

1 HB243  
2 209021-1  
3 By Representative Garrett  
4 RFD: Ways and Means Education  
5 First Read: 02-FEB-21

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8 SYNOPSIS: Under current law, contributions to an  
9 Alabama Achieving a Better Life Experience (ABLE)  
10 savings account are not deductible from taxable  
11 income on an Alabama individual income tax return.

12 This bill provides a deduction for  
13 contributions made to an Alabama ABLE savings  
14 account from taxable income in an amount of up to  
15 five thousand dollars per annum.

16  
17 A BILL  
18 TO BE ENTITLED  
19 AN ACT

20  
21 Relating to individual income tax; provides an  
22 income tax deduction of up to five thousand dollars per annum  
23 for contributions made to a qualifying Alabama Achieving a  
24 Better Life Experience (ABLE) savings account.

25 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

26 Section 1. Section 40-18-15.8 is added to the Code  
27 of Alabama 1975, to read as follows:

1 § 40-18-15.8.

2 (a) An individual taxpayer shall be allowed a  
3 deduction from gross income, regardless of whether the  
4 taxpayer itemizes income tax deductions in calculating the  
5 income tax imposed pursuant to Section 40-18-5, for  
6 contributions made to an Alabama Achieving a Better Life  
7 Experience (ABLE) savings account, defined in Section  
8 16-33C-3, Code of Alabama 1975, as prescribed by this section.

9 (b) An individual taxpayer will be allowed to deduct  
10 contributions made on or after January 1, 2021 to an Alabama  
11 ABLE savings account, by or on behalf of such individual, of  
12 an amount up to five thousand dollars (\$5,000) per annum. If  
13 the taxpayer makes a nonqualified withdrawal as defined by  
14 Section 529A of the Internal Revenue Code (26 U.S.C. 529A),  
15 the amount of the nonqualified withdrawal, plus 10 percent of  
16 the amount withdrawn, shall be added back to the income of the  
17 contributing taxpayer in the year the nonqualified withdrawal  
18 was distributed. Rollover amounts transferred to an Alabama  
19 ABLE savings account shall not be considered contributions for  
20 purposes of this deduction to the extent that an Alabama  
21 income tax deduction has already been claimed for the rollover  
22 contribution amounts.

23 Section 2. The Department of Revenue may adopt rules  
24 to assist with the administration of this act.

25 Section 3. This act shall become effective for tax  
26 years beginning after December 31, 2020, following its passage

1 and approval by the Governor, or upon its otherwise becoming  
2 law.