

HB379 INTRODUCED



1 HB379
2 ARRHKQQ-1
3 By Representative Garrett
4 RFD: Ways and Means Education
5 First Read: 04-Mar-25



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4 SYNOPSIS:

5 Under existing law, nonresident remote workers
6 are required to remit income tax in the State of
7 Alabama.

8 This bill would provide that remote workers are
9 exempt from income tax in the State of Alabama in
10 certain circumstances.

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13 A BILL

14 TO BE ENTITLED

15 AN ACT

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17 Relating to income taxes; to amend Section 40-18-2,
18 Code of Alabama 1975, regarding persons subject to income tax,
19 to exclude certain nonresidents; to add Section 40-18-2.2 to
20 the Code of Alabama 1975; to exempt certain nonresident income
21 from income tax.

22 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

23 Section 1. Section 40-18-2, Code of Alabama 1975, is
24 amended as follows:

25 "§40-18-2

26 (a) In addition to all other taxes now imposed by law,
27 there is hereby levied and imposed a tax on the taxable
28 income, as defined in this chapter, which tax shall be



29 assessed, collected, and paid annually at the rate specified
30 herein and for each taxable year as hereinafter provided.

31 Persons and subjects taxable under this chapter are:

32 (1) Every individual residing in the State of Alabama.

33 (2) Every corporation domiciled in the State of Alabama
34 or licensed or qualified to transact business in the State of
35 Alabama.

36 (3) Every corporation doing business in the State of
37 Alabama or deriving income from sources within the State of
38 Alabama, including income from property located in the State
39 of Alabama.

40 (4) Every nonresident estate or nonresident trust
41 receiving income from property owned or business transacted in
42 the State of Alabama.

43 (5) Every resident estate and resident trust.

44 (6) Every nonresident individual receiving income from
45 property owned or business transacted in the State of Alabama,
46 except as provided in Section 40-18-2.2.

47 (b) Every natural person domiciled in the State of
48 Alabama, and every other natural person who maintains a
49 permanent place of abode within the state or spends in the
50 aggregate more than seven months of the income year within the
51 state, shall be presumed to be residing within the state for
52 the purposes of determining liability for income taxes under
53 this chapter."

54 Section 2. Section 40-18-2.2 is added to the Code of
55 Alabama 1975, as follows:

56 §40-18-2.2



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59 (1) "Professional athlete" means an athlete who
60 performs services in a professional athletic event for
61 compensation.

62 (2) "Professional entertainer" means a person who
63 performs services in the professional performing arts for
64 compensation on a per-event basis.

65 (3) "Public figure" means a person of prominence who
66 performs services at discrete events, such as speeches, public
67 appearances, or similar events, for compensation on a
68 per-event basis.

74 (1) The compensation is paid for employment duties
75 performed by the individual in this state on 24 or fewer days
76 in the calendar year.

79 (3) The compensation is not paid for employment duties
80 performed by the individual in the individual's capacity as a
81 professional athlete, professional entertainer, or public
82 figure.

83 (4) The nonresident individual's state of residence:
84 a. Provides a substantially similar exclusion;



85 b. Does not impose an individual income tax; or
86 c. The individual's income is exempt from taxation by
87 this state under the United States Constitution or federal
88 statute.

89 (c) Except as otherwise provided in this chapter, an
90 employer is not required to withhold taxes from compensation
91 that is paid to an employee described in subsection (b). If,
92 during the calendar year, the number of days an employee
93 spends performing employment duties in this state exceeds the
94 24-day threshold described in subsection (b) of this section,
95 an employer shall withhold and remit tax to this state for
96 every day in that calendar year, including the first 24 days,
97 on which the employee performs employment duties in this
98 state.

99 (d) For purposes of determining compensation paid and
100 subject to withholding under this section:

101 (1) If an employer maintains a time and attendance
102 system that tracks where employees perform services on a daily
103 basis, then data from the time and attendance system shall be
104 used. For purposes of this section, time and attendance system
105 means a system:

106 a. In which the employee is required, on a
107 contemporaneous basis, to record the work location for every
108 day worked outside of the state where the employment duties
109 are primarily performed; and

110 b. That is designed to allow the employer to allocate
111 the employee's wages for income tax purposes among all states
112 in which the employee performs services; and



124 (e) For purposes of this section, an employee shall be
125 considered present and performing employment duties within
126 this state for a day if the employee performs more of the
127 employee's employment duties in this state than in any other
128 state during that day. Any portion of the day during which the
129 employee is in transit shall not be considered in determining
130 the location of an employee's performance of employment
131 duties.

132 (f) The Alabama Department of Revenue shall adopt rules
133 necessary for the administration of this section.

134 (g) The provisions of this section shall be effective
135 for tax years beginning on or after January 1, 2026.