

810-3-15-.04 Deductibility of Taxes.

(1) The following taxes imposed by the United States or any possession of the United States are deductible by the taxable entity upon whom the taxes are imposed:

- (a) Income taxes
- (b) Federal Insurance Contribution Act (FICA) taxes
- (c) Self-employment taxes
- (d) Estate and gift taxes

- 1. Estate taxes are imposed on the estate.
- 2. Gift taxes are imposed on the donor.

(2) State, local, and foreign occupational license taxes and contributions to state unemployment funds are deductible.

(3) The following taxes are deductible to the same extent that the taxes are deductible for federal income tax purposes under 26 U.S.C. §164, in accordance with federal regulations for 26 U.S.C. §164:

- (a) State, local, and foreign real property taxes.
- (b) State and local personal property taxes.

1. The term "personal property tax" means an ad valorem tax which is imposed on an annual basis in respect to personal property.

(c) The generation-skipping transfer (GST) tax imposed on income distributions by 26 U.S.C. §2601.

(4) There shall be allowed a deduction for state, local, and foreign taxes, and taxes imposed by authority of the United States or any possession of the United States, which are paid or accrued within the taxable year in carrying on a trade or business or an activity described in 26 U.S.C. §212 (relating to expenses for production of income).

(5) Notwithstanding the preceding sentence, any tax which is paid or accrued by the taxpayer in connection with an acquisition or disposition of property shall be treated as part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition. Cross references: Code of Alabama 1975, §§40-18-6, 40-18-15, 40-18-16, and 40-18-17.

(6) See also Rule 810-3-15-20, Federal Income Tax Deduction - Individuals.

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