

HB163 INTRODUCED



1 HB163
2 XNMS77Z-1
3 By Representative Faulkner
4 RFD: Financial Services
5 First Read: 04-Feb-25



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SYNOPSIS:

Under the current provisions of the Code of Alabama 1975, taxable income for corporate income is defined as federal taxable income with certain additions and deductions. Alabama's corporate income tax law automatically conforms to federal corporate income tax laws, including changes imposed by the federal Tax Cuts and Jobs Act (TJCA).

Under 26 U.S.C § 174, as amended by the TJCA, firms that invest in research and experimental expenditures must amortize their costs over five years for domestic expenses or fifteen years for foreign expenses, beginning in 2022 and after.

This bill would decouple Alabama from the TCJA amendment to 26 U.S.C. § 174, relating to the amortization of research and experimental expenditures, and allow research and experiments to be treated in the same manner as provided in 26 U.S.C. § 174 prior to tax year 2022.

A BILL
TO BE ENTITLED



HB163 INTRODUCED

29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49

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; and to allow for such expenditures to follow the provisions of 26 U.S.C § 174 as they existed prior to tax year 2022.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. For tax years beginning on or after January 1, 2026, research and development expenses for Alabama income tax purposes 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.

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