

Alabama Eyes Portable Benefits for Freelancers and Gig Workers

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Certain states have considered enacting legislation facilitating the creation of portable benefit accounts for independent contractors, including gig economy workers. These accounts attach to the individual worker rather than a specific employer, allowing them to pay for various expenses such as health benefits, income replacement insurance, life insurance, and retirement benefits. Alabama may join Utah as one of the first states with portable benefits by way of [Senate Bill \(SB\) 86](#), which was introduced on February 4, 2025, by Alabama Senator Arthur Orr (R).

Quick Hits

- Alabama Senator Arthur Orr introduced a bill on February 4, 2025, to create portable benefit accounts for independent contractors.
- The bill proposes that independent contractors open portable benefit accounts managed by providers, with contributions from hiring parties being optional and incentivized through state tax deductions.
- If passed, the new law will take effect on October 1, 2025.

Under Alabama's proposed Portable Benefits Act, an independent contractor must first open a portable benefit account. A "portable benefit account provider," such as an investment management firm, and/or a technology provider or program manager that offers services through a bank or investment management firm, would administer the plan.

The "hiring party," defined as "[a] person or entity who hires or enters into a contract for the performance of work with an independent contractor," could contribute to the independent contractor's portable benefit account in two ways:

1. From its own funds, or
2. Withholding a percentage of the independent contractor's compensation, if the independent contractor agrees to such withholding in a signed agreement.

According to the bill, any contributions made by the hiring party to the portable benefit account "shall

not be used as a criterion for determining a worker's employment classification."

Under SB 86, contributions to the portable benefit account are not mandatory. The legislation provides incentives in the form of Alabama state tax deductions. Specifically, the bill states that a hiring party that uses its *own funds* to contribute to a portable benefit account may deduct 100 percent of that amount as a business expense on its yearly Alabama tax return. SB 86 further provides that independent contractors may deduct "100 percent of the amount contributed by a hiring party as a form of compensation to a portable benefit account," as well as 100 percent of the amount contributed by the worker, as an adjustment to income on the individual's Alabama state income tax return.

If passed, the proposed "Portable Benefits Act" would take effect on October 1, 2025.

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