

1 HB147
2 215968-1
3 By Representative Carns
4 RFD: Ways and Means Education
5 First Read: 13-JAN-22

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

16 Under existing law, the enhanced, federal
17 expansion of these credits under the American
18 Rescue Plan Act, which will be granted to
19 individual taxpayers in the tax year ending
20 December 31, 2021, would increase Alabama
21 individual taxable income for the 2021 tax year.

22 This bill would create an allotment in the
23 state income tax law to conform with the federal
24 intent behind the income tax credit expansion
25 within the American Rescue Plan Act and would
26 provide that the reduction in the individual
27 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 current law, the due date for a
9 corporate income tax return and financial
10 institution excise tax return is the same as the
11 corresponding federal income tax return.

12 This bill would provide for a one-month
13 extension of the due date of tax returns for
14 Alabama financial institution excise taxpayers and
15 corporate income taxpayers in tax years beginning
16 on or after January 1, 2021, in order to provide
17 taxpayers with additional time to calculate their
18 tax liabilities under new federal and state tax
19 law, without incurring a late filing penalty. The
20 filing extension would not extend the due date of
21 the tax liability by these taxpayers.

22 This bill would also authorize the
23 Department of Revenue, in its discretion, to extend
24 the due date of tax returns for Alabama financial
25 institution excise taxpayers and corporate income
26 taxpayers by one month in tax years beginning on or
27 after January 1, 2020, but before January 1, 2021.

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2 A BILL
3 TO BE ENTITLED
4 AN ACT

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6 Relating to taxation; to provide that the deduction
7 allowed to individual taxpayers for federal income tax paid or
8 accrued within the tax year ending December 31, 2021 will be
9 determined without considering the reduction in federal tax
10 attributable to any additional federal child tax credit,
11 federal earned income tax credit, or federal child and
12 dependent care tax credit received pursuant to the American
13 Rescue Plan Act of 2021, in order to allow individuals to
14 receive the amount of the enhanced federal credits rather than
15 pay state income tax on a portion of the amounts received; to
16 add Sections 40-16-3.1 and 40-18-39.1 to the Code of Alabama
17 1975, to provide for an extension of the due date for tax
18 returns for certain taxpayers; and to authorize the Department
19 of Revenue to adopt rules.

20 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

21 Section 1. For the tax year ending on December 31,
22 2021, for purposes of determining an individual taxpayer's
23 federal income tax deduction pursuant to Chapter 18 of Title
24 40, Code of Alabama 1975, the federal income tax deduction
25 shall be calculated without consideration of the reductions in
26 federal tax provided in Sections 9611, 9612, 9621, 9622, 9623,
27 9624, 9625, 9626, and 9631 of the American Rescue Plan Act of

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

8 Section 2. Sections 40-16-3.1 and 40-18-39.1 are
9 added to the Code of Alabama 1975, to read as follows:

10 §40-16-3.1.

11 (a) (1) For tax years beginning on or after January
12 1, 2021, a financial institution excise taxpayer shall be
13 allowed one month following the due date of the corresponding
14 federal income tax return, including applicable extensions, to
15 file the Alabama financial institution excise tax return as
16 required by Section 40-16-3.

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

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

1 §40-18-39.1.

2 (a) (1) For tax years beginning on or after January
3 1, 2021, a corporate income taxpayer shall be allowed one
4 month following the due date of the corresponding federal
5 income tax return, including applicable extensions, to file
6 the Alabama corporate income tax return as required by Section
7 40-18-39.

8 (2) For tax years beginning on or after January 1,
9 2020, but prior to January 1, 2021, the department may allow a
10 corporate income taxpayer one additional month following the
11 due date of the corresponding federal income tax return,
12 including applicable extensions, to file the Alabama corporate
13 income tax return, upon request by the taxpayer and approval
14 by the department.

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

19 Section 3. The Department of Revenue may adopt rules
20 to implement this act.

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