

1 HB418
2 217120-1
3 By Representative South
4 RFD: Ways and Means Education
5 First Read: 01-MAR-22

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8 SYNOPSIS: Under 26 U.S.C. § 163(j), as amended by the
9 Tax Cuts and Jobs Act of 2017 (Public Law 115-97),
10 business interest deductions for a taxable year are
11 generally limited to 30% of its adjusted taxable
12 income for that year, plus any business interest
13 income. Alabama's income tax provisions
14 incorporated the federal business interest
15 limitations of the Tax Cuts and Jobs Act due to
16 conformity with federal taxable income.

17 Under Section 9 of Act 2021-1, now appearing
18 as Section 40-18-39.1, Code of Alabama 1975, the
19 limitations on business interest expense deductions
20 were modified for certain Alabama taxpayers.

21 This bill would repeal Section 40-18-39.1,
22 Code of Alabama 1975, and provide a deduction in an
23 amount equal to the business interest expense
24 disallowed on the taxpayer's federal income tax
25 return as a result of the application of 26 U.S.C.
26 § 163(j).

1 A BILL
2 TO BE ENTITLED
3 AN ACT

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5 Relating to income taxes; to repeal Section
6 40-18-39.1, Code of Alabama 1975, regarding business interest
7 expense deduction limitations; to provide a deduction equal to
8 the business interest expense disallowed on the taxpayer's
9 federal income tax return as a result of the application of 26
10 U.S.C. § 163(j); and to provide an effective date.

11 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

12 Section 1. In computing the taxable income of an
13 Alabama C corporation subject to Alabama income tax, as
14 outlined in Section 40-18-35, and in computing the net income
15 of a Subchapter K entity or disregarded entity, and an Alabama
16 S corporation, as defined in Sections 40-18-1 and 40-18-160,
17 respectively, there shall be allowed as a deduction an amount
18 equal to the business interest expense disallowed on the
19 corporation's or entity's federal income tax return for the
20 same taxable year as a result of the application of 26 U.S.C.
21 § 163(j). This amendment does not limit the utilization of any
22 carryforward of business interest disallowed in a previous
23 taxable year under 26 U.S.C § 163(j) (2).

24 Section 2. Section 40-18-39.1 is hereby repealed.

25 Section 3. This act shall become effective for
26 taxable years beginning on or after January 1, 2022, following

1 passage and approval by the Governor, or its otherwise
2 becoming law.