

1 HB35  
2 207489-1  
3 By Representative Whitt  
4 RFD: Ways and Means Education  
5 First Read: 02-FEB-21  
6 PFD: 10/29/2020

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

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

22 This bill would provide for an exclusion  
23 from Alabama individual income taxation for any  
24 federal tax credits or advance refunds resulting  
25 from the federal Coronavirus Aid, Relief, and  
26 Economic Security Act.

1                   This bill would provide for an exclusion  
2                   from Alabama income taxation for small business  
3                   loans forgiven under the Paycheck Protection  
4                   Program established by the federal Coronavirus Aid,  
5                   Relief, and Economic Security (CARES) Act.

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7                   A BILL  
8                   TO BE ENTITLED  
9                   AN ACT

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11                   Relating to income taxes; to provide for an  
12                   exclusion from Alabama income tax for federal tax credits,  
13                   advance refunds, or loan forgiveness resulting from the  
14                   federal Coronavirus Aid, Relief, and Economic Security Act.  
15                   BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

16                   Section 1. (a) Any tax credits or advance refund  
17                   amounts received as a result of the federal Coronavirus Aid,  
18                   Relief, and Economic Security Act, as provided in I.R.C. §  
19                   6428, shall be excluded from Alabama individual income  
20                   taxation.

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

1                   Section 2. Any amount of cancellation of  
2                   indebtedness income resulting from a loan forgiven under  
3                   Section 1106 of the federal Coronavirus Aid, Relief, and  
4                   Economic Security Act:

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

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

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

17                  Section 3. This act shall become effective  
18                  immediately following its passage and approval by the  
19                  Governor, or its otherwise becoming law.