

HB219 INTRODUCED



1 HB219
2 AP5T7S7-1
3 By Representative Pettus
4 RFD: Ways and Means Education
5 First Read: 06-Feb-25



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SYNOPSIS:

Under current law, certain compensation for active service members of the United States Armed Forces is not subject to state income tax.

This bill would expand this exemption to include certain compensation of civilian employees of the U.S. Department of Defense and Armed Forces.

A BILL
TO BE ENTITLED
AN ACT

Relating to income tax; to amend Section 40-18-3, Code of Alabama 1975, as last amended by Act 2024-170 of the 2024 Regular Session, to exempt certain compensation of civilian employees of the U.S. Department of Defense and Armed Forces from state income tax.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-18-3, Code of Alabama 1975, as last amended by Act 2024-170 of the 2024 Regular Session, is amended to read as follows:

"§40-18-3

(a) The salaries, fees, commissions, or other income of officers or agents of the United States or its agencies and



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29 instrumentalities or its contractees, received from the United
30 States or from its agencies and instrumentalities, shall be
31 subject to income taxes levied by the State of Alabama as
32 other income is taxed, but without discrimination, and only to
33 the same extent and in the same manner as other income is
34 taxed, insofar as the State of Alabama may be constitutionally
35 or legally authorized to tax such income; ~~provided, that.~~

36 (b) Notwithstanding subsection (a), money paid by the
37 United States to ~~a person~~ an individual as compensation as a
38 civilian employee of the U.S. Department of Defense or Armed
39 Forces, or for active service as a member of the Armed
40 Forces ~~armed forces~~ of the United States, including members of
41 the National Guard and Reserve components, shall not be
42 subject to income taxes levied by the State of Alabama, for
43 compensation earned while the individual is:

44 (1) In ~~in~~ a combat zone designated by executive order of
45 the President of the United States; i

46 (2) Deployed ~~deployed~~ to locations outside the United
47 States; i or

48 (3) Activated ~~activated~~ by the Governor of the State of
49 Alabama or the President of the United States to support state
50 or federal response to emergencies within or outside of the
51 United States ~~shall not be subject to income taxes levied by~~
52 ~~the State of Alabama.-"~~

53 Section 2. The provisions of this act apply to tax
54 years beginning on or after January 1, 2026.

55 Section 3. This act shall become effective on January
56 1, 2026.