

1 HB3  
2 216567-1  
3 By Representatives Carns, Mooney, Faulkner, Allen, Standridge,  
4 Wheeler and Drake  
5 RFD: Ways and Means Education  
6 First Read: 19-JAN-22

2  
3  
4  
5  
6  
7  
8 SYNOPSIS: Under existing law, amounts received as  
9 federal child tax credits under Internal Revenue  
10 Code Section 24, as federal earned income tax  
11 credits under Internal Revenue Code Section 32, or  
12 as child and dependent care tax credits under  
13 Internal Revenue Code Section 21 reduce the federal  
14 income tax deduction allowed for Alabama individual  
15 taxpayers.

16 Under existing law, the enhanced, federal  
17 expansion of these credits under the American  
18 Rescue Plan Act, which will be granted to  
19 individual taxpayers in the tax year ending  
20 December 31, 2021, would increase Alabama  
21 individual taxable income for the 2021 tax year.

22 This bill would create an allotment in the  
23 state income tax law to conform with the federal  
24 intent behind the income tax credit expansion  
25 within the American Rescue Plan Act and would  
26 provide that the reduction in the individual  
27 federal income tax deduction associated with the

1 federal child tax credits, earned income tax  
2 credits, and child and dependent care tax credits  
3 for the tax year ending on December 31, 2021, would  
4 be calculated as if the individual paid the federal  
5 income tax that would otherwise have been paid  
6 under the provisions of the Internal Revenue Code  
7 in effect on December 31, 2020.

8 Under current law, the due date for a  
9 corporate income tax return and financial  
10 institution excise tax return is the same as the  
11 corresponding federal income tax return.

12 This bill would provide for a one-month  
13 extension of the due date of tax returns for  
14 Alabama financial institution excise taxpayers and  
15 corporate income taxpayers in tax years beginning  
16 on or after January 1, 2021, in order to provide  
17 taxpayers with additional time to calculate their  
18 tax liabilities under new federal and state tax  
19 law, without incurring a late filing penalty. The  
20 filing extension would not extend the due date of  
21 the tax liability by these taxpayers.

22 This bill would also authorize the  
23 Department of Revenue, in its discretion, to extend  
24 the due date of tax returns for Alabama financial  
25 institution excise taxpayers and corporate income  
26 taxpayers by one month in tax years beginning on or  
27 after January 1, 2020, but before January 1, 2021.

1  
2 A BILL  
3 TO BE ENTITLED  
4 AN ACT

5  
6 Relating to taxation; to provide that the deduction  
7 allowed to individual taxpayers for federal income tax paid or  
8 accrued within the tax year ending December 31, 2021 will be  
9 determined without considering the reduction in federal tax  
10 attributable to any additional federal child tax credit,  
11 federal earned income tax credit, or federal child and  
12 dependent care tax credit received pursuant to the American  
13 Rescue Plan Act of 2021, in order to allow individuals to  
14 receive the amount of the enhanced federal credits rather than  
15 pay state income tax on a portion of the amounts received; to  
16 add Sections 40-16-3.1 and 40-18-39.2 to the Code of Alabama  
17 1975, to provide for an extension of the due date for tax  
18 returns for certain taxpayers; and to authorize the Department  
19 of Revenue to adopt rules.

20 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

21 Section 1. For the tax year ending on December 31,  
22 2021, for purposes of determining an individual taxpayer's  
23 federal income tax deduction pursuant to Chapter 18 of Title  
24 40, Code of Alabama 1975, the federal income tax deduction  
25 shall be calculated without consideration of the reductions in  
26 federal tax provided in Sections 9611, 9612, 9621, 9622, 9623,  
27 9624, 9625, 9626, and 9631 of the American Rescue Plan Act of

1 2021, and instead, for any federal income tax reductions  
2 attributable to the federal child tax credit, the earned  
3 income tax credit, and the federal child and dependent care  
4 tax credits, the federal income tax deduction shall be  
5 calculated as if the individual paid the federal income tax  
6 that would otherwise have been paid under the provisions of  
7 the Internal Revenue Code in effect on December 31, 2020.

8 Section 2. Sections 40-16-3.1 and 40-18-39.2 are  
9 added to the Code of Alabama 1975, to read as follows:

10 §40-16-3.1.

11 (a) (1) For tax years beginning on or after January  
12 1, 2021, a financial institution excise taxpayer shall be  
13 allowed one month following the due date of the corresponding  
14 federal income tax return, including applicable extensions, to  
15 file the Alabama financial institution excise tax return as  
16 required by Section 40-16-3.

17 (2) For tax years beginning on or after January 1,  
18 2020, but prior to January 1, 2021, the department may allow a  
19 financial institution excise taxpayer one additional month  
20 following the due date of the corresponding federal income tax  
21 return, including applicable extensions, to file the Alabama  
22 financial institution excise tax return, upon request by the  
23 taxpayer and approval by the department.

24 (b) The extension provided in this section shall not  
25 allow a taxpayer to defer payment of a financial institution  
26 excise tax liability beyond the original due date provided in  
27 Section 40-16-3.

1 §40-18-39.2.

2 (a) (1) For tax years beginning on or after January  
3 1, 2021, a corporate income taxpayer shall be allowed one  
4 month following the due date of the corresponding federal  
5 income tax return, including applicable extensions, to file  
6 the Alabama corporate income tax return as required by Section  
7 40-18-39.

8 (2) For tax years beginning on or after January 1,  
9 2020, but prior to January 1, 2021, the department may allow a  
10 corporate income taxpayer one additional month following the  
11 due date of the corresponding federal income tax return,  
12 including applicable extensions, to file the Alabama corporate  
13 income tax return, upon request by the taxpayer and approval  
14 by the department.

15 (b) The extension provided in subsection (a) shall  
16 not allow a taxpayer to defer payment of a corporate income  
17 tax liability beyond the original due date provided in Section  
18 40-18-39.

19 Section 3. The Department of Revenue may adopt rules  
20 to implement this act.

21 Section 4. This act shall become effective  
22 immediately following its passage and approval by the  
23 Governor, or its otherwise becoming law.