810-3-13-.04 Change in Method of Accounting.

(1) For tax years beginning before January 1, 1990, a taxpayer desiring to change his method of accounting should request permission from the Department of Revenue to make the change. Applications for such change should set forth clearly the nature of the business, the method of accounting used in keeping the books, and the reasons for changing the method of reporting.

(2) For tax years beginning after December 31, 1989, the accounting method used for Alabama purposes will automatically change whenever a different method is permitted or required for federal income tax purposes.

(3) Alabama law has no counterpart to 26 U.S.C. § 481; therefore, any increase or decrease in income resulting from a change in accounting method must be taken into account in full in the year of change. There is no provision in Alabama law to defer the effect of a change in accounting method over a number of years. In changing from a cash method of accounting to an accrual method, income accrued but not yet collected as of the close of the year of change shall be added to income actually received in cash during the year, and expenses accrued but not yet paid as of the close of the year shall be added to expenses actually paid during the year. In making a change from accrual to cash method of accounting, items previously reported as income and expenses should be excluded from the cash basis return.

Author: Cindy D. Norwood, Jeffrey Taylor, Carmen Mills, Anne Glenn
Authority: Section 40-18-13, Code of Alabama 1975
Amended: Filed September 18, 1996, effective October 23, 1996.