

**House Ways and Means Education Reported Substitute
for HB273**



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A BILL
TO BE ENTITLED
AN ACT

Relating to income taxes; to amend Section 40-18-15.3, Code of Alabama 1975, to revise the qualifications for employees and employers to receive the income tax deduction for health insurance premiums paid.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-18-15.3, Code of Alabama 1975, is amended to read as follows:

"§40-18-15.3

(a) As used in this section, the following terms ~~shall~~ have the following meanings:

(1) QUALIFYING EMPLOYEES. Alabama resident employees who are employed by qualifying employers, ~~earn no more than \$50,000 of wages in the applicable tax year,~~ and report no more than \$75,000 of adjusted gross income on their Alabama individual income tax return (\$150,000 if married filing jointly) for the applicable year.

(2) QUALIFYING EMPLOYERS. Employers with less than ~~25~~50 employees.



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26 (b) For tax years beginning after December 31,
27 ~~2010~~2023, in addition to any other Alabama income tax
28 deduction that a qualifying employee may be entitled to with
29 respect to the payment of health insurance premiums,
30 qualifying employees shall be allowed to deduct from Alabama
31 gross income 100 percent of the amounts they pay as health
32 insurance premiums as part of an employer provided health
33 insurance plan provided by a qualifying employer.

34 (c) In addition to any other Alabama income tax
35 deduction that a qualifying employer may be entitled to with
36 respect to the payment of health insurance premiums paid on
37 behalf of ~~qualifying~~ employees, the qualifying employer shall
38 be allowed as a deduction in the computation of Alabama
39 taxable income 100 percent of the amounts they pay as health
40 insurance premiums in connection with an employer provided
41 health insurance plan on behalf of ~~qualifying~~ employees making
42 less than \$75,000 annually in wages from the qualifying
43 employer~~in connection with an employer provided health~~
44 ~~insurance plan~~.

45 (d) The deductions allowed under this section shall be
46 effective January 1, 2024, through the sooner of the
47 following, unless extended by an act of the Legislature:

48 (1) December 31, 2028

49 (2) December 31 of the tax year in which the
50 cumulative amount reported in the Report on Tax Expenditures
51 by the Legislative Services Agency reaches ten million dollars



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52 (\$10,000,000) for the following expenditures:

53 a. Corporate income tax small business health
54 insurance premiums.

55 b. Individual income tax small employer and employee
56 health insurance premiums."

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