

1 SB19
2 215474-2
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

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4 ENGROSSED

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7 A BILL
8 TO BE ENTITLED
9 AN ACT

10
11 To amend Sections 40-18-15 and 40-18-19, Code of
12 Alabama 1975, to increase the optional standard deduction and
13 expand the adjusted gross income range allowable for the
14 maximum optional standard deduction; and to expand the
15 adjusted gross income range allowable for the maximum
16 dependent exemption.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

18 Section 1. Section 40-18-15, Code of Alabama 1975,
19 is hereby amended as follows:

20 "§40-18-15.

21 "(a) No deduction shall be allowed for any losses,
22 expenses, or interest deferred or disallowed pursuant to 26
23 U.S.C. § 267 or for any cost required to be capitalized in
24 accordance with 26 U.S.C. § 263A; otherwise, there shall be
25 allowed as deductions:

1 "(1) All ordinary and necessary expenses paid or
2 incurred during the taxable year in carrying on any trade or
3 business, as determined in accordance with 26 U.S.C. § 162.

4 "(2) Interest paid or accrued within the taxable
5 year on indebtedness, limited to the amount allowable as an
6 interest deduction for federal income tax purposes in the
7 corresponding tax year or period pursuant to the provisions of
8 26 U.S.C. §§ 163, 264, and 265.

9 "(3) The following taxes paid or accrued within the
10 taxable year:

11 "a. Income taxes, Federal Insurance Contribution Act
12 taxes, taxes on self-employment income and estate and gift
13 taxes imposed by authority of the United States or any
14 possession of the United States.

15 "b. State and local, and foreign, occupational
16 license taxes, and contributions to state unemployment funds.

17 "c. State and local, and foreign, real property
18 taxes.

19 "d. State and local personal property taxes.

20 "e. The generation-skipping transfer (GST) tax
21 imposed on income distributions by 26 U.S.C. § 2601.

22 "f. The taxes described in paragraphs c., d., and e.
23 shall be deductible only to the extent that the taxes are
24 deductible for federal income tax purposes under 26 U.S.C. §
25 164 (relating to taxes).

26 "g. In addition, there shall be allowed as a
27 deduction, state and local, and foreign taxes, except income

1 taxes, and taxes imposed by authority of the United States or
2 any possession of the United States, which are paid or accrued
3 within the taxable year in carrying on a trade or business or
4 an activity described in 26 U.S.C. § 212 (relating to expenses
5 for the production of income).

6 "h. Notwithstanding paragraph g., any tax described
7 in any paragraph preceding paragraph g. that is paid or
8 accrued in connection with an acquisition or disposition of
9 property shall be treated as part of the cost of the acquired
10 property or, in the case of a disposition, as a reduction in
11 the amount realized on the disposition of that property.

12 "(4) Losses sustained during the taxable year and
13 not compensated for by insurance or otherwise if incurred in a
14 trade or business, in accordance with 26 U.S.C. § 165(c)(1).

15 "(5) Losses sustained during the taxable year and
16 not compensated for by insurance or otherwise, if incurred in
17 any transaction entered into for profit, though not connected
18 with the trade or business in accordance with 26 U.S.C. §
19 165(c)(2); but, in the case of a taxpayer other than a
20 resident of the state, only as to those transactions within
21 the state.

22 "(6) Casualty and theft losses sustained during the
23 taxable year of property not connected with the conduct of a
24 trade or business or a transaction entered into for profit as
25 determined in accordance with subsections (c)(3) and (h) of 26
26 U.S.C. § 165. In the case of a nonresident, the deduction
27 shall be allowed only for the losses arising from property

1 located within the State of Alabama and the limitations in 26
2 U.S.C. § 165 shall be applied with regard only to the
3 taxpayer's Alabama adjusted gross income. No loss shall be
4 allowed if at the time of filing the return, the loss has been
5 claimed on a federal estate tax return.

6 "(7) Losses from debts ascertained to be worthless
7 and charged off during the taxable year of ascertainment, if
8 sustained in the conduct of the regular trade or business of
9 the taxpayer.

