

MESSAGE FROM THE GOVERNOR

June 6, 2023

Alabama House of Representatives
Alabama State House
Montgomery, Alabama 36130

Ladies and Gentlemen:

Enclosed please find a message from the Governor returning House Bill 217 without the Governor's signature and with a proposed executive amendment.

Respectfully submitted,

William G. Parker, Jr.
General Counsel

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Ladies and Gentlemen:

I received House Bill 217, concerning the exemption of overtime pay from income taxes, and believe that the bill should be amended in two key respects. First, the bill should be amended to eliminate the \$25 million annual cap on the overall amount of taxes that the State's workers can avoid paying under the proposed new overtime-pay exemption. Second, the bill should be amended to include an earlier sunset date and to require reporting of the total, weekly overtime wages paid by an employer and the total number of employees for which those wages were paid.

Eliminating the \$25 million annual cap will make the bill easier to administer for employers and potentially put more money in the pockets of the overtime wage earners this bill seeks to benefit.

At the same time, the earlier sunset date and reporting requirements will better enable the Legislature to monitor the fiscal impact of the overtime-pay exemption on the State's Education Trust Fund.

For these reasons, and in collaboration with the bill sponsor, I am returning House Bill 217 to you, the body in which it originated, without my signature and with the below executive amendment.

Executive Amendment to House Bill 217

Please amend House Bill 217 as follows:

On page 4, lines 98 through 101, delete subparagraph m.3, which would impose a \$25 million annual cap on the overall amount of taxes that the State's workers could avoid paying under the proposed new overtime-pay exemption.

On page 4, line 97, pertaining to the bill's sunset date, delete "January 1, 2027" and insert in lieu thereof "June 30, 2023".

On page 4, insert the following reporting provisions following line 101:

"3. Each employer shall submit to the Department of Revenue, on forms prescribed by the department, the following:

"(i) For the tax year beginning January 1, 2023, the total amount received by full-time hourly wage-paid employees as compensation for work performed in excess of 40 hours in a week and the total number of employees for which it was paid. The data shall be due no later than January 31, 2024.

"(ii) For the tax year beginning on or after January 1, 2024, and each tax year thereafter, the total amount received by full-time hourly wage-paid employees as compensation for work performed in excess of 40 hours in a week and the total number of employees for which it was paid. The data shall be provided monthly or quarterly and shall be due no later than the due date for the corresponding monthly or quarterly withholding tax returns.

"(iii) Additional information as may be required by the department.

"4. The department shall report to the Legislative Services Agency - Fiscal Division and the Department of Finance the data collected and compiled pursuant to subparagraph 3, no later than 30 days after the due date of such date."

Adoption of the above-proposed executive amendment will remove my objection to this bill.

Respectfully submitted,

Kay Ivey
Governor