

Income/Franchise:

Alabama DOR Adopts Rules on Pass-through Entity-Level Tax and Financial Institution Excise Tax

New Rule section 810-3-36-.01; Repeal of and New Rule section 810-9-1-.02 and Repeal of Rule section 810-9-1-.01 and section 810-9-1-.03, Ala. Dept. of Rev. (12/30/21). The Alabama Department of Revenue (Department) adopted a new rule reflecting legislation enacted in 2021 [see H.B. 170 (2021) and H.B. 588 (2021), as well as previously issued Multistate Tax Alert, for more details on this new law] that allows some pass-through entities to elect to be taxed at the entity level for tax years beginning on or after January 1, 2021. The new law includes a corporate or individual income tax credit for owners, members, partners, and/or shareholders of such electing passthrough entities in an amount equal to their respective pro rata or distributive share of the Alabama income taxes paid by such entities. According to the Department, this new rule “is being promulgated to provide taxpayers guidance on the requirements for the filing of an electing passthrough entity return and the payment of tax.”

URL: <http://www.alabamaadministrativecode.state.al.us/UpdatedMonthly/AAM-DEC-21/AAM-DEC-21.htm>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-alabama-passes-wide-ranging-tax-legislation-addressing-the-cares-act-and-federal-covid-relief.pdf>

Another adopted rule covers Alabama’s financial institution excise tax (FIET) and purports to conform with FIET requirements as updated under Alabama’s “Financial Excise Tax Reform Act of 2019-284.” The new rule may be read as making significant changes to the entity classification and filing obligations of certain flow-through entities. Please contact us with any questions.

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