

1 SB75  
2 209160-1  
3 By Senator Waggoner  
4 RFD: Finance and Taxation Education  
5 First Read: 02-FEB-21  
6 PFD: 01/26/2021

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8 SYNOPSIS: Under existing law, amounts received in 2020  
9 and 2021 as a result of federal tax credits or  
10 advance refunds provided under the federal  
11 Coronavirus Aid, Relief, and Economic Security  
12 (CARES) Act, as provided in I.R.C. § 6428, are not  
13 excluded from Alabama individual income taxation.

14 Under existing law, cancellation of  
15 indebtedness income resulting from the forgiveness  
16 of small business loans forgiven under Section 1106  
17 of the federal Coronavirus Aid, Relief, and  
18 Economic Security (CARES) Act is not excluded from  
19 Alabama individual income taxation and may not be  
20 excluded from Alabama corporate income taxation and  
21 financial institution excise taxation.

22 Under existing law, any amount received by  
23 Alabama taxpayers from the state Coronavirus Relief  
24 Funds provided to the state under the Coronavirus  
25 Aid, Relief, and Economic Security (CARES) Act,  
26 must be recognized as income.

1                   This bill would provide for an exclusion  
2                   from Alabama individual income taxation for any  
3                   federal tax credits or advance refunds resulting  
4                   from the federal Coronavirus Aid, Relief, and  
5                   Economic Security (CARES) Act or any subsequent  
6                   federal act providing similar tax credits or  
7                   advance refunds in response to the Coronavirus  
8                   pandemic.

9                   This bill would provide for an exclusion  
10                  from Alabama income taxation and financial  
11                  institution excise taxation for small business  
12                  loans forgiven under the Paycheck Protection  
13                  Program established by the federal Coronavirus Aid,  
14                  Relief, and Economic Security (CARES) Act or any  
15                  subsequent federal act providing small business  
16                  loan forgiveness in response to the Coronavirus  
17                  pandemic.

18                  This bill would exempt any amount received  
19                  by a taxpayer from state Coronavirus Relief Funds,  
20                  or other stimulus funds provided to the state in  
21                  response to the Coronavirus pandemic from being  
22                  recognized as income for Alabama income taxation  
23                  and financial institution excise taxation.

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25                                   A BILL  
26                                   TO BE ENTITLED  
27                                   AN ACT

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2           Relating to income taxes; to provide for an  
3 exclusion from Alabama individual income tax or financial  
4 institution excise tax for federal tax credits, advance  
5 refunds, loan forgiveness, or amounts received from state  
6 Coronavirus Relief Funds resulting from the federal  
7 Coronavirus Aid, Relief, and Economic Security (CARES) Act or  
8 any subsequent federal act directly related to the Coronavirus  
9 pandemic.

10 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

11           Section 1. (a) Any tax credits or advance refund  
12 amounts received as a result of the federal Coronavirus Aid,  
13 Relief, and Economic Security (CARES) Act, as provided in  
14 I.R.C. § 6428, or any subsequent federal act directly related  
15 to the Coronavirus pandemic, shall be excluded from Alabama  
16 individual income taxation.

17           (b) Any tax credits or advance refund amounts  
18 received as a result of the federal Coronavirus Aid, Relief,  
19 and Economic Security (CARES) Act, as provided in I.R.C. §  
20 6428, or any subsequent federal act directly related to the  
21 Coronavirus pandemic, shall also be excluded from any and all  
22 calculations in determining a taxpayer's federal income tax  
23 deduction pursuant to Section 40-18-15.

24           (c) Principal or interest payments incurred by an  
25 employer on any qualified education loan that is excluded from  
26 the employee's federal gross income pursuant to I.R.C. Section  
27 127(c)(1)(B), under the provisions of Section 2206(a) of the

1 Coronavirus Aid, Relief, and Economic Security (CARES) Act, or  
2 any subsequent federal act directly related to the Coronavirus  
3 pandemic, shall be excluded from the gross income of an  
4 employee for income taxes imposed by Chapter 18 of Title 40,  
5 to the same extent as the amount is excluded from the federal  
6 gross income.

7 Section 2. Any amount of cancellation of  
8 indebtedness income resulting from a loan forgiven under  
9 Section 1106 of the federal Coronavirus Aid, Relief, and  
10 Economic Security (CARES) Act, or any subsequent federal act  
11 directly related to the Coronavirus pandemic:

12 (1) Shall be exempt from the financial institution  
13 excise tax imposed by Chapter 16 of Title 40 and the income  
14 taxes imposed by Chapter 18 of Title 40, to the same extent as  
15 the amount is exempt from the federal income tax.

16 (2) Shall also be excluded from any and all  
17 calculations in determining a taxpayer's federal income tax  
18 deduction pursuant to Chapter 16 or Chapter 18 of Title 40.

19 (3) In determining the deductibility of expenses,  
20 such as payroll, utilities, mortgage interest, and rent,  
21 allowed to be paid with the exempt loan proceeds, the expenses  
22 shall be deductible in calculating Alabama taxable income to  
23 the same extent that the expense are deductible in calculating  
24 federal taxable income under the provisions of the Internal  
25 Revenue Code.

26 Section 3. Any Alabama taxpayer subject to the tax  
27 imposed by Chapter 16 or Chapter 18 of Title 40 shall be

1 exempt from recognizing as income any amount received from  
2 state Coronavirus Relief Fund amounts provided to the state  
3 under the Coronavirus Aid, Relief, and Economic Security  
4 (CARES) Act, or any subsequent federal act directly related to  
5 the Coronavirus pandemic.

6 Section 4. The provisions of this act shall only  
7 apply to taxable years 2020 and 2021.

8 Section 5. This act shall become effective  
9 immediately following its passage and approval by the  
10 Governor, or its otherwise becoming law.