

1 SB19
2 215474-1
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
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SYNOPSIS: Under current law, the state levies an income tax upon all residents of the state and upon all nonresidents who receive income from Alabama sources. Taxpayers are allowed an optional standard deduction, as well as dependent exemptions in computing income subject to the tax.

This bill would increase the optional standard deduction and expand the adjusted gross income range allowable for the maximum optional standard deduction and the dependent exemption to increase the threshold at which the state imposes individual income taxes.

A BILL
TO BE ENTITLED
AN ACT

To amend Sections 40-18-15 and 40-18-19, Code of Alabama 1975, to increase the optional standard deduction and expand the adjusted gross income range allowable for the

1 maximum optional standard deduction; and to expand the
2 adjusted gross income range allowable for the maximum
3 dependent exemption.

4 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

7 "§40-18-15.

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

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

16 "(2) Interest paid or accrued within the taxable
17 year on indebtedness, limited to the amount allowable as an
18 interest deduction for federal income tax purposes in the
19 corresponding tax year or period pursuant to the provisions of
20 26 U.S.C. §§ 163, 264, and 265.

21 "(3) The following taxes paid or accrued within the
22 taxable year:

23 "a. Income taxes, Federal Insurance Contribution Act
24 taxes, taxes on self-employment income and estate and gift
25 taxes imposed by authority of the United States or any
26 possession of the United States.

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

3 "c. State and local, and foreign, real property
4 taxes.

5 "d. State and local personal property taxes.

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

8 "f. The taxes described in paragraphs c., d., and e.
9 shall be deductible only to the extent that the taxes are
10 deductible for federal income tax purposes under 26 U.S.C. §
11 164 (relating to taxes).

12 "g. In addition, there shall be allowed as a
13 deduction, state and local, and foreign taxes, except income
14 taxes, and taxes imposed by authority of the United States or
15 any possession of the United States, which are paid or accrued
16 within the taxable year in carrying on a trade or business or
17 an activity described in 26 U.S.C. § 212 (relating to expenses
18 for the production of income).

19 "h. Notwithstanding paragraph g., any tax described
20 in any paragraph preceding paragraph g. that is paid or
21 accrued in connection with an acquisition or disposition of
22 property shall be treated as part of the cost of the acquired
23 property or, in the case of a disposition, as a reduction in
24 the amount realized on the disposition of that property.

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

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

8 "(6) Casualty and theft losses sustained during the
9 taxable year of property not connected with the conduct of a
10 trade or business or a transaction entered into for profit as
11 determined in accordance with subsections (c)(3) and (h) of 26
12 U.S.C. § 165. In the case of a nonresident, the deduction
13 shall be allowed only for the losses arising from property
14 located within the State of Alabama and the limitations in 26
15 U.S.C. § 165 shall be applied with regard only to the
16 taxpayer's Alabama adjusted gross income. No loss shall be
17 allowed if at the time of filing the return, the loss has been
18 claimed on a federal estate tax return.

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

23 "(8) A reasonable allowance for the exhaustion, wear
24 and tear of property from which any income is derived,
25 including a reasonable allowance for obsolescence, in
26 accordance with 26 U.S.C. §§ 167 and 168, and an allowance for

1 the amortization of intangibles determined in accordance with
2 26 U.S.C. § 197.

3 "(9) In the case of mines, oil, and gas wells, other
4 natural deposits and timber, a reasonable allowance for
5 depletion and for depreciation of improvements, according to
6 the peculiar condition in each case based upon the cost,
7 including the cost of development not otherwise deducted, such
8 reasonable allowance in all cases to be made under rules and
9 regulations to be prescribed by the Department of Revenue;
10 and, in the case of leasehold interests, the deduction allowed
11 by this section shall be equitably apportioned between the
12 lessor and the lessee.

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

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

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

22 "(13) For each individual income taxpayer, medical
23 and dental expenses, including amounts paid for medicine and
24 drugs and amounts paid for accident and health insurance, as
25 determined in accordance with 26 U.S.C. § 213; provided,
26 however, that the limitation of the deduction to the excess of
27 those expenses over 7.5 percent of adjusted gross income as

1 provided in 26 U.S.C. § 213 shall instead be limited to the
2 excess of those expenses over 4.0 percent of adjusted gross
3 income.

4 "(14) For each individual income taxpayer, the
5 deduction determined in accordance with 26 U.S.C. § 212 for
6 all the ordinary and necessary expenses paid or incurred
7 during the taxable year for the production or collection of
8 income, or for the management, conservation, or maintenance of
9 property held for the production of income, or in connection
10 with the determination, collection, or refund of any tax.

