

810-3-25-.12 Computation of Alabama Distributable Net Income (DNI) for Tax Years Beginning after December 31, 2004.

(1) For tax years beginning after December 31, 2004, the computation of Alabama Distributable Net Income (DNI) shall be determined in accordance with 26 U.S.C. § 643(a); in accordance with §