

1 HB588  
2 212628-1  
3 By Representative Garrett  
4 RFD: Ways and Means Education  
5 First Read: 01-APR-21

SYNOPSIS:           This bill entitles an owner, member,  
partner, or shareholder to a credit in an amount  
equal to its pro rata or distributive share of the  
Alabama income tax paid by the electing  
pass-through entity with respect to the  
corresponding tax year.

A BILL  
TO BE ENTITLED  
AN ACT

Relating to income taxation; to provide a credit to  
an owner, member, partner, or shareholder of an electing  
pass-through entity in an amount equal to its pro rata or  
distributive share.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. (a) Notwithstanding any other provision  
of Chapters 16 or 18 of Title 40 to the contrary, for tax  
years beginning on or after January 1, 2021, any owner,  
member, partner, or shareholder of an electing pass-through

1       entity shall report its pro rata or distributive share of the  
2       income of the entity in accordance with the provisions of  
3       Sections 40-16-4, 40-18-24, 40-18-26, 40-18-27, 40-18-28,  
4       40-18-29, and 40-18-39, as applicable.

5               (b) The owner, member, partner, or shareholder of an  
6       electing pass-through entity reporting income in accordance  
7       with subsection (a) shall be entitled to a credit in an amount  
8       equal to its pro rata or distributive share of the Alabama  
9       income tax paid by the electing pass-through entity with  
10      respect to the corresponding tax year.

11              (c) Any provision of Chapters 16 or 18 of Title 40  
12      regarding the liability of an owner, member, partner, or  
13      shareholder of electing pass-through entity for tax imposed by  
14      Chapters 16 or 18 of this title on their pro rata or  
15      distributive share of an electing pass-through entity's income  
16      that is in conflict with this act is hereby superseded.

17              (d) The Department of Revenue may adopt rules for  
18      the implementation and administration of this act.

19              Section 2. This act shall become effective  
20      immediately following its passage and approval by the  
21      Governor, or upon its otherwise becoming law.