

HB388 INTRODUCED



1 HB388

2 DBWQNHN-1

3 By Representatives Garrett, Stadthagen, Colvin, Brinyark,

4 Kirkland, Marques, Sorrells, Rehm, Whorton, Paschal, Smith,

5 Shaw, Butler, Moore (P), Estes, Robertson, Lipscomb, Wilcox,

6 Harrison, Hammett, Pettus, Easterbrook, Starnes, Stubbs,

7 Standridge, Carns, Holk-Jones, Givens, Underwood, Ross,

8 Mooney, Ingram, Baker, Sells, Treadaway, Rigsby, Yarbrough,

9 Woods, DuBose, Lovvorn, Fidler, Lamb, Gidley, Shirey, Hulsey,

10 Lomax, Ledbetter, Hurst, Kiel

11 RFD: Ways and Means Education

12 First Read: 05-Mar-25



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SYNOPSIS:

Under current law, the first \$6,000 of taxable retirement income for individuals who are 65 years of age or older is exempt from Alabama income taxes.

This bill would increase the exemption amount to \$12,000 of taxable income for individuals who are 65 years of age or older.

A BILL
TO BE ENTITLED
AN ACT

Relating to income taxes; to amend Section 40-18-19, Code of Alabama 1975, regarding exemptions from income taxation; to increase the exemption amount for taxable retirement income of individuals who are 65 years of age or older to \$12,000.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

"§40-18-19

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

(1) Retirement allowances, pensions and annuities, or



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29 optional allowances, approved by the Board of Control of the
30 Teachers' Retirement System of Alabama, which exempt status is
31 set out in Section 16-25-23.

32 (2) Retirement allowances, pensions and annuities, or
33 optional allowances, approved by the Board of Control of the
34 Employees' Retirement System of Alabama, which exempt status
35 is set out in Section 36-27-28.

36 (3) The first eight thousand dollars (\$8,000) of any
37 retirement compensation, retirement allowances, pensions and
38 annuities, or optional allowances, received by any eligible
39 firefighter, as defined in Sections 36-32-1 and 36-32-2, or
40 his or her designated beneficiary, from any firefighting
41 agency established in the State of Alabama, but only if such
42 retirement compensation, retirement allowances, pensions and
43 annuities, or optional allowances as are awarded as a result
44 of fire protection services rendered. This subdivision shall
45 become effective for the taxable years beginning January 1,
46 1987, and thereafter following its passage and approval by the
47 Governor, or upon its otherwise becoming a law; provided, that
48 for the taxable years beginning on or after January 1, 1991,
49 all of the pension and retirement payments shall be exempt
50 from taxation.

51 (4) The first eight thousand dollars (\$8,000) of any
52 retirement compensation, retirement allowances, pensions and
53 annuities, or optional allowances received by any eligible
54 peace officer, as defined in subdivision (11) of Section
55 36-21-60, or his or her designated beneficiary, from any
56 police retirement system established in the State of Alabama,



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57 but only if the retirement compensation, retirement
58 allowances, pensions and annuities, or optional allowances are
59 awarded as a result of police services rendered. This
60 subdivision shall become effective for taxable years beginning
61 January 1, 1984, and thereafter; provided, that for the
62 taxable years beginning on or after January 1, 1991, all of
63 the pension and retirement payments shall be exempt from
64 taxation.

65 (5) Income received as annuities under the United
66 States Retirement System from the United States Government
67 Civil Service Retirement and Disability Fund, including income
68 received from the Tennessee Valley Authority's pension system,
69 income received as annuities under the United States Foreign
70 Service Retirement and Disability Fund, or income received
71 from any other United States government retirement and
72 disability fund.

73 (6) Beginning January 1, 1991, all payments made on or
74 after such date to a retiree or his designated beneficiary
75 under a "defined benefit plan," as defined under 26 U.S.C. §
76 414(j), to the extent such payment would be taxable for
77 federal income tax purposes.

78 (7) Net income realized by individuals and partnerships
79 from time to time in the business of conducting a financial
80 business employing monied capital coming into competition with
81 the business of national banks, but only if such individuals
82 and partnerships are subject to an excise tax imposed by this
83 state on or with respect to such income.

84 (8) In the case of a single person or a married person



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85 not living with husband or wife, a personal exemption of one
86 thousand five hundred dollars (\$1,500) or, in the case of a
87 head of a family or a married person living with husband or
88 wife, a personal exemption of three thousand dollars (\$3,000),
89 but a husband and wife living together shall receive only one
90 personal exemption of three thousand dollars (\$3,000) against
91 their aggregate income, and in case they make separate returns
92 each must claim a personal exemption of one thousand five
93 hundred dollars (\$1,500).

94 (9) a. Three hundred dollars (\$300) for each person,
95 other than husband or wife, dependent upon the taxpayer, and
96 over half of whose support, for the calendar year in which the
97 taxable year for the taxpayer begins, was received from the
98 taxpayer.

99 b. For tax years beginning after December 31, 2006, for
100 taxpayers with adjusted gross income equal to or less than
101 twenty thousand dollars (\$20,000), one thousand dollars
102 (\$1,000) for each person other than husband or wife, dependent
103 upon the taxpayer, and over half of whose support, for the
104 calendar year in which the taxable year for the taxpayer
105 begins, was received from the taxpayer.

