

1 HB98
2 208688-1
3 By Representative Whitt
4 RFD: Ways and Means Education
5 First Read: 02-FEB-21
6 PFD: 12/17/2020

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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 forgiven under Section 1106
17 of the federal Coronavirus Aid, Relief, and
18 Economic Security (CARES) Act is not excluded from
19 Alabama individual income taxation and may not be
20 excluded from Alabama corporate income taxation and
21 financial institution excise taxation.

22 Under existing law, taxable income for
23 corporate income tax is defined as federal taxable
24 income with certain additions and deductions.
25 Alabama's corporate income tax law automatically
26 conforms to federal corporate income tax laws,
27 including changes imposed by the federal Tax Cuts

1 and Jobs Act (TCJA) and the Coronavirus Aid,
2 Relief, and Economic Security (CARES) Act.

3 Under existing law, any amount received from
4 the state Coronavirus Relief Fund is treated as
5 taxable income for purposes of Alabama income and
6 financial institution excise taxation.

7 This bill would provide for an exclusion
8 from Alabama individual income taxation for any
9 federal tax credits or advance refunds resulting
10 from the federal Coronavirus Aid, Relief, and
11 Economic Security (CARES) Act.

12 This bill would provide an income and
13 financial institution excise tax exemption for any
14 amounts received from the Coronavirus Relief Fund.

15 This bill would provide for an exclusion
16 from Alabama income taxation and financial
17 institution excise taxation for small business
18 loans forgiven under the Paycheck Protection
19 Program established by the federal Coronavirus Aid,
20 Relief, and Economic Security (CARES) Act.

21
22 A BILL

23 TO BE ENTITLED

24 AN ACT

25
26 Relating to corporate income tax; to provide for an
27 exclusion from Alabama individual income tax for federal tax

1 credits, advance refunds, or loan forgiveness resulting from
2 the federal Coronavirus Aid, Relief, and Economic Security
3 (CARES) Act; and to provide an income and financial
4 institution excise tax exemption for any amounts received from
5 the Coronavirus Relief Fund.

6 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

7 Section 1. (a) Any tax credits or advance refund
8 amounts received as a result of the federal Coronavirus Aid,
9 Relief, and Economic Security (CARES) Act, as provided in
10 I.R.C. § 6428, shall be excluded from Alabama individual
11 income taxation.

12 (b) For taxable year 2020, any tax credits or
13 advance refund amounts received as a result of the federal
14 Coronavirus Aid, Relief, and Economic Security (CARES) Act, as
15 provided in I.R.C. § 6428, shall also be excluded from any and
16 all calculations in determining a taxpayer's federal income
17 tax deduction pursuant to Section 40-18-15, Code of Alabama
18 1975.

19 (c) Principal or interest payments incurred by an
20 employer on any qualified education loan that is excluded from
21 the employee's federal gross income pursuant to I.R.C. §
22 127(c)(1)(B), under the provisions of Section 2206(a) of the
23 Coronavirus Aid, Relief, and Economic Security (CARES) Act
24 shall be excluded from the gross income of an employee for
25 income taxes imposed by Chapter 18 of Title 40, Code of
26 Alabama 1975, to the same extent as the amount is excluded
27 from the federal gross income.

1 (d) Any Alabama taxpayer subject to the tax imposed
2 by Chapter 16 or Chapter 18 of Title 40, Code of Alabama 1975,
3 shall be exempt from recognizing as income any amount received
4 from the state Coronavirus Relief Fund provided by the
5 Congress of the United States to the State of Alabama from the
6 Coronavirus, Aid, Relief, and Economic Security (CARES) Act
7 (P.L. 116-136).

8 Section 2. Any amount of cancellation of
9 indebtedness income resulting from a loan forgiven under
10 Section 1106 of the federal Coronavirus Aid, Relief, and
11 Economic Security (CARES) Act:

12 (1) Shall be exempt from the financial institution
13 excise tax imposed by Chapter 16 of Title 40, Code of Alabama
14 1975, and the income taxes imposed by Chapter 18 of Title 40,
15 Code of Alabama 1975, to the same extent as the amount is
16 exempt from the federal income tax.

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

22 (3) Shall also be excluded from any and all
23 calculations in determining a taxpayer's federal income tax
24 deduction pursuant to Chapter 16 or Chapter 18 of Title 40,
25 Code of Alabama 1975.

26 Section 3. The Department of Revenue may adopt rules
27 for the implementation and administration of this act.

1 Section 4. This act shall be effective immediately
2 following its passage and approval by the Governor, or its
3 otherwise becoming law.