

810-3-19-.01. Exempt Retirement Allowances.

(1) Income received from retirement systems that is totally exempt from Alabama income tax is as follows:

(a) Retirement allowances, pensions, annuities, or optional allowances paid by Alabama Teachers' Retirement System, the Alabama Judicial Retirement System, and the Alabama Employees' Retirement System and

(b) retirement annuities paid under the United States Retirement System to civil service employees from the United States government civil service retirement and disability fund including income received from the Tennessee Valley Authority's pension system, income received as annuities under the United States foreign service retirement and disability fund or income received from any other United States government retirement and disability fund.

(c) amounts received under the Federal Social Security Acts.

(d) retirement annuities paid under the provisions of the Federal Railroad Retirement Act of 1935, 1937, and 1974.

1. The exclusion from Railroad Retirement Act benefits includes both tier one and tier two benefits.

(e) military retirement (see §40-18-20).

(f) For tax years beginning after December 31, 1990 any retirement compensation, retirement allowances, pensions and annuities, or optional allowances received by any eligible peace officer, as defined in Section 36-21-60(10), or his/her designated beneficiary, from any police retirement system established in the state of Alabama, but only if such retirement compensation, retirement allowances, pensions and annuities, or optional allowances are awarded as a result of police services rendered.

1. An eligible peace officer as defined in Section 36-21-60(10) is:

"A person duly sworn as a peace officer of the state of Alabama possessing powers of arrest and employed by the state, any political subdivision thereof or any municipal corporation therein who is required by the terms of his employment, whether such employment exists by virtue of election or appointment, to give his full time to the preservation of public order and the protection of life or property or the detection of crime in the state. Such terms shall include enforcement officers for conservation laws and full-time coroners, but shall not include any pardon, parole or probation officer, district attorney, assistant district attorney, assistant attorney general, commissioner, deputy commissioner or any municipal inspector, county inspector or state inspector."

(g) For tax years beginning after December 31, 1990, any retirement compensation, retirement allowances, pensions and annuities, or optional allowances, received by any eligible firefighter, as defined in Sections 36-32-1 and 36-32-2, or his/her designated beneficiary, from any firefighting agency established in the state of Alabama, but only if such retirement compensation, retirement allowances, pensions and annuities, or optional allowances are awarded as a result of fire protection services rendered.

(2) Income from retirement systems that is partially exempt from Alabama income tax is as follows:

(a) For tax years beginning after December 31, 1983 and before January 1, 1991, the first \$8,000.00 of retirement compensation, retirement allowances, pensions and annuities, or optional allowance received by any eligible peace officer, or his/her designated beneficiary, from any police retirement system established in the State of Alabama, but only if such retirement income was awarded as the result of police services as defined in Sections 36-21-60(10) and 40-18-19 and Regulation 810-3-19-.01(1)(f).

(b) For tax years beginning after December 31, 1986 and before January 1, 1991, the first \$8,000.00 of retirement compensation, allowances, pensions and annuities or optional allowances received by an eligible fire fighter (as defined in §§36-32-1 and 36-32-2), or his/her designated beneficiary, from any fire fighting agency established in this state, but only if such amounts are awarded as a result of fire protection services rendered.

(3) Retirement pay annuities received by a retired employee from any retirement system not listed in the preceding paragraphs are subject to tax after recovery of the taxpayer's investment in the system. The taxpayer's investment in the system is the taxpayer's contributions, excluding those allowed as a deduction in determination of Alabama taxable income. Computations, for Alabama purposes, of taxable amounts and the recovery of the taxpayer's investments will be determined in the same manner as used for determining these amounts for federal purposes. Alabama totals will be substituted for federal totals.

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