

1 SB379
2 212086-1
3 By Senators Roberts, Orr, Gudger and Elliott
4 RFD: Finance and Taxation Education
5 First Read: 01-APR-21

SYNOPSIS: Under existing law, amounts received as federal child tax credits under Internal Revenue Code Section 24, as federal earned income tax credits under Internal Revenue Code Section 32, or as child and dependent care tax credits under Internal Revenue Code Section 21 reduce the federal income tax deduction allowed for Alabama individual taxpayers.

Under existing law, the enhanced, one-time federal expansion of these credits under the American Rescue Plan, which will be granted to individual taxpayers in the tax year ending December 31, 2021, would increase Alabama individual taxable income for the 2021 tax year.

This bill would create a one-time allotment in the state income tax law to conform with the federal intent behind the income tax credit expansion within the American Rescue Plan and would provide that the reduction in the individual federal income tax deduction associated with the

1 federal child tax credits, earned income tax
2 credits, and child and dependent care tax credits
3 for the tax year ending on December 31, 2021, would
4 be calculated as if the individual paid the federal
5 income tax that would otherwise have been paid
6 under the provisions of the Internal Revenue Code
7 in effect on December 31, 2020.

8 Under existing law, amounts received as a
9 result of federal restaurant revitalization grants
10 under Section 5003 of the American Rescue Plan Act
11 are not excluded from Alabama income taxation.

12 This bill would conform Alabama income
13 taxation law with the federal exclusion of
14 restaurant revitalization grants from gross income,
15 and would additionally conform with the federal
16 provisions relating to the deductibility of related
17 expenses.

18 Under current law, the due date for a
19 corporate income tax return and financial
20 institution excise tax return is the same as the
21 corresponding federal income tax return.

22 This bill would provide for a one-month
23 extension of the due date of tax returns for
24 Alabama financial institution excise taxpayers and
25 corporate income taxpayers in tax years beginning
26 on or after January 1, 2021, in order to provide
27 taxpayers with additional time to calculate their

1 tax liabilities under new federal and state tax
2 law, without incurring a late filing penalty. The
3 filing extension would not extend the due date of
4 the tax liability by these taxpayers.

5 This bill would also authorize the
6 Department of Revenue, in its discretion, to extend
7 the due date of tax returns for Alabama financial
8 institution excise taxpayers and corporate income
9 taxpayers by one month in tax years beginning on or
10 after January 1, 2020, but before January 1, 2021.

11
12 A BILL
13 TO BE ENTITLED
14 AN ACT
15

16 Relating to taxation; to provide that the deduction
17 allowed to individual taxpayers for federal income tax paid or
18 accrued within the tax year ending December 31, 2021, will be
19 determined without considering the reduction in federal tax
20 attributable to any additional federal child tax credit,
21 federal earned income tax credit, or federal child and
22 dependent care tax credit received pursuant to the American
23 Rescue Plan Act of 2021, in order to allow individuals to
24 receive the amount of the enhanced federal 2021 credits rather
25 than pay state income tax on a portion of the amounts
26 received; to provide that federal restaurant revitalization
27 grants are excluded from Alabama income taxation to the same

1 extent as under federal income tax law; to otherwise conform
2 state income taxation law with federal law as it relates to
3 the deductibility of expenses paid with these grants; to add
4 Sections 40-16-3.1 and 40-18-39.1 to the Code of Alabama 1975,
5 to provide for an extension of the due date for tax returns
6 for certain taxpayers; and to authorize the Department of
7 Revenue to adopt rules.

8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

9 Section 1. For the tax year ending on December 31,
10 2021, for purposes of determining an individual taxpayer's
11 federal income tax deduction pursuant to Chapter 18 of Title
12 40, Code of Alabama 1975, the federal income tax deduction
13 shall be calculated without consideration of the reductions in
14 federal tax provided in Sections 9611, 9612, 9621, 9622, 9623,
15 9624, 9625, 9626, and 9631 of the American Rescue Plan Act of
16 2021, and instead, for any federal income tax reductions
17 attributable to the federal child tax credit, the earned
18 income tax credit, and the federal child and dependent care
19 tax credits, the federal income tax deduction shall be
20 calculated as if the individual paid the federal income tax
21 that would otherwise have been paid under the provisions of
22 the Internal Revenue Code in effect on December 31, 2020.

23 Section 2. For tax years ending after the enactment
24 of the federal American Rescue Plan Act, any amount received
25 from the Administrator of the Small Business Administration in
26 the form of a restaurant revitalization grant under Section

1 5003 of the American Rescue Plan Act shall be all of the
2 following:

3 (1) Exempt from the income taxes imposed by Chapter
4 18 of Title 40, Code of Alabama 1975, to the same extent as
5 the amount is exempt from federal income tax under Section
6 9673 of the American Rescue Plan Act.

7 (2) Not considered in determining deductibility of
8 otherwise deductible expenses allowed to be paid with the
9 exempt funds, including, but not limited to, payroll,
10 utilities, mortgage interest, or rent, to the same extent as
11 the expenses remain deductible in calculating federal income
12 tax under Section 9673 of the American Rescue Plan Act.

13 (3) Excluded from any and all calculations in
14 determining a taxpayer's federal income tax deduction pursuant
15 to Chapter 18 of Title 40, Code of Alabama 1975.

16 Section 3. Sections 40-16-3.1 and 40-18-39.1 are
17 added to the Code of Alabama 1975, to read as follows:

18 §40-16-3.1.

19 (a) (1) For tax years beginning on or after January
20 1, 2021, a financial institution excise taxpayer shall be
21 allowed one month following the due date of the corresponding
22 federal income tax return, including applicable extensions, to
23 file the Alabama financial institution excise tax return as
24 required by Section 40-16-3.

25 (2) For tax years beginning on or after January 1,
26 2020, but prior to January 1, 2021, the department may allow a
27 financial institution excise taxpayer one additional month

1 following the due date of the corresponding federal income tax
2 return, including applicable extensions, to file the Alabama
3 financial institution excise tax return, upon request by the
4 taxpayer and approval by the department.

5 (b) The extension provided in this section shall not
6 allow a taxpayer to defer payment of a financial institution
7 excise tax liability beyond the original due date provided in
8 Section 40-16-3.

9 §40-18-39.1.

10 (a) (1) For tax years beginning on or after January
11 1, 2021, a corporate income taxpayer shall be allowed one
12 month following the due date of the corresponding federal
13 income tax return, including applicable extensions, to file
14 the Alabama corporate income tax return as required by Section
15 40-18-39.

16 (2) For tax years beginning on or after January 1,
17 2020, but prior to January 1, 2021, the department may allow a
18 corporate income taxpayer one additional month following the
19 due date of the corresponding federal income tax return,
20 including applicable extensions, to file the Alabama corporate
21 income tax return, upon request by the taxpayer and approval
22 by the department.

23 (b) The extension provided in subsection (a) shall
24 not allow a taxpayer to defer payment of a corporate income
25 tax liability beyond the original due date provided in Section
26 40-18-39.

1 Section 4. The Department of Revenue may adopt rules
2 to implement this act.

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