11 "(15) Any expense not exceeding \$1,000 actually
12 incurred during the taxable year in constructing on his or her
13 property a family radioactive fallout shelter, as approved and
14 certified by the State Department of Emergency Management, and
15 any amount not exceeding \$1,000 which he or she contributed
16 during the taxable year toward the construction of a community
17 radioactive fallout shelter.

18 "(16) A deduction from the taxpayer's adjusted gross
19 income for state income tax purposes of the total cost of
20 installation for conversion from gas or electricity to wood as
21 the primary energy source for heating their individual
22 domestic homes for the taxable year during which a conversion
23 was completed.

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

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

6 "(19) Any expense not exceeding \$35,000 actually
7 incurred during the taxable year in removing from his or her
8 property any architectural or transportation barriers to
9 handicapped persons with nonambulatory and semiambulatory
10 disabilities; provided, however, that any improvements
11 resulting from that expense shall not be eligible to be
12 capitalized for depreciation.

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

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

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

25 "(23) The deduction allowed by subdivision (1), to
26 the extent that it consists of unreimbursed employee business
27 expenses, and the deduction allowed by subdivision (14) shall

1 be allowed only to the extent that the aggregate of the
2 deductions exceeds 2 percent of adjusted gross income.

3 "(24) The reasonable medical and legal expenses paid
4 or incurred by the taxpayer in connection with the adoption of
5 a minor. For purposes of this subdivision, medical expenses
6 shall include any medical and hospital expenses of the adoptee
7 and the adoptee's biological mother which are incident to the
8 adoptee's birth and subsequent medical care and which, in the
9 case of the adoptee, are paid or incurred before the petition
10 is granted.

11 "(25) The amount of any aid or assistance, whether
12 in the form of property, services, or monies, provided to the
13 State Industrial Development Authority pursuant to Section
14 41-10-44.8(d) in order to induce an approved company to
15 undertake a major project within the state.

16 "(26) The amount of premiums paid pursuant to a
17 qualifying insurance contract for qualified long-term care
18 coverage.

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

21 "(28) The amount, up to five thousand dollars
22 (\$5,000) per annum, contributed subsequent to December 31,
23 2007, to the Alabama Prepaid Affordable College Tuition
24 Program or the Alabama College Education Savings Program as
25 defined in Chapter 33C of Title 16. If the taxpayer makes a
26 nonqualified withdrawal as defined by Section 529 of the
27 Internal Revenue Code (26 U.S.C. 529), the amount of the

1 nonqualified withdrawal, plus 10 percent of the amount
2 withdrawn, shall be added back to the income of the
3 contributing taxpayer in the year the nonqualified withdrawal
4 was distributed.

5 "(b) (1) In lieu of the deductions allowable to
6 individual taxpayers, as provided in subdivision (1) of
7 subsection (a) to the extent of unreimbursed employee business
8 expenses, and as provided in subdivisions (2), (3), (5), (6),
9 (10), (13), (14), (15), (16), (19), (22), and (26) of
10 subsection (a), the taxpayer may elect to take the optional
11 standard deduction of 20 percent of the adjusted gross income
12 or \$2,000, whichever is the lesser. Taxpayers filing jointly
13 as defined in Section 40-18-27 may elect to take the optional
14 standard deduction of 20 percent of the adjusted gross income
15 or \$4,000, whichever is the lesser.

16 "(2) For tax years beginning after December 31,
17 2006, the optional standard deduction shall be determined as
18 follows:

19 "a. The standard deduction for married taxpayers
20 filing jointly with adjusted gross income of \$20,000 or less
21 shall be \$7,500. For married taxpayers filing jointly with
22 adjusted gross income of greater than \$20,000, the standard
23 deduction shall be reduced by \$175 for each \$500 of adjusted
24 gross income in excess of \$20,000. Notwithstanding the
25 preceding sentence, the standard deduction shall not be less
26 than \$4,000 for married taxpayers filing jointly.

1 "b. The standard deduction for married taxpayers
2 filing separate returns with adjusted gross income of \$10,000
3 or less shall be \$3,750. For married taxpayers filing separate
4 returns with adjusted gross income of greater than \$10,000,
5 the standard deduction shall be reduced by \$88 for each \$250
6 of adjusted gross income in excess of \$10,000. Notwithstanding
7 the preceding sentence, the standard deduction shall not be
8 less than \$2,000 for married taxpayers filing separate
9 returns.

