

Income Exempt from Alabama Income Taxation

- United States Civil Service Retirement System benefits.
- State of Alabama Teachers Retirement System benefits.
- State of Alabama Employees Retirement System benefits.
- State of Alabama Judicial Retirement System benefits.
- Military retirement pay.
- Tennessee Valley Authority Pension System benefits.
- United States Government Retirement Fund benefits.
- Payments from a Defined Benefit Retirement Plan (https://forms.revenue.alabama.gov/viewer/basic_viewer/index.html?form=2021/05/DEFINED.BEN_.pdf) in accordance with IRC 414(j).
- Federal Railroad Retirement benefits.
- Federal Social Security benefits.
- State income tax refunds.
- Unemployment compensation.
- Welfare benefits.
- Disability retirement payments (and other benefits) paid by the Veterans Administration.
- Workman's compensation benefits, insurance damages, etc., for injury or sickness.
- Child support.
- Gifts, money, or other property you inherit or that was willed to you.
- Dividends on veteran's life insurance.
- Life insurance proceeds received because of a person's death.
- Interest on obligations of the State of Alabama or any county, city, or municipality of Alabama.
- Interest on obligations of the United States or any of its possessions.
- Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home.
- Military allowances paid to active duty military, National Guard, and active reserves for quarters, subsistence, uniforms, and travel.
- Subsistence allowance received by law enforcement and correction officers of the State of Alabama.
- All retirement compensation received by an eligible fire fighter or a designated beneficiary from any Alabama fire fighting agency.
- All retirement compensation received by an eligible peace officer or a designated beneficiary from any

Alabama police retirement system.

- Death benefits received by a designated beneficiary of a peace officer or fireman killed in the line of duty.
- Income earned while serving as a foreign missionary after first serving 24 months as a missionary in a foreign country.
- Compensation received from the United States for active service as a member of the Armed Forces in a combat zone designated by the President of the United States.
- An amount up to twenty-five thousand dollars (\$25,000) received as severance, unemployment compensation or termination pay, or as income from a supplemental income plan, or both, by an employee who, **as a result of administrative downsizing**, is terminated, laid-off, fired, or displaced from his or her employment. Additional information can be found on the Exempt Severance Pay (<https://revenue.alabama.gov/individual-corporate/taxes-administered-by-individual-corporate-income-tax/individual-income-tax/alabama-severance-pay-exemption/>) page.
- Beginning January 1, 1998, all tuition benefits received from the Alabama Prepaid Affordable College Tuition (PACT) program.
- Alabama 529 Savings Plan.
- Beginning in 2018, foreign income to the extent such income is exempt from federal income tax pursuant to section 26 USC 911.