SB75

209160-1

By Senator Waggoner

RFD: Finance and Taxation Education

First Read: 02-FEB-21

PFD: 01/26/2021
SYNOPSIS: Under existing law, amounts received in 2020 and 2021 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 forgiven under Section 1106 of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act is not excluded from Alabama individual income taxation and may not be excluded from Alabama corporate income taxation and financial institution excise taxation.

Under existing law, any amount received by Alabama taxpayers from the state Coronavirus Relief Funds provided to the state under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, must be recognized as income.
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 (CARES) Act or any subsequent federal act providing similar tax credits or advance refunds in response to the Coronavirus pandemic.

This bill would provide for an exclusion from Alabama income taxation and financial institution excise taxation for small business loans forgiven under the Paycheck Protection Program established by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act or any subsequent federal act providing small business loan forgiveness in response to the Coronavirus pandemic.

This bill would exempt any amount received by a taxpayer from state Coronavirus Relief Funds, or other stimulus funds provided to the state in response to the Coronavirus pandemic from being recognized as income for Alabama income taxation and financial institution excise taxation.

A BILL TO BE ENTITLED

AN ACT
Relating to income taxes; to provide for an
exclusion from Alabama individual income tax or financial
institution excise tax for federal tax credits, advance
refunds, loan forgiveness, or amounts received from state
Coronavirus Relief Funds resulting from the federal
Coronavirus Aid, Relief, and Economic Security (CARES) Act or
any subsequent federal act directly related to the Coronavirus
demand.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. (a) Any tax credits or advance refund
amounts received as a result of the federal Coronavirus Aid,
Relief, and Economic Security (CARES) Act, as provided in
I.R.C. § 6428, or any subsequent federal act directly related
to the Coronavirus pandemic, shall be excluded from Alabama
individual income taxation.

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

(c) Principal or interest payments incurred by an
employer on any qualified education loan that is excluded from
the employee’s federal gross income pursuant to I.R.C. Section
127(c)(1)(B), under the provisions of Section 2206(a) of the
Coronavirus Aid, Relief, and Economic Security (CARES) Act, or any subsequent federal act directly related to the Coronavirus pandemic, shall be excluded from the gross income of an employee for income taxes imposed by Chapter 18 of Title 40, to the same extent as the amount is excluded from the federal gross income.

Section 2. Any amount of cancellation of indebtedness income resulting from a loan forgiven under Section 1106 of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, or any subsequent federal act directly related to the Coronavirus pandemic:

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

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

(3) In determining the deductibility of expenses, such as payroll, utilities, mortgage interest, and rent, allowed to be paid with the exempt loan proceeds, the expenses shall be deductible in calculating Alabama taxable income to the same extent that the expense are deductible in calculating federal taxable income under the provisions of the Internal Revenue Code.

Section 3. Any Alabama taxpayer subject to the tax imposed by Chapter 16 or Chapter 18 of Title 40 shall be
exempt from recognizing as income any amount received from
state Coronavirus Relief Fund amounts provided to the state
under the Coronavirus Aid, Relief, and Economic Security
(CARES) Act, or any subsequent federal act directly related to
the Coronavirus pandemic.

Section 4. The provisions of this act shall only
apply to taxable years 2020 and 2021.

Section 5. This act shall become effective
immediately following its passage and approval by the
Governor, or its otherwise becoming law.