

ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-3-169
ADJUSTMENTS TO THE EARNINGS AND PROFITS ACCOUNT OF AN ALABAMA S
CORPORATION

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810-3-169-.01 Adjustments To Earnings And Profits

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(1) Except as provided below, no adjustments will be made to the earnings and profits account of an Alabama S corporation. An Alabama S corporation will have no earnings and profits accruing during any period in which such an election is in effect.

(2) In the case of a redemption, liquidation, or reorganization (including a divisive reorganization) of an Alabama S corporation, the accumulated earnings and profits account (if any) shall be increased or decreased accordingly. For example, if 50% of the fair market value of the assets of the Alabama S corporation are transferred to a new corporation, then 50% of the Alabama accumulated earnings and profits account will also be transferred to the new corporation. In the case of a merger, the accumulated earnings and profits will be increased or decreased by the accumulated earnings and profits of the merged corporation.

(3) If an Alabama S corporation makes a distribution which is in excess of the Alabama Accumulated Adjustments Account, but not in excess of the accumulated earnings and profits account, the earnings and profits account will be decreased by the amount of the excess distribution. See Rule 810-3-165-.01.

(4) If a corporation makes a distribution of money with respect to its stock during a post-termination transition period, the basis of the stock will be reduced by the amount of the distribution which does not exceed the Alabama Accumulated Adjustments Account. An Alabama S corporation may elect to have the preceding sentence of this paragraph not apply to all distributions made during a post-termination transaction period described in §40-18-172, Code of Ala. 1975, but only if all the shareholders of the Alabama S corporation to whom distributions are made by the Alabama S corporation during such post-termination transition period consent to such election.

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Statutory Authority: Code of Ala. 1975, §40-18-169.

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