

1                   HB299  
2                   127516-1  
3                   By Representative Lindsey  
4                   RFD: Ways and Means Education  
5                   First Read: 22-MAR-11

1 127516-1:n:03/16/2011:LFO-KF/csh

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8 SYNOPSIS: Under existing law, Alabama levies an income  
9 tax on corporations. Alabama corporate income tax  
10 law is linked to federal corporate income tax law,  
11 which allows a domestic production activities  
12 deduction that is equal to a percentage of income  
13 earned from domestic production or taxable income,  
14 whichever is less.

15 This bill would limit the Alabama deduction  
16 to three percent of qualifying income.

17  
18 A BILL

19 TO BE ENTITLED

20 AN ACT

21  
22 To amend Section 40-18-34, Code of Alabama 1975, to  
23 limit the domestic production activities deduction to three  
24 percent of qualified production activities income or taxable  
25 income, whichever is less.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-18-34, Code of Alabama 1975, as amended, is amended to read as follows:

"§40-18-34.

"The following items shall be added to federal taxable income for purposes of computing taxable income under this chapter:

(a) State and local income taxes that are deductible in computing federal taxable income.

(b) Interest on obligations of state or local governments other than Alabama that is excludable from gross income for federal income tax purposes.

(c) Refunds of federal income taxes deducted.

(d) Dividends received from a corporation in which the taxpayer owns less than 20% of the stock (by vote and value), but only to the extent such dividends are properly deducted in computing taxable income for federal income tax purposes.

(e) For taxable years beginning on or after January 1, 2012, any amount deducted in accordance with 26 U.S.C. §199 which is in excess of three percent of the lesser of qualified production activities income or taxable income for the taxable year."

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