SENATE F&TE COMMITTEE SUBSTITUTE FOR SB250

SYNOPSIS: Under existing law, amounts received in 2020 as a result of federal tax credits or advance refunds provided under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, as provided in I.R.C. § 6428, are not excluded from Alabama individual income taxation.

Under existing law, cancellation of indebtedness income resulting from the forgiveness of small business loans under Section 1106 of the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is not excluded from Alabama individual income taxation and may not be excluded from Alabama corporate income taxation and Alabama financial institution taxation.

This bill would provide for an exclusion from Alabama individual income taxation for any federal tax credits or advance refunds resulting from the federal Coronavirus Aid, Relief, and Economic Security Act.
This bill would provide for an exclusion from Alabama income taxation for small business loans forgiven under the Paycheck Protection Program established by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.

A BILL
TO BE ENTITLED
AN ACT

Relating to income taxes; to provide for an exclusion from Alabama income tax for federal tax credits, advance refunds, or loan forgiveness resulting from the federal Coronavirus Aid, Relief, and Economic Security Act.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall be known and may be cited as the “Alabama Taxpayer Stimulus Freedom Act of 2020.”

Section 2. (a) Any tax credits or advance refund amounts received as a result of the federal Coronavirus Aid, Relief, and Economic Security Act, as provided in I.R.C. § 6428, shall be excluded from Alabama individual income taxation.

(b) For taxable year 2020, any tax credits or advance refund amounts received as a result of the federal Coronavirus Aid, Relief, and Economic Security Act, as provided in I.R.C. § 6428, shall also be excluded from any and
all calculations in determining a taxpayer's federal income
tax deduction pursuant to Section 40-18-15.

Section 3. Any amount of cancellation of
indebtedness income resulting from a loan forgiven under
Section 1106 of the federal Coronavirus Aid, Relief, and
Economic Security Act:

(1) Shall be exempt from the income taxes imposed by
Chapter 18 of Title 40 and from the financial institution
excise tax imposed by Chapter 16 of Title 40, to the same
extent as the amount is exempt from the federal income tax.

(2) Shall not be considered in determining the
deductibility of otherwise deductible expenses, such as
payroll, utilities, mortgage interest, and rent, allowed to be
paid with the exempt funds, to the same extent as the expenses
remain deductible in calculating federal income tax.

(3) Shall also be excluded from any and all
calculations in determining a taxpayer's federal income tax
deduction pursuant to Chapter 18 or Chapter 16 of Title 40.

Section 4. This act shall become effective for tax
years beginning on or after January 1, 2020, following its
passage and approval by the Governor, or its otherwise
becoming law.