

1 HB84
2 115590-1
3 By Representatives Love and Allen
4 RFD: Education Appropriations
5 First Read: 12-JAN-10
6 PFD: 01/06/2010

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8 SYNOPSIS: To encourage small businesses to provide
9 health insurance coverage for employees, certain
10 qualifying small businesses will be allowed to
11 deduct enhanced amounts for expenses related to
12 health insurance premiums, if certain conditions
13 are met.

14 Additionally, in order to encourage employee
15 participation in their employer's health insurance
16 plans, qualifying employees will also be allowed to
17 deduct certain amounts they contribute toward their
18 health insurance premiums, if certain conditions
19 are met.

20
21 A BILL
22 TO BE ENTITLED
23 AN ACT
24

25 To encourage small businesses to provide health
26 insurance coverage for employees, certain qualifying small
27 businesses will be allowed to deduct enhanced amounts for

1 expenses related to health insurance premiums, if certain
2 conditions are met. Qualifying employees will also be allowed
3 to deduct certain amounts they contribute toward their health
4 insurance premiums, if certain conditions are met.

5 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

6 Section 1. Definitions

7 (1) Qualifying Employees. Alabama resident employees
8 who are employed by Qualifying Employers, earn no more than
9 \$50,000 of wages in the applicable tax year, and report no
10 more than \$75,000 of adjusted gross income on their Alabama
11 individual income tax return (\$150,000 if married filing
12 jointly) for the applicable year.

13 (2) Qualifying Employers. Employers with less than
14 25 employees.

15 Section 2. (a) For tax years beginning after
16 December 31, 2010, in addition to any other Alabama income tax
17 deduction that a qualifying employee may be entitled to with
18 respect to the payment of health insurance premiums,
19 qualifying employees shall be allowed to deduct from Alabama
20 gross income amounts they pay as health insurance premiums as
21 part of an employer provided health insurance plan provided by
22 a qualifying employer.

23 (b) In addition to any other Alabama income tax
24 deduction that a qualifying employer may be entitled to with
25 respect to the payment of health insurance premiums paid on
26 behalf of qualifying employees, the qualifying employer shall
27 be allowed as a deduction in the computation of Alabama

1 taxable income amounts they pay as health insurance premiums
2 on behalf of qualifying employees in connection with an
3 employer provided health insurance plan.

4 (c) The additional deduction(s) provided for in this
5 Section (Section 2 of this Act) will be phased in as described
6 in Section 3.

7 Section 3. (a) The provisions of Section 1 of this
8 Act shall be phased in over a period of five (5) adjustment
9 years in equal installments. An adjustment year is a tax year
10 beginning on or after January 1, following certification by
11 the Alabama Department of Finance (Finance) of sufficient (at
12 least 3%) estimated growth in the Education Trust Fund as
13 described below. Phase one of implementation shall provide for
14 twenty percent (20%) of the deduction, phase two shall provide
15 for forty percent (40%) of the deduction and so forth until
16 the deduction is fully phased into effect.

17 (b) Beginning with the 2011 regular session of the
18 Alabama Legislature, and on an annual basis thereafter until
19 the provisions of this Act are fully phased in, Finance shall
20 certify to the Alabama Department of Revenue (Revenue) that
21 the estimated growth in revenues in the Education Trust Fund
22 will or will not equal or exceed three percent (3%) in the
23 subsequent fiscal year. Finance shall provide written
24 certification to Revenue on or before the second legislative
25 day of each regular legislative session stating Finance's
26 estimate of revenue growth in the Education Trust Fund for the
27 subsequent fiscal year, as required in Code of Alabama 1975,

1 Section 41-19-7(b) (3). Upon receipt of the aforementioned
2 certification, Revenue will take the actions necessary to
3 implement the provisions of this Act.

4 Section 4. The provisions of this Act are severable.
5 If any part of this Act is declared invalid or
6 unconstitutional, that declaration shall not affect the part
7 which remains.

8 Section 5. All laws or parts of laws which conflict
9 with this Act are hereby repealed.

10 Section 6. This Act shall become effective for the
11 tax years beginning on or after January 1, 2011.