

HB50 INTRODUCED



1 XDR8Z7-1
2 By Representative Estes
3 RFD: Ways and Means Education
4 First Read: 07-Mar-23
5 PFD: 06-Mar-23



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SYNOPSIS:

Under current law, taxpayers are allowed a dependent exemption for a son or daughter for computing income subject to the income tax levied by the state.

This bill would allow a taxpayer, or spouse of a taxpayer, in their third trimester of pregnancy during the tax year, to also be considered a dependent.

A BILL
TO BE ENTITLED
AN ACT

Relating to revenue and taxation; to amend Section 40-18-19, Code of Alabama, as last amended by Act 2022-292, Act 2022-294, and Act 2022-297 of the 2022 Regular Session, to expand the definition of a dependent to include a taxpayer, or spouse of a taxpayer, in their third trimester of pregnancy during the tax year.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-18-19, Code of Alabama 1975, as last amended by Act 2022-292, Act 2022-294, and Act 2022-297, 2022 Regular Session, is amended as follows:

"§40-18-19

(a) The following exemptions from income taxation shall



HB50 INTRODUCED

29 be allowed to every individual resident taxpayer:

30

31 (1) Retirement allowances, pensions and annuities, or
32 optional allowances, approved by the Board of Control of the
33 Teachers' Retirement System of Alabama, which exempt status is
34 set out in Section 16-25-23.

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

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

54 (4) The first eight thousand dollars (\$8,000) of any
55 retirement compensation, retirement allowances, pensions and
56 annuities, or optional allowances received by any eligible



HB50 INTRODUCED

57 peace officer, as defined in subdivision (11) of Section
58 36-21-60, or his or her designated beneficiary, from any
59 police retirement system established in the State of Alabama,
60 but only if the retirement compensation, retirement
61 allowances, pensions and annuities, or optional allowances are
62 awarded as a result of police services rendered. This
63 subdivision shall become effective for taxable years beginning
64 January 1, 1984, and thereafter; provided, that for the
65 taxable years beginning on or after January 1, 1991, all of
66 the pension and retirement payments shall be exempt from
67 taxation.

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

76 (6) Beginning January 1, 1991, all payments made on or
77 after such date to a retiree or his designated beneficiary
78 under a defined benefit plan, as defined under 26 U.S.C. §
79 414(j), to the extent such payment would be taxable for
80 federal income tax purposes.

81 (7) Net income realized by individuals and partnerships
82 from time to time in the business of conducting a financial
83 business employing monied capital coming into competition with
84 the business of national banks, but only if such individuals



HB50 INTRODUCED

85 and partnerships are subject to an excise tax imposed by this
86 state on or with respect to such income.

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

97 (9) a. 1. Three hundred dollars (\$300) for each person,
98 other than husband or wife, dependent upon the taxpayer, and
99 over half of whose support, for the calendar year in which the
100 taxable year for the taxpayer begins, was received from the
101 taxpayer.

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

109 ~~c. For tax years beginning after December 31, 2006, for~~
110 ~~taxpayers with adjusted gross income in excess of twenty~~
111 ~~thousand dollars (\$20,000) and equal to or less than one~~
112 ~~hundred thousand dollars (\$100,000), five hundred dollars~~



HB50 INTRODUCED

113 ~~(\$500) for each person other than husband and wife, dependent~~
114 ~~upon the taxpayer, and over half of whose support, for the~~
115 ~~calendar year in which the taxable year for the taxpayer~~
116 ~~begins, was received from the taxpayer.~~

117 ~~e.2.~~ For tax years beginning after December 31, 2021,
118 for taxpayers with adjusted gross income equal to or less than
119 fifty thousand dollars (\$50,000), one thousand dollars
120 (\$1,000) for each person other than husband or wife, dependent
121 upon the taxpayer, and over half of whose support, for the
122 calendar year in which the taxable year for the taxpayer
123 begins, was received from the taxpayer.

124 ~~e.3.~~ For tax years beginning after December 31, 2021,
125 for taxpayers with adjusted gross income in excess of fifty
126 thousand dollars (\$50,000) and equal to or less than one
127 hundred thousand dollars (\$100,000), five hundred dollars
128 (\$500) for each person other than husband and wife, dependent
129 upon the taxpayer, and over half of whose support, for the
130 calendar year in which the taxable year for the taxpayer
131 begins, was received from the taxpayer.

