

## Income/Franchise:

### New Law Adopts Single Sales Factor and Elective Passthrough Entity-Level Taxation and Addresses GILTI and IRC §163(j)

H.B. 170, signed by gov. 2/12/21. New law in Alabama incorporates wide ranging tax provisions, including the following significant changes for some businesses:

URL: [http://alisondb.legislature.state.al.us/alison/SESSBillStatusResult.ASPX?BILL=HB170&WIN\\_TYPE=BillResult](http://alisondb.legislature.state.al.us/alison/SESSBillStatusResult.ASPX?BILL=HB170&WIN_TYPE=BillResult)

- Moves from a three-factor double-weighted sales apportionment formula to a single-sales factor formula for state corporate income tax purposes;
- Eliminates Alabama's "throwback" rule for purposes of computing the sales factor for state corporate income tax purposes;
- Retroactively decouples Alabama from the global intangible low-taxed income (GILTI) provisions under the federal Tax Cuts and Jobs Act (*i.e.*, P.L. 115-97);
- Provides that if no Internal Revenue Code section 163(j) interest limitation exists at the federal level, then no such limitation will exist for Alabama income tax purposes; and
- Allows certain pass-through entities to elect to be taxed at the entity level.

See recently issued Multistate Tax Alert for more details on this new law, as well as some related taxpayer considerations, and please contact us with any questions.

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