106 c. For tax years beginning after December 31, 2006, for
107 taxpayers with adjusted gross income in excess of twenty
108 thousand dollars (\$20,000) and equal to or less than one
109 hundred thousand dollars (\$100,000), five hundred dollars
110 (\$500) for each person other than husband and wife, dependent
111 upon the taxpayer, and over half of whose support, for the
112 calendar year in which the taxable year for the taxpayer



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113 begins, was received from the taxpayer.

114 d. For tax years beginning after December 31, 2021, for
115 taxpayers with adjusted gross income equal to or less than
116 fifty thousand dollars (\$50,000), one thousand dollars
117 (\$1,000) for each person other than husband or wife, dependent
118 upon the taxpayer, and over half of whose support, for the
119 calendar year in which the taxable year for the taxpayer
120 begins, was received from the taxpayer.

121 e. For tax years beginning after December 31, 2021, for
122 taxpayers with adjusted gross income in excess of fifty
123 thousand dollars (\$50,000) and equal to or less than one
124 hundred thousand dollars (\$100,000), five hundred dollars
125 (\$500) for each person other than husband and wife, dependent
126 upon the taxpayer, and over half of whose support, for the
127 calendar year in which the taxable year for the taxpayer
128 begins, was received from the taxpayer.

129 For the purposes of this section, "dependent" shall
130 mean: A son or daughter of the taxpayer or a descendant of
131 either; a stepson or stepdaughter of the taxpayer; a brother,
132 sister, stepbrother, or stepsister of the taxpayer; the father
133 or mother of the taxpayer or an ancestor of either; a
134 stepfather or stepmother of the taxpayer; a son or daughter of
135 a brother or sister of the taxpayer; a brother or sister of
136 the father or mother of the taxpayer; a son-in-law,
137 daughter-in-law, father-in-law, mother-in-law, brother-in-law,
138 or sister-in-law of the taxpayer. As used in this paragraph
139 the terms "brother" and "sister" include a brother or sister
140 by the half blood. For the purpose of determining whether any



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141 of the foregoing relationships exist, a legally adopted child
142 of a person shall be considered a child of such a person by
143 blood.

144 (10) Beginning January 1, 1998, all income, interest,
145 dividends, gains, or benefits of any kind received from
146 savings accounts or prepaid tuition contracts administered
147 under Title 16, Chapter 33C, are exempt from all income
148 taxation by the state and by all of its political subdivisions
149 to the extent that the amounts remain on deposit in the PACT
150 Trust Fund or the ACES Trust Fund, or are used to pay the
151 designated beneficiary's qualified higher education expenses
152 as defined in 26 U.S.C. § 529, or are refunded under such
153 terms as would not carry a penalty under 26 U.S.C. § 529.

154 (11) Beginning January 1, 2016, all income, interest,
155 dividends, gains, or benefits of any kind received from ABLE
156 savings accounts administered under Title 16, Chapter 33C, are
157 exempt from all income taxation by the state and by all of its
158 political subdivisions to the extent that the amounts remain
159 on deposit in the ABLE Trust Fund, or are used to pay the
160 designated beneficiary's qualified disability expenses as
161 defined in 26 U.S.C. § 529A, or are refunded under such terms
162 as would not carry a penalty under 26 U.S.C. § 529A, or other
163 applicable federal law.

164 (12) Beginning January 1, 2018, amounts received by an
165 individual from sources within a foreign country or countries
166 which constitute a housing allowance, and earned income
167 attributable to services performed by such individual received
168 during the tax period are exempt from all income taxation by



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169 the state and by all of its political subdivisions to the
170 extent such income is exempt from federal income tax pursuant
171 to 26 U.S.C. § 911.

172 (13) a. Beginning January 1, 2023 through December 31,
173 2025, the first six thousand dollars (\$6,000) of taxable
174 retirement income.

175 b. Beginning January 1, 2026, the first twelve thousand
176 dollars (\$12,000) of taxable retirement income.

177 b. This exemption may only be claimed by individual
178 taxpayers who are 65 years of age or older.

179 (b) Of the following personal exemptions allowed
180 resident taxpayers, each nonresident individual taxpayer shall
181 be allowed that proportion thereof that the adjusted gross
182 income received by said nonresident individual taxpayer from
183 sources within the State of Alabama bears to his or her
184 adjusted gross income received from sources within and without
185 the State of Alabama: In the case of a single person or a
186 married person not living with husband or wife, a personal
187 exemption of one thousand five hundred dollars (\$1,500) or, in
188 the case of a head of a family or a married person living with
189 husband or wife, a personal exemption of three thousand
190 dollars (\$3,000), a husband and wife living together shall
191 receive but one personal exemption of three thousand dollars
192 (\$3,000) against their aggregate income; and, in case they
193 make separate returns, each must claim a personal exemption of
194 one thousand five hundred dollars (\$1,500); and the amount in
195 subdivision (9) of subsection (a) for each person, other than
196 husband or wife, dependent upon and receiving his or her chief



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197 support from the taxpayer.

198 (c) The Department of Revenue may enact rules as
199 necessary to implement and administer the provisions of this
200 act."

201 Section 2. This act shall become effective on October
202 1, 2025.