10 "c. The standard deduction for head of family
11 taxpayers with adjusted gross income of \$20,000 or less shall
12 be \$4,700. For head of family taxpayers with adjusted gross
13 income of greater than \$20,000, the standard deduction shall
14 be reduced by \$135 for each \$500 of adjusted gross income in
15 excess of \$20,000. Notwithstanding the preceding sentence, the
16 standard deduction shall not be less than \$2,000 for head of
17 family taxpayers.

18 "d. The standard deduction for single taxpayers with
19 adjusted gross income of \$20,000 or less shall be \$2,500. For
20 single taxpayers with adjusted gross income of greater than
21 \$20,000, the standard deduction shall be reduced by \$25 for
22 each \$500 of adjusted gross income in excess of \$20,000.
23 Notwithstanding the preceding sentence, the standard deduction
24 shall not be less than \$2,000 for single taxpayers.

25 "(3) For tax years beginning after December 31,
26 2018, the optional standard deduction shall be determined as
27 follows:

1 "a. The standard deduction for married taxpayers
2 filing jointly with adjusted gross income of less than \$23,000
3 shall be \$7,500. For married taxpayers filing jointly, the
4 standard deduction shall be reduced further by \$175 for each
5 \$500 of adjusted gross income in excess of \$23,000.
6 Notwithstanding the preceding sentence, the standard deduction
7 shall not be less than \$4,000 for married taxpayers filing
8 jointly.

9 "b. The standard deduction for married taxpayers
10 filing separate returns with adjusted gross income of less
11 than \$10,500 shall be \$3,750. For married taxpayers filing
12 separate returns, the standard deduction shall be reduced
13 further by \$88 for each \$250 of adjusted gross income in
14 excess of \$10,500. Notwithstanding the preceding sentence, the
15 standard deduction shall not be less than \$2,000 for married
16 taxpayers filing separate returns.

17 "c. The standard deduction for head of family
18 taxpayers with adjusted gross income of less than \$23,000
19 shall be \$4,700. For head of family taxpayers, the standard
20 deduction shall be reduced further by \$135 for each \$500 of
21 adjusted gross income in excess of \$23,000. Notwithstanding
22 the preceding sentence, the standard deduction shall not be
23 less than \$2,000 for head of family taxpayers.

24 "d. The standard deduction for single taxpayers with
25 adjusted gross income of less than \$23,000 shall be \$2,500.
26 For single taxpayers, the standard deduction shall be reduced
27 further by \$25 for each \$500 of adjusted gross income in

1 excess of \$23,000. Notwithstanding the preceding sentence, the
2 standard deduction shall not be less than \$2,000 for single
3 taxpayers.

4 "(4) For tax years beginning after December 31,
5 2021, 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 less than
9 twenty-five thousand five hundred dollars (\$25,500) shall be
10 eight thousand five hundred dollars (\$8,500). For married
11 taxpayers filing jointly, the standard deduction shall be
12 reduced further by one hundred seventy-five dollars (\$175) for
13 each five hundred dollars (\$500) of adjusted gross income in
14 excess of twenty-five thousand five hundred dollars (\$25,500).
15 Notwithstanding the preceding sentence, the standard deduction
16 shall not be less than five thousand dollars (\$5,000) for
17 married taxpayers filing jointly.

18 "b. The standard deduction for married taxpayers
19 filing separate returns with adjusted gross income of less
20 than twelve thousand seven hundred fifty dollars (\$12,750)
21 shall be four thousand two hundred fifty dollars (\$4,250). For
22 married taxpayers filing separate returns, the standard
23 deduction shall be reduced further by eighty-eight dollars
24 (\$88) for each two hundred fifty dollars (\$250) of adjusted
25 gross income in excess of twelve thousand seven hundred fifty
26 dollars (\$12,750).

1 "c. The standard deduction for head of family
2 taxpayers with adjusted gross income of less than twenty-five
3 thousand five hundred dollars (\$25,500) shall be five thousand
4 two hundred dollars (\$5,200). For head of family taxpayers,
5 the standard deduction shall be reduced further by one hundred
6 thirty-five dollars (\$135) for each five hundred dollars
7 (\$500) of adjusted gross income in excess of twenty-five
8 thousand five hundred dollars (\$25,500). Notwithstanding the
9 preceding sentence, the standard deduction shall not be less
10 than two thousand five hundred dollars (\$2,500) for head of
11 family taxpayers.

