



**House Financial Services Reported Substitute for
HB163**

A BILL
TO BE ENTITLED
AN ACT

Relating to income tax; to decouple Alabama from the Tax Cuts and Jobs Act (TCJA) amendment, 26 U.S.C. § 174, relating to the amortization of research and experimental expenditures; to allow for such expenditures to follow the provisions of 26 U.S.C § 174 as they existed prior to tax year 2022; and to provide for retroactive effect.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Effective for tax years beginning on or after January 1, 2024, research and experimental expenditures for Alabama tax purposes under Chapter 16 and Chapter 18 of Title 40, Code of Alabama 1975, shall not follow the provisions of 26 U.S.C § 174, as amended by the Tax Cuts and Jobs Act (TCJA), P.L. 115-97. Taxpayers shall have the option to currently deduct research and experimental expenditures or treat the expenditures as deferred expenses in the same manner as provided in 26 U.S.C § 174 prior to tax year 2022.

Section 2. The Department of Revenue may adopt rules for implementation and administration of this act.



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29 Section 3. This act shall become effective on October
30 1, 2025.