

SB297 ENROLLED



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



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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
17 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
23 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



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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
34 included in gross income under 26 U.S.C. § 83 at the time it
35 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
42 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;

49 b. Amounts received, other than amounts paid by reason
50 of the death of the insured, under life insurance, endowment
51 or annuity contracts, determined in accordance with 26 U.S.C.
52 § 72;

53 c. The value of property acquired by gift, bequest,
54 devise, or descent, but the income from such property shall be
55 included in the gross income, in accordance with 26 U.S.C. §
56 102;



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

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

64 f. Interest on obligations of the State of Alabama and
65 any county, municipality, or other political subdivision
66 thereof;

67 g. The rental value of a parsonage provided to a
68 minister of the gospel to the extent excludable under 26
69 U.S.C. § 107;

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

72 i. For each individual resident taxpayer, or each
73 husband and wife filing a joint income tax return, as the case
74 may be, any gain realized from the sale of a personal
75 residence of the taxpayer shall be excluded to the extent
76 excludable for federal income tax purposes under 26 U.S.C. §
77 121;

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



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85 would be excludable from the gross income, for federal income
86 tax purposes, of the employee in accordance with the
87 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;

89 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

93 l. Amounts paid or incurred by an employer on behalf of
94 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
101 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
109 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



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113 by full-time hourly wage-paid employees as compensation for
114 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
117 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
135 proportionate share of any income arising from a Subchapter K
136 entity, Alabama S corporation, or estate or trust, regardless
137 of the geographic source of the income. The term gross income,
138 in the case of a nonresident individual, includes only income
139 from property owned or business transacted in Alabama. For
140 purposes of this article, proportionate share shall be defined



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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.



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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