possessions; or securities issued under provisions of the Federal Farm Loan Act of July 18, 1916;
- e. Any amounts received by an individual which are
 excludable from gross income under 26 U.S.C. § 104, relating
 to compensation for injuries or sickness, or 26 U.S.C. § 105,
 relating to amounts received under accident or health plans;
- f. Interest on obligations of the State of Alabama and any county, municipality, or other political subdivision thereof;
- g. The rental value of a parsonage provided to a minister of the gospel to the extent excludable under 26 U.S.C. § 107;
- 70 h. Income from discharge of indebtedness to the extent 71 allowed by 26 U.S.C. § 108;
- i. For each individual resident taxpayer, or each
 husband and wife filing a joint income tax return, as the case
 may be, any gain realized from the sale of a personal
 residence of the taxpayer shall be excluded to the extent
 excludable for federal income tax purposes under 26 U.S.C. §

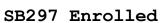
 121;
- j. Contributions made by an employer on behalf of an
 employee to a trust which is part of a qualified cash or
 deferred arrangement, as defined in 26 U.S.C. § 401(k)(2) or 5
 U.S.C. § 8437, under which the employee has an election
 whether the contribution will be made to the trust or received
 by the employee in cash and contributions made by an employer
 for an employee for an annuity contract, which contributions



- 85 would be excludable from the gross income, for federal income
- 86 tax purposes, of the employee in accordance with the
- provisions of 26 U.S.C. § 403(b). The limitations imposed by
- 88 26 U.S.C. § 402(g) shall apply for purposes of this paragraph;
- k. Amounts that an employee is allowed to exclude from
- 90 gross income for federal income tax purposes pursuant to 26
- 91 U.S.C. § 125, relating to cafeteria plans, and 26 U.S.C. §
- 92 132, relating to certain fringe benefits; and
- 1. Amounts paid or incurred by an employer on behalf of
- an employee if the amounts may be excluded from gross income
- 95 for federal income tax purposes by an employee pursuant to 26
- 96 U.S.C. § 129, relating to dependent care expenses.
- 97 m.1. Amounts received by a full-time hourly waged paid
- 98 employee as compensation for work performed in excess of 40
- 99 hours in a week.
- 100 2. The exemption provided pursuant to this paragraph
- shall be available for tax years that begin after December 31,
- 102 2023, and end prior to June 30, 2025.
- 103 3. Each employer shall submit to the Department of
- 104 Revenue, on forms prescribed by the department, all of the
- 105 following:
- 106 (i) For the tax year beginning January 1, 2023, the
- 107 total amount received by full-time hourly wage-paid employees
- 108 as compensation for work performed in excess of 40 hours in a
- week and the total number of employees for which it was paid.
- 110 The data shall be due no later than January 31, 2024.
- 111 (ii) For the tax year beginning on or after January 1,
- 112 2024, and each tax year thereafter, the total amount received

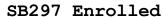


- by full-time hourly wage-paid employees as compensation for
- work performed in excess of 40 hours in a week and the total
- 115 number of employees for which it was paid. The data shall be
- 116 provided monthly or quarterly and shall be due no later than
- the due date for the corresponding monthly or quarterly
- 118 withholding tax returns.
- 119 (iii) Additional information as may be required by the
- 120 department.
- 121 4. The department shall report to the Legislative
- 122 Services Agency Fiscal Division and the Department of
- 123 Finance the data collected and compiled pursuant to
- 124 subparagraph 3. no later than 30 days after the due date of
- 125 such data.
- 126 n. Any net capital gain derived from the exchange of
- 127 precious metal bullion. For purposes of this paragraph,
- 128 "precious metal bullion" means coins, bars or rounds
- 129 containing primarily refined gold, silver, platinum, or
- 130 palladium that is marked and valued primarily by its weight,
- 131 purity, and content.
- 132 (4) The term "gross income," in the case of a resident
- 133 individual, includes income from sources within and outside
- 134 Alabama, including without limitation, the resident's
- proportionate share of any income arising from a Subchapter K
- entity, Alabama S corporation, or estate or trust, regardless
- of the geographic source of the income. The term gross income,
- in the case of a nonresident individual, includes only income
- from property owned or business transacted in Alabama. For
- 140 purposes of this article, proportionate share shall be defined





141	by reference to (i) the status of the individual owner as a
142	partner or member of a Subchapter K entity, shareholder of an
143	Alabama S corporation, or beneficiary of an estate or trust,
144	and (ii) the allocable interest in that entity owned by the
145	individual.
146	(b) The Department of Revenue may adopt rules to
147	provide for the administration of this section."
148	Section 3. This act shall become effective on January
149	1, 2025.





President and Presiding Officer of the Senate Speaker of the House of Representatives SB297 Senate 30-Apr-24 I hereby certify that the within Act originated in and passed the Senate, as amended. Patrick Harris, Secretary. House of Representatives Passed: 07-May-24 By: Senator Melson