10 "(8) A reasonable allowance for the exhaustion, wear
11 and tear of property from which any income is derived,
12 including a reasonable allowance for obsolescence, in
13 accordance with 26 U.S.C. §§ 167 and 168, and an allowance for
14 the amortization of intangibles determined in accordance with
15 26 U.S.C. § 197.

16 "(9) In the case of mines, oil, and gas wells, other
17 natural deposits and timber, a reasonable allowance for
18 depletion and for depreciation of improvements, according to
19 the peculiar condition in each case based upon the cost,
20 including the cost of development not otherwise deducted, such
21 reasonable allowance in all cases to be made under rules and
22 regulations to be prescribed by the Department of Revenue;
23 and, in the case of leasehold interests, the deduction allowed
24 by this section shall be equitably apportioned between the
25 lessor and the lessee.

1 "(10) Charitable contributions to the extent allowed
2 for federal income tax purposes under 26 U.S.C. § 170
3 (relating to charitable contributions and gifts).

4 "(11) The deduction allowed to the individual for
5 federal income tax purposes by 26 U.S.C. § 219 (relating to
6 retirement savings).

7 "(12) The deduction allowed for federal income tax
8 purposes by 26 U.S.C. § 404 (relating to qualified pension,
9 profit sharing, stock bonus, and annuity plans).

10 "(13) For each individual income taxpayer, medical
11 and dental expenses, including amounts paid for medicine and
12 drugs and amounts paid for accident and health insurance, as
13 determined in accordance with 26 U.S.C. § 213; provided,
14 however, that the limitation of the deduction to the excess of
15 those expenses over 7.5 percent of adjusted gross income as
16 provided in 26 U.S.C. § 213 shall instead be limited to the
17 excess of those expenses over 4.0 percent of adjusted gross
18 income.

19 "(14) For each individual income taxpayer, the
20 deduction determined in accordance with 26 U.S.C. § 212 for
21 all the ordinary and necessary expenses paid or incurred
22 during the taxable year for the production or collection of
23 income, or for the management, conservation, or maintenance of
24 property held for the production of income, or in connection
25 with the determination, collection, or refund of any tax.

26 "(15) Any expense not exceeding \$1,000 actually
27 incurred during the taxable year in constructing on his or her

1 property a family radioactive fallout shelter, as approved and
2 certified by the State Department of Emergency Management, and
3 any amount not exceeding \$1,000 which he or she contributed
4 during the taxable year toward the construction of a community
5 radioactive fallout shelter.

6 "(16) A deduction from the taxpayer's adjusted gross
7 income for state income tax purposes of the total cost of
8 installation for conversion from gas or electricity to wood as
9 the primary energy source for heating their individual
10 domestic homes for the taxable year during which a conversion
11 was completed.

12 "(17) Alimony and separate maintenance payments, the
13 amount deductible to be the same as the amount deductible for
14 federal income tax purposes under 26 U.S.C. § 215 (relating to
15 alimony payments).

16 "(18) Moving expenses paid or incurred during the
17 taxable year as allowed under 26 U.S.C. § 217 (relating to
18 moving expenses). However, in applying 26 U.S.C. § 217, the
19 term "new principal place of work" means only places of work
20 located within the State of Alabama.

21 "(19) Any expense not exceeding \$35,000 actually
22 incurred during the taxable year in removing from his or her
23 property any architectural or transportation barriers to
24 handicapped persons with nonambulatory and semiambulatory
25 disabilities; provided, however, that any improvements
26 resulting from that expense shall not be eligible to be
27 capitalized for depreciation.

1 "(20) Notwithstanding subdivision (1), the deduction
2 for expenses of travel, entertainment, and meals shall be
3 determined in accordance with 26 U.S.C. § 274.

4 "(21) The deduction allowed by 26 U.S.C. § 179
5 (relating to expensing certain depreciable property), provided
6 that no deduction shall be allowed under subdivision (8) for
7 any amount allowed as a deduction under this subdivision.

8 "(22) The deduction allowed by 26 U.S.C. § 195
9 (relating to amortization of start-up expenditures), but in
10 the case of a nonresident, only if the principal place of
11 business of the business investigated, created, or acquired is
12 located in the State of Alabama.

13 "(23) The deduction allowed by subdivision (1), to
14 the extent that it consists of unreimbursed employee business
15 expenses, and the deduction allowed by subdivision (14) shall
16 be allowed only to the extent that the aggregate of the
17 deductions exceeds 2 percent of adjusted gross income.

