

Income/Franchise:

Alabama: New Financial Institution Excise Tax Rule Explains Federal Income Tax Deduction

Certified New: New Reg. section 810-9-1-.06, Ala. Dept. of Rev. (2/28/22); New Reg. section 810-9-1-.06, Ala. Dept. of Rev. (10/20/21). The Alabama Department of Revenue adopted a new rule involving Alabama's financial institution excise tax (FIET) pursuant to Alabama's Financial Excise Tax Reform Act of 2019-284, which permits the deduction of federal income taxes paid or accrued during the taxable year in accordance with a taxpayer's method of accounting used in computing its taxable income. The rule generally provides that a cash basis taxpayer must deduct federal income tax in the year paid, while an accrual basis taxpayer must deduct federal income tax in the year for which the tax is accrued, and explains how to determine the federal income tax attributable to Alabama under various federal income tax filing scenarios and which adjustments may apply. The rule includes several example calculations. Please contact us with any questions.

URL: <http://www.alabamaadministrativecode.state.al.us/UpdatedMonthly/AAM-FEB-22/AAM-FEB-22.htm>

URL: <http://www.alabamaadministrativecode.state.al.us/JCARR/JCARR-OCT-21/REV%20810-9-1-.06.pdf>

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