

1 SB375  
2 200300-2  
3 By Senators Roberts and Waggoner  
4 RFD: Finance and Taxation Education  
5 First Read: 02-MAY-19

SYNOPSIS:           The 2017 federal Tax Cuts and Jobs Act limits a corporate income taxpayer's business interest expense deduction to the amount of its business interest income plus 30 percent of its adjusted taxable income.

Retroactive to January 1, 2019, this bill would allow a corporate income taxpayer who is part of a controlled group that includes an insurance company to include in its computation of any limitation on its deduction for business interest expense the business interest income of its controlled group members.

A BILL  
TO BE ENTITLED  
AN ACT

Relating to corporate income tax; to allow a corporate income taxpayer who is part of a controlled group that includes an insurance company to factor the business

1 interest income of all members of the controlled group into  
2 its computation of any limitation on its deduction for  
3 business interest expenses; and to provide for retroactive  
4 application.

5 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

6 Section 1. Section 40-18-39.1 is added to the Code  
7 of Alabama 1975, to read as follows:

8 §40-18-39.1.

9 For any taxable year in which a corporation subject  
10 to tax under this chapter is a member of a controlled group,  
11 as defined in 26 U.S.C. § 1563(a)(1) but without regard to 26  
12 U.S.C. § 1563(b)(2)(D), and that controlled group includes one  
13 or more insurance companies subject to federal income tax  
14 under either 26 U.S.C. § 801 or 26 U.S.C. § 831 and subject to  
15 the insurance premium tax under Title 27, Chapter 4A, that  
16 corporation may elect to include the aggregate business  
17 interest income of all other members of the controlled group  
18 for that taxable year in the calculation of any applicable  
19 limitation on the deduction for business interest expense, so  
20 long as the following two conditions are fulfilled:

21 (1) That corporation makes an opt-out election under  
22 26 U.S.C. § 168(k)(7) with respect to all classes of qualified  
23 property it placed in service during the taxable year.

24 (2) The controlled group is primarily engaged in the  
25 life and annuity insurance or property and casualty insurance  
26 business and is classified as a Direct Life Insurance Carrier  
27 under NAICS code 524113 or a Direct Property and Casualty

1 Insurance Carrier under NAICS code 524126, or the equivalent  
2 of either classification.

3 Section 2. This act shall become effective on the  
4 first day of the third month following its passage and  
5 approval by the Governor, or its otherwise becoming law, and  
6 shall apply to taxable years beginning after December 31,  
7 2018.