

810-3-25-.01 Taxable Income of Estates and Trusts, for Taxable Years Beginning Prior to January 1, 2005.

(1) The tax imposed by Chapter 18, Title 40, Code of Alabama 1975, shall apply to the income of estates or of any kind of property held in trust, including:

(a) Income received by estates of deceased persons during the period of administration or settlement of the estate;

(b) Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests;

(c) Income accumulated or held for future distribution under the terms of the will or trust; and,

(d) Income which is to be distributed to the beneficiaries, and income collected by a guardian of an infant which is to be held or distributed as the court may direct.

(2) The net income, or taxable income, of an estate or trust is computed in the same manner as that of an individual, with the exception that the deduction for amounts paid or permanently put aside for a charitable purpose shall be allowed to the extent specified in 26 U.S.C. § 642(c). For interpretation of federal statutes adopted by the Alabama legislature, see Rule 810-3-1.1-.01, Operating Rules.

(a) Gross income is computed as provided in § 40-18-14.

(b) Deductions (including net operating loss carrybacks or carryforwards) are allowed as provided in §§ 40-18-15 and 40-18-15.2.

1. Federal estate taxes are an allowable deduction on the fiduciary return of an estate.

(c) Taxable income is reduced by any income properly paid to the beneficiary of the estate of a deceased person which is taxable to the beneficiary.

(d) Taxable income is also reduced by the amount of income identified in paragraph (1)(d), above.

(e) The estate or trust is allowed the same exemption as is allowed a single person under § 40-18-19.

(f) In the case of a trust created by a nonresident or the estate of a nonresident, gross income of such trust or estate includes only amounts which would be included in the gross income of a nonresident individual as provided in § 40-18-14(4).

(3) The Subchapter J and Business Trust Conformity Act, Act 2006-114, was passed by the Alabama Legislature effective for taxable years beginning after December 31, 2004 - please refer to the regulations promulgated to implement the new act.

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