12 "d. The standard deduction for single taxpayers with
13 adjusted gross income of less than twenty-five thousand five
14 hundred dollars (\$25,500) shall be three thousand dollars
15 (\$3,000). For single taxpayers, the standard deduction shall
16 be reduced further by twenty-five dollars (\$25) for each five
17 hundred dollars (\$500) of adjusted gross income in excess of
18 twenty-five thousand five hundred dollars (\$25,500).
19 Notwithstanding the preceding sentence, the standard deduction
20 shall not be less than two thousand five hundred dollars
21 (\$2,500) for single taxpayers.

22 "(c) A deduction is allowable for the amount of
23 federal income tax paid or accrued within the taxable year. In
24 the case of a nonresident taxpayer, the amount of federal
25 income tax deductible to Alabama shall be determined by the
26 ratio that the amount of adjusted gross income received from
27 sources within the State of Alabama bears to the amount of

1 adjusted gross income received from sources within and outside
2 the State of Alabama.

3 "(d) If separate returns are filed by husband and
4 wife and one spouse elects to claim the optional standard
5 deduction, the other spouse must also claim the optional
6 standard deduction, unless, for the tax returns filed for the
7 2014 and subsequent tax years, the spouses have lived apart
8 for the entire year. In this case, each spouse may claim
9 either the optional standard deduction or itemized deductions.
10 Neither spouse may claim a deduction for expenses paid by the
11 other spouse.

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

13 "(1) The deductions allowed in subdivisions (1),
14 (2), (3), (4), (5), (7), (8), (9), (11), (12), (19), (21),
15 (23), and (25) of subsection (a) shall be allowed only to the
16 extent that they are paid or incurred in carrying on a trade
17 or business within the State of Alabama and the deduction
18 allowed by Section 40-18-15.2 shall be allowed only to the
19 extent it arose from a trade or business carried on in
20 Alabama.

21 "(2) The deductions allowed by subdivisions (2),
22 (3), (5), (8), (9), (14), and (19) of subsection (a) shall be
23 allowed only to the extent arising from property located in
24 Alabama or transactions producing income that is subject to
25 tax in the State of Alabama.

26 "(3) The amount of the deductions allowed by
27 subdivisions (2), (3), (6), (10), (13), (15), (16), (17),

1 (19), (24), and (26) of subsection (a) (and not allowed by
2 subdivisions (1) or (2) of this subsection), or by subsection
3 (b) if the taxpayer elects the standard deduction, shall be
4 limited to the amount determined by multiplying the total of
5 such deductions by a fraction, the numerator of which is the
6 taxpayer's adjusted gross income determined using the rules
7 provided in subdivisions (1) and (2) of this subsection and
8 the denominator of which is the taxpayer's adjusted gross
9 income determined under Section 40-18-14.2. The deduction
10 allowed in subdivision (17) of subsection (a) shall not be
11 subtracted in calculating either the numerator or denominator
12 in the previous sentence.

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

15 "§40-18-19.

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

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

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

26 "(3) The first eight thousand dollars (\$8,000) of
27 any retirement compensation, retirement allowances, pensions

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

14 "(4) The first eight thousand dollars (\$8,000) of
15 any retirement compensation, retirement allowances, pensions
16 and annuities, or optional allowances received by any eligible
17 peace officer, as defined in subdivision (11) of Section
18 36-21-60, or his or her designated beneficiary, from any
19 police retirement system established in the State of Alabama,
20 but only if the retirement compensation, retirement
21 allowances, pensions and annuities, or optional allowances are
22 awarded as a result of police services rendered. This
23 subdivision shall become effective for taxable years beginning
24 January 1, 1984, and thereafter; provided, that for the
25 taxable years beginning on or after January 1, 1991, all of
26 the pension and retirement payments shall be exempt from
27 taxation.

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

9 "(6) Beginning January 1, 1991, all payments made on
10 or after such date to a retiree or his designated beneficiary
11 under a "defined benefit plan," as defined under Section
12 414(j) of the Internal Revenue Code of 1986, as amended from
13 time to time, to the extent such payment would be taxable for
14 federal income tax purposes.

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

21 "(8) In the case of a single person or a married
22 person not living with husband or wife, a personal exemption
23 of one thousand five hundred dollars (\$1,500) or, in the case
24 of a head of a family or a married person living with husband
25 or wife, a personal exemption of three thousand dollars
26 (\$3,000), but a husband and wife living together shall receive
27 only one personal exemption of three thousand dollars (\$3,000)

1 against their aggregate income, and in case they make separate
2 returns each must claim a personal exemption of one thousand
3 five hundred dollars (\$1,500).

