

ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-3-25
ESTATES AND TRUSTS

810-3-25-.11 Computation Of Alabama Taxable Income For
Beneficiaries And Owners For Taxable Years
Beginning After December 31, 2004.

(1) For tax years beginning after December 31, 2004, the computation of Alabama taxable income for a beneficiary of an estate or trust and for persons treated as owners of any portion of a trust shall be determined in accordance with Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code, 26 U.S.C. §§641 through 692, relating to estates, trusts, beneficiaries, and decedents, with certain exceptions - as specified below:

(a) Resident beneficiaries and owners must report as Alabama income the beneficiary or owner's share of the amount paid or deemed to have been paid by the estate or trust to the beneficiary or owner and claimed as an income distribution deduction, in accordance with 26 U.S.C. §§651 or 661, by the estate or trust in the computation of its own Alabama taxable income.

1. Nonresident beneficiaries and owners must report as Alabama income the beneficiary or owner's share of the amount paid or deemed to have been paid by the estate or trust to the beneficiary or owner and claimed as an income distribution deduction, in accordance with 26 U.S.C. §§651 or 661, by the estate or trust in the computation of its own Alabama taxable income. The income reported by nonresident beneficiaries and owners is limited in accordance with §40-18-14, Code of Ala. 1975, and the deductions allowed in computing Alabama taxable income are limited in accordance with §40-18-15, Code of Ala. 1975.

(b) The character of any income required to be reported by the beneficiary or owner as a result of receiving the distribution from the estate or trust shall be the same character of income as if the item of income was received directly from the source of income.

(c) The character of any deduction allowed to be claimed by the beneficiary or owner as a result of receiving the distribution from the estate or trust shall be the same character of deduction as if the deduction was incurred directly by the beneficiary or owner.

(d) Federal Estate Tax.

1. A beneficiary in computing Alabama taxable income is prohibited by §40-18-25(f), Code of Ala. 1975, from claiming the deduction otherwise allowable under 26 U.S.C. §691(c)(1)(A), the federal deduction for a portion of the estate tax paid when income in respect of a decedent is reported.

2. Federal estate taxes paid are allowed as a deduction to individuals in computing Alabama taxable income - in accordance with §40-18-15, Code of Ala. 1975.

(e) A beneficiary or owner in computing Alabama taxable income cannot claim a deduction for any item more than once.

(f) The provisions of 26 U.S.C. §642(h), concerning unused net operating loss carryovers or excess deductions of the estate or trust, shall not apply in the computation of Alabama taxable income for the beneficiary or owner.

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Statutory Authority: Code of Ala. 1975, §40-2A-7(a)(5).

History: New Rule: Filed December 27, 2006, effective January 31, 2007.