132 b. 1. For the purposes of this section, "dependent"
133 shall mean: A son or daughter of the taxpayer or a descendant
134 of either; a stepson or stepdaughter of the taxpayer; a
135 brother, sister, stepbrother, or stepsister of the taxpayer;
136 the father or mother of the taxpayer or an ancestor of either;
137 a stepfather or stepmother of the taxpayer; a son or daughter
138 of a brother or sister of the taxpayer; a brother or sister of
139 the father or mother of the taxpayer; a son-in-law,
140 daughter-in-law, father-in-law, mother-in-law, brother-in-law,



HB50 INTRODUCED

141 or sister-in-law of the taxpayer. As used in this paragraph
142 the terms "brother" and "sister" include a brother or sister
143 by the half blood. For the purpose of determining whether any
144 of the foregoing relationships exist, a legally adopted child
145 of a person shall be considered a child of such a person by
146 blood.

147 2. (i) Notwithstanding any other provisions of this
148 section, for all tax years beginning after December 31, 2023,
149 a taxpayer, or spouse of a taxpayer, in her third trimester of
150 pregnancy during the tax year, shall also be considered a
151 dependent for the purposes of this section. The Department of
152 Revenue shall establish a form by administrative rule to be
153 signed by a licensed health care professional and submitted by
154 the taxpayer to verify that the person claimed as a dependent
155 pursuant to this subparagraph was in her third trimester of
156 pregnancy during the tax year. The Alabama Department of
157 Public Health shall ensure copies of this form are available
158 to all health care professionals that treat pregnant women and
159 at all county health departments.

160 (ii) A taxpayer claiming a dependent pursuant to this
161 subparagraph may not, in the same tax year, also claim a
162 dependent under subparagraph 1. for a child resulting from the
163 pregnancy.

164 (10) Beginning January 1, 1998, all income, interest,
165 dividends, gains, or benefits of any kind received from
166 savings accounts or prepaid tuition contracts administered
167 under Title 16, Chapter 33C, are exempt from all income
168 taxation by the state and by all of its political subdivisions



HB50 INTRODUCED

169 to the extent that the amounts remain on deposit in the PACT
170 Trust Fund or the ACES Trust Fund, or are used to pay the
171 designated beneficiary's qualified higher education expenses
172 as defined in 26 U.S.C. § 529, or are refunded under such
173 terms as would not carry a penalty under 26 U.S.C. § 529.

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

184 (12) Beginning January 1, 2018, amounts received by an
185 individual from sources within a foreign country or countries
186 which constitute a housing allowance, and earned income
187 attributable to services performed by such individual received
188 during the tax period are exempt from all income taxation by
189 the state and by all of its political subdivisions to the
190 extent such income is exempt from federal income tax pursuant
191 to 26 U.S.C. § 911.

192 (13) a. Beginning January 1, 2023, the first six
193 thousand dollars (\$6,000) of taxable retirement income.

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

196 (b) Of the following personal exemptions allowed



HB50 INTRODUCED

197 resident taxpayers, each nonresident individual taxpayer shall
198 be allowed that proportion thereof that the adjusted gross
199 income received by said nonresident individual taxpayer from
200 sources within the State of Alabama bears to his or her
201 adjusted gross income received from sources within and without
202 the State of Alabama: In the case of a single person or a
203 married person not living with husband or wife, a personal
204 exemption of one thousand five hundred dollars (\$1,500) or, in
205 the case of a head of a family or a married person living with
206 husband or wife, a personal exemption of three thousand
207 dollars (\$3,000), a husband and wife living together shall
208 receive but one personal exemption of three thousand dollars
209 (\$3,000) against their aggregate income; and, in case they
210 make separate returns, each must claim a personal exemption of
211 one thousand five hundred dollars (\$1,500); and the amount in
212 subdivision (9) of subsection (a) for each person, other than
213 husband or wife, dependent upon and receiving his or her chief
214 support from the taxpayer.

215 (c) The Department of Revenue may enact rules as
216 necessary to implement and administer the provisions of this
217 act."

218 Section 2. This act shall become effective on the first
219 day of the third month following its passage and approval by
220 the Governor, or its otherwise becoming law.