18 "(24) The reasonable medical and legal expenses paid
19 or incurred by the taxpayer in connection with the adoption of
20 a minor. For purposes of this subdivision, medical expenses
21 shall include any medical and hospital expenses of the adoptee
22 and the adoptee's biological mother which are incident to the
23 adoptee's birth and subsequent medical care and which, in the
24 case of the adoptee, are paid or incurred before the petition
25 is granted.

26 "(25) The amount of any aid or assistance, whether
27 in the form of property, services, or monies, provided to the

1 State Industrial Development Authority pursuant to Section
2 41-10-44.8(d) in order to induce an approved company to
3 undertake a major project within the state.

4 "(26) The amount of premiums paid pursuant to a
5 qualifying insurance contract for qualified long-term care
6 coverage.

7 "(27) The amount deductible by the taxpayer in
8 accordance with 26 U.S.C. § 162(h).

9 "(28) The amount, up to five thousand dollars
10 (\$5,000) per annum, contributed subsequent to December 31,
11 2007, to the Alabama Prepaid Affordable College Tuition
12 Program or the Alabama College Education Savings Program as
13 defined in Chapter 33C of Title 16. If the taxpayer makes a
14 nonqualified withdrawal as defined by Section 529 of the
15 Internal Revenue Code (26 U.S.C. 529), the amount of the
16 nonqualified withdrawal, plus 10 percent of the amount
17 withdrawn, shall be added back to the income of the
18 contributing taxpayer in the year the nonqualified withdrawal
19 was distributed.

20 "(b) (1) In lieu of the deductions allowable to
21 individual taxpayers, as provided in subdivision (1) of
22 subsection (a) to the extent of unreimbursed employee business
23 expenses, and as provided in subdivisions (2), (3), (5), (6),
24 (10), (13), (14), (15), (16), (19), (22), and (26) of
25 subsection (a), the taxpayer may elect to take the optional
26 standard deduction of 20 percent of the adjusted gross income
27 or \$2,000, whichever is the lesser. Taxpayers filing jointly

1 as defined in Section 40-18-27 may elect to take the optional
2 standard deduction of 20 percent of the adjusted gross income
3 or \$4,000, whichever is the lesser.

4 "(2) For tax years beginning after December 31,
5 2006, the optional standard deduction shall be determined as
6 follows:

7 "a. The standard deduction for married taxpayers
8 filing jointly with adjusted gross income of \$20,000 or less
9 shall be \$7,500. For married taxpayers filing jointly with
10 adjusted gross income of greater than \$20,000, the standard
11 deduction shall be reduced by \$175 for each \$500 of adjusted
12 gross income in excess of \$20,000. Notwithstanding the
13 preceding sentence, the standard deduction shall not be less
14 than \$4,000 for married taxpayers filing jointly.

15 "b. The standard deduction for married taxpayers
16 filing separate returns with adjusted gross income of \$10,000
17 or less shall be \$3,750. For married taxpayers filing separate
18 returns with adjusted gross income of greater than \$10,000,
19 the standard deduction shall be reduced by \$88 for each \$250
20 of adjusted gross income in excess of \$10,000. Notwithstanding
21 the preceding sentence, the standard deduction shall not be
22 less than \$2,000 for married taxpayers filing separate
23 returns.

24 "c. The standard deduction for head of family
25 taxpayers with adjusted gross income of \$20,000 or less shall
26 be \$4,700. For head of family taxpayers with adjusted gross
27 income of greater than \$20,000, the standard deduction shall

1 be reduced by \$135 for each \$500 of adjusted gross income in
2 excess of \$20,000. Notwithstanding the preceding sentence, the
3 standard deduction shall not be less than \$2,000 for head of
4 family taxpayers.

5 "d. The standard deduction for single taxpayers with
6 adjusted gross income of \$20,000 or less shall be \$2,500. For
7 single taxpayers with adjusted gross income of greater than
8 \$20,000, the standard deduction shall be reduced by \$25 for
9 each \$500 of adjusted gross income in excess of \$20,000.

10 Notwithstanding the preceding sentence, the standard deduction
11 shall not be less than \$2,000 for single taxpayers.

