

1 HB207  
2 145255-1  
3 By Representative Jackson  
4 RFD: Ways and Means Education  
5 First Read: 07-FEB-13

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8 SYNOPSIS: Under existing law, Alabama levies an income  
9 tax on corporations. Alabama corporate income tax  
10 law is linked to federal corporate income tax law,  
11 which allows a domestic production activities  
12 deduction that is equal to a percentage of income  
13 earned from domestic production or taxable income,  
14 whichever is less.

15 This bill would limit the Alabama deduction  
16 to three percent of qualifying income.

17  
18 A BILL  
19 TO BE ENTITLED  
20 AN ACT

21  
22 To amend Section 40-18-34, Code of Alabama 1975, to  
23 limit the domestic production activities deduction to three  
24 percent of qualified production activities income or taxable  
25 income, whichever is less.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1           Section 1. Section 40-18-34, Code of Alabama 1975,  
2 as amended, is amended to read as follows:

3           "§40-18-34.

4           "The following items shall be added to federal  
5 taxable income for purposes of computing taxable income under  
6 this chapter:

7           (a) State and local income taxes that are deductible  
8 in computing federal taxable income.

9           (b) Interest on obligations of state or local  
10 governments other than Alabama that is excludable from gross  
11 income for federal income tax purposes.

12           (c) Refunds of federal income taxes deducted.

13           (d) Dividends received from a corporation in which  
14 the taxpayer owns less than 20% of the stock (by vote and  
15 value), but only to the extent such dividends are properly  
16 deducted in computing taxable income for federal income tax  
17 purposes.

18           (e) For taxable years beginning after December 31,  
19 2012, any amount deducted in accordance with 26 U.S.C. §199  
20 which is in excess of three percent of the lesser of qualified  
21 production activities income or taxable income for the taxable  
22 year."

23           Section 2. This act shall become effective  
24 immediately following its passage and approval by the  
25 Governor, or its otherwise becoming law.