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

9 "b. For tax years beginning after December 31, 2006,
10 for taxpayers with adjusted gross income equal to or less than
11 \$20,000, one thousand dollars for each person other than
12 husband or wife, dependent upon the taxpayer, and over half of
13 whose support, for the calendar year in which the taxable year
14 for the taxpayer begins, was received from the taxpayer.

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

22 "d. For tax years beginning after December 31, 2021,
23 for taxpayers with adjusted gross income equal to or less than
24 fifty thousand dollars (\$50,000), one thousand dollars
25 (\$1,000) for each person other than husband or wife, dependent
26 upon the taxpayer, and over half of whose support, for the

1 calendar year in which the taxable year for the taxpayer
2 begins, was received from the taxpayer.

3 "e. For tax years beginning after December 31, 2021,
4 for taxpayers with adjusted gross income in excess of fifty
5 thousand dollars (\$50,000) and equal to or less than one
6 hundred thousand dollars (\$100,000), five hundred dollars
7 (\$500) for each person other than husband and wife, dependent
8 upon the taxpayer, and over half of whose support, for the
9 calendar year in which the taxable year for the taxpayer
10 begins, was received from the taxpayer.

11 "For the purposes of this section, "dependent" shall
12 mean: A son or daughter of the taxpayer or a descendant of
13 either; a stepson or stepdaughter of the taxpayer; a brother,
14 sister, stepbrother, or stepsister of the taxpayer; the father
15 or mother of the taxpayer or an ancestor of either; a
16 stepfather or stepmother of the taxpayer; a son or daughter of
17 a brother or sister of the taxpayer; a brother or sister of
18 the father or mother of the taxpayer; a son-in-law,
19 daughter-in-law, father-in-law, mother-in-law, brother-in-law,
20 or sister-in-law of the taxpayer. As used in this paragraph
21 the terms "brother" and "sister" include a brother or sister
22 by the half blood. For the purpose of determining whether any
23 of the foregoing relationships exist, a legally adopted child
24 of a person shall be considered a child of such a person by
25 blood.

26 "(10) Beginning January 1, 1998, all income,
27 interest, dividends, gains, or benefits of any kind received

1 from savings accounts or prepaid tuition contracts
2 administered under Title 16, Chapter 33C, are exempt from all
3 income taxation by the state and by all of its political
4 subdivisions to the extent that the amounts remain on deposit
5 in the PACT Trust Fund or the ACES Trust Fund, or are used to
6 pay the designated beneficiary's qualified higher education
7 expenses as defined in Section 529 of the Internal Revenue
8 Code of 1986, as amended, or are refunded under such terms as
9 would not carry a penalty under Section 529 of the Internal
10 Revenue Code of 1986, as amended.

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

23 "(12) Beginning January 1, 2018, amounts received by
24 an individual from sources within a foreign country or
25 countries which constitute a housing allowance, and earned
26 income attributable to services performed by such individual
27 received during the tax period are exempt from all income

1 taxation by the state and by all of its political subdivisions
2 to the extent such income is exempt from federal income tax
3 pursuant to 26 U.S.C. Section 911.

4 "(b) Of the following personal exemptions allowed
5 resident taxpayers, each nonresident individual taxpayer shall
6 be allowed that proportion thereof that the adjusted gross
7 income received by said nonresident individual taxpayer from
8 sources within the State of Alabama bears to his or her
9 adjusted gross income received from sources within and without
10 the State of Alabama: In the case of a single person or a
11 married person not living with husband or wife, a personal
12 exemption of one thousand five hundred dollars (\$1,500) or, in
13 the case of a head of a family or a married person living with
14 husband or wife, a personal exemption of three thousand
15 dollars (\$3,000), a husband and wife living together shall
16 receive but one personal exemption of three thousand dollars
17 (\$3,000) against their aggregate income; and, in case they
18 make separate returns, each must claim a personal exemption of
19 one thousand five hundred dollars (\$1,500); and the amount in
20 subdivision (9) of subsection (a) for each person, other than
21 husband or wife, dependent upon and receiving his chief
22 support from the taxpayer."

23 Section 2. This act shall become effective
24 immediately upon its passage and approval by the Governor, or
25 its otherwise becoming law.