12 "(3) For tax years beginning after December 31,
13 2018, the optional standard deduction shall be determined as
14 follows:

15 "a. The standard deduction for married taxpayers
16 filing jointly with adjusted gross income of less than \$23,000
17 shall be \$7,500. For married taxpayers filing jointly, the
18 standard deduction shall be reduced further by \$175 for each
19 \$500 of adjusted gross income in excess of \$23,000.

20 Notwithstanding the preceding sentence, the standard deduction
21 shall not be less than \$4,000 for married taxpayers filing
22 jointly.

23 "b. The standard deduction for married taxpayers
24 filing separate returns with adjusted gross income of less
25 than \$10,500 shall be \$3,750. For married taxpayers filing
26 separate returns, the standard deduction shall be reduced
27 further by \$88 for each \$250 of adjusted gross income in

1 excess of \$10,500. Notwithstanding the preceding sentence, the
2 standard deduction shall not be less than \$2,000 for married
3 taxpayers filing separate returns.

4 "c. The standard deduction for head of family
5 taxpayers with adjusted gross income of less than \$23,000
6 shall be \$4,700. For head of family taxpayers, the standard
7 deduction shall be reduced further by \$135 for each \$500 of
8 adjusted gross income in excess of \$23,000. Notwithstanding
9 the preceding sentence, the standard deduction shall not be
10 less than \$2,000 for head of family taxpayers.

11 "d. The standard deduction for single taxpayers with
12 adjusted gross income of less than \$23,000 shall be \$2,500.
13 For single taxpayers, the standard deduction shall be reduced
14 further by \$25 for each \$500 of adjusted gross income in
15 excess of \$23,000. Notwithstanding the preceding sentence, the
16 standard deduction shall not be less than \$2,000 for single
17 taxpayers.

18 "(4) For tax years beginning after December 31,
19 2021, the optional standard deduction shall be determined as
20 follows:

21 "a. The standard deduction for married taxpayers
22 filing jointly with adjusted gross income of less than
23 twenty-five thousand five hundred dollars (\$25,500) shall be
24 eight thousand five hundred dollars (\$8,500). For married
25 taxpayers filing jointly, the standard deduction shall be
26 reduced further by one hundred seventy-five dollars (\$175) for
27 each five hundred dollars (\$500) of adjusted gross income in

1 excess of twenty-five thousand five hundred dollars (\$25,500).
2 Notwithstanding the preceding sentence, the standard deduction
3 shall not be less than five thousand dollars (\$5,000) for
4 married taxpayers filing jointly.

5 "b. The standard deduction for married taxpayers
6 filing separate returns with adjusted gross income of less
7 than twelve thousand seven hundred fifty dollars (\$12,750)
8 shall be four thousand two hundred fifty dollars (\$4,250). For
9 married taxpayers filing separate returns, the standard
10 deduction shall be reduced further by eighty-eight dollars
11 (\$88) for each two hundred fifty dollars (\$250) of adjusted
12 gross income in excess of twelve thousand seven hundred fifty
13 dollars (\$12,750). Notwithstanding the preceding sentence, the
14 standard deduction shall not be less than two thousand five
15 hundred dollars (\$2,500) for married taxpayers filing separate
16 returns.

17 "c. The standard deduction for head of family
18 taxpayers with adjusted gross income of less than twenty-five
19 thousand five hundred dollars (\$25,500) shall be five thousand
20 two hundred dollars (\$5,200). For head of family taxpayers,
21 the standard deduction shall be reduced further by one hundred
22 thirty-five dollars (\$135) for each five hundred dollars
23 (\$500) of adjusted gross income in excess of twenty-five
24 thousand five hundred dollars (\$25,500). Notwithstanding the
25 preceding sentence, the standard deduction shall not be less
26 than two thousand five hundred dollars (\$2,500) for head of
27 family taxpayers.

1 "d. The standard deduction for single taxpayers with
2 adjusted gross income of less than twenty-five thousand five
3 hundred dollars (\$25,500) shall be three thousand dollars
4 (\$3,000). For single taxpayers, the standard deduction shall
5 be reduced further by twenty-five dollars (\$25) for each five
6 hundred dollars (\$500) of adjusted gross income in excess of
7 twenty-five thousand five hundred dollars (\$25,500).
8 Notwithstanding the preceding sentence, the standard deduction
9 shall not be less than two thousand five hundred dollars
10 (\$2,500) for single taxpayers.

