

(1) Class exemptions from Alabama withholding are the same as those under federal law. The chief classes of employees exempt from withholding are agricultural, domestic, and merchant seamen. Alabama will not follow the federal requirement to withhold income tax on cash payments made after 1989 to agricultural employees where the payments are considered wages for social security purposes and FICA withholding is required.

(2) Where an employer establishes a deferred compensation plan under I.R.C. Sections 401(k)(2) or 403(b), the amounts properly deferred are not wages for withholding tax purposes.

(3) Amounts paid to or on behalf of an employee as reimbursement for moving expenses incurred relative to a new job location in Alabama, or advance payments of such expenses, are not wages for withholding tax purposes to the extent that there is reason to believe that the employee will have a corresponding deduction under Section 40-18-15(a)(18).

(4) Amounts paid to or on behalf of an employee for traveling or other bona fide ordinary and necessary expenses incurred, or advance payments of such expenses, to the extent that there is reason to believe that the employee will have a corresponding deduction under Section 40-18-15(a)(1).

(5) For tax years or periods beginning after December 31, 1990 - Where an employer participates in a cafeteria plan as described in I.R.C. Section 125, contributions made by an employer on behalf of an employee are not included in the employee's gross income and therefore are not subject to Alabama withholding tax.

(6) For tax years or periods beginning after December 31, 1990 - Where an employer incurs dependent care expenses on behalf of an employee, such amount is excluded from wages as defined in I.R.C. Section 129.

(7) For tax years or periods beginning after December 31, 2023, and ending prior to June 30, 2025, wages paid to a full time hourly employee as compensation for work performed in excess of 40 hours in a workweek are not taxable wages subject to Alabama withholding tax. The exemption for wages in excess of 40 hours in a workweek will not apply to salaried or other alternate payment methods made to employees. See Rule 810-3-72-.02.

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**Authority:** §§40-2A-7(a)(5), 40-18-14, and 40-18-72, Code of Ala. 1975.

**History:** Adopted: September 30, 1982.

Amended: June 17, 1988; effective filed July 27, 1988;

Amended: May 15, 1992.

Amended: Filed December 4, 2017; effective January 18, 2018.

Amended: Filed October 31, 2023; effective December 15, 2023.