

1 HB152
2 209160-1
3 By Representative Mooney
4 RFD: Ways and Means Education
5 First Read: 02-FEB-21
6 PFD: 01/26/2021

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

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

Under existing law, any amount received by Alabama taxpayers from the state Coronavirus Relief Funds provided to the state under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, 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.

24
25 A BILL
26 TO BE ENTITLED
27 AN ACT

1
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.