11 "(c) A deduction is allowable for the amount of
12 federal income tax paid or accrued within the taxable year. In
13 the case of a nonresident taxpayer, the amount of federal
14 income tax deductible to Alabama shall be determined by the
15 ratio that the amount of adjusted gross income received from
16 sources within the State of Alabama bears to the amount of
17 adjusted gross income received from sources within and outside
18 the State of Alabama.

19 "(d) If separate returns are filed by husband and
20 wife and one spouse elects to claim the optional standard
21 deduction, the other spouse must also claim the optional
22 standard deduction, unless, for the tax returns filed for the
23 2014 and subsequent tax years, the spouses have lived apart
24 for the entire year. In this case, each spouse may claim
25 either the optional standard deduction or itemized deductions.
26 Neither spouse may claim a deduction for expenses paid by the
27 other spouse.

1 "(e) In the case of a nonresident individual:

2 "(1) The deductions allowed in subdivisions (1),
3 (2), (3), (4), (5), (7), (8), (9), (11), (12), (19), (21),
4 (23), and (25) of subsection (a) shall be allowed only to the
5 extent that they are paid or incurred in carrying on a trade
6 or business within the State of Alabama and the deduction
7 allowed by Section 40-18-15.2 shall be allowed only to the
8 extent it arose from a trade or business carried on in
9 Alabama.

10 "(2) The deductions allowed by subdivisions (2),
11 (3), (5), (8), (9), (14), and (19) of subsection (a) shall be
12 allowed only to the extent arising from property located in
13 Alabama or transactions producing income that is subject to
14 tax in the State of Alabama.

15 "(3) The amount of the deductions allowed by
16 subdivisions (2), (3), (6), (10), (13), (15), (16), (17),
17 (19), (24), and (26) of subsection (a) (and not allowed by
18 subdivisions (1) or (2) of this subsection), or by subsection
19 (b) if the taxpayer elects the standard deduction, shall be
20 limited to the amount determined by multiplying the total of
21 such deductions by a fraction, the numerator of which is the
22 taxpayer's adjusted gross income determined using the rules
23 provided in subdivisions (1) and (2) of this subsection and
24 the denominator of which is the taxpayer's adjusted gross
25 income determined under Section 40-18-14.2. The deduction
26 allowed in subdivision (17) of subsection (a) shall not be

1 subtracted in calculating either the numerator or denominator
2 in the previous sentence.

3 "(f) Nothing in this section shall allow any item to
4 be deducted more than once.

5 "§40-18-19.

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

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

12 "(2) Retirement allowances, pensions and annuities
13 or optional allowances, approved by the Board of Control of
14 the Employees' Retirement System of Alabama, which exempt
15 status is set out in Section 36-27-28.

16 "(3) The first eight thousand dollars (\$8,000) of
17 any retirement compensation, retirement allowances, pensions
18 and annuities, or optional allowances, received by any
19 eligible firefighter, as defined in Sections 36-32-1 and
20 36-32-2, or his or her designated beneficiary, from any
21 firefighting agency established in the State of Alabama, but
22 only if such retirement compensation, retirement allowances,
23 pensions and annuities, or optional allowances as are awarded
24 as a result of fire protection services rendered. This
25 subdivision shall become effective for the taxable years
26 beginning January 1, 1987, and thereafter following its
27 passage and approval by the Governor, or upon its otherwise

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

4 "(4) The first eight thousand dollars (\$8,000) of
5 any retirement compensation, retirement allowances, pensions
6 and annuities, or optional allowances received by any eligible
7 peace officer, as defined in subdivision (11) of Section
8 36-21-60, or his or her designated beneficiary, from any
9 police retirement system established in the State of Alabama,
10 but only if the retirement compensation, retirement
11 allowances, pensions and annuities, or optional allowances are
12 awarded as a result of police services rendered. This
13 subdivision shall become effective for taxable years beginning
14 January 1, 1984, and thereafter; provided, that for the
15 taxable years beginning on or after January 1, 1991, all of
16 the pension and retirement payments shall be exempt from
17 taxation.

18 "(5) Income received as annuities under the United
19 States Retirement System from the United States Government
20 Civil Service Retirement and Disability Fund, including income
21 received from the Tennessee Valley Authority's pension system,
22 income received as annuities under the United States Foreign
23 Service Retirement and Disability Fund, or income received
24 from any other United States government retirement and
25 disability fund.

26 "(6) Beginning January 1, 1991, all payments made on
27 or after such date to a retiree or his designated beneficiary

1 under a "defined benefit plan," as defined under Section
2 414(j) of the Internal Revenue Code of 1986, as amended from
3 time to time, to the extent such payment would be taxable for
4 federal income tax purposes.

5 "(7) Net income realized by individuals and
6 partnerships from time to time in the business of conducting a
7 financial business employing moneyed capital coming into
8 competition with the business of national banks, but only if
9 such individuals and partnerships are subject to an excise tax
10 imposed by this state on or with respect to such income.

11 "(8) In the case of a single person or a married
12 person not living with husband or wife, a personal exemption
13 of one thousand five hundred dollars (\$1,500) or, in the case
14 of a head of a family or a married person living with husband
15 or wife, a personal exemption of three thousand dollars
16 (\$3,000), but a husband and wife living together shall receive
17 only one personal exemption of three thousand dollars (\$3,000)
18 against their aggregate income, and in case they make separate
19 returns each must claim a personal exemption of one thousand
20 five hundred dollars (\$1,500).

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

26 "b. For tax years beginning after December 31, 2006,
27 for taxpayers with adjusted gross income equal to or less than

1 \$20,000, one thousand dollars for each person other than
2 husband or wife, dependent upon the taxpayer, and over half of
3 whose support, for the calendar year in which the taxable year
4 for the taxpayer begins, was received from the taxpayer.

5 "c. For tax years beginning after December 31, 2006,
6 for taxpayers with adjusted gross income in excess of \$20,000
7 and equal to or less than \$100,000, five hundred dollars for
8 each person other than husband and wife, dependent upon the
9 taxpayer, and over half of whose support, for the calendar
10 year in which the taxable year for the taxpayer begins, was
11 received from the taxpayer.

12 "d. For tax years beginning after December 31, 2021,
13 for taxpayers with adjusted gross income equal to or less than
14 fifty thousand dollars (\$50,000), one thousand dollars
15 (\$1,000) for each person other than husband or wife, dependent
16 upon the taxpayer, and over half of whose support, for the
17 calendar year in which the taxable year for the taxpayer
18 begins, was received from the taxpayer.

19 "e. For tax years beginning after December 31, 2021,
20 for taxpayers with adjusted gross income in excess of fifty
21 thousand dollars (\$50,000) and equal to or less than one
22 hundred thousand dollars (\$100,000), five hundred dollars
23 (\$500) for each person other than husband and wife, dependent
24 upon the taxpayer, and over half of whose support, for the
25 calendar year in which the taxable year for the taxpayer
26 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 "(b) Of the following personal exemptions allowed
22 resident taxpayers, each nonresident individual taxpayer shall
23 be allowed that proportion thereof that the adjusted gross
24 income received by said nonresident individual taxpayer from
25 sources within the State of Alabama bears to his or her
26 adjusted gross income received from sources within and without
27 the State of Alabama: In the case of a single person or a

1 married person not living with husband or wife, a personal
2 exemption of one thousand five hundred dollars (\$1,500) or, in
3 the case of a head of a family or a married person living with
4 husband or wife, a personal exemption of three thousand
5 dollars (\$3,000), a husband and wife living together shall
6 receive but one personal exemption of three thousand dollars
7 (\$3,000) against their aggregate income; and, in case they
8 make separate returns, each must claim a personal exemption of
9 one thousand five hundred dollars (\$1,500); and the amount in
10 subdivision (9) of subsection (a) for each person, other than
11 husband or wife, dependent upon and receiving his chief
12 support from the taxpayer."

13 Section 2. This act shall become effective
14 immediately upon its passage and approval by the Governor, or
15 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 08-FEB-22

Yeas 26
Nays 0

Patrick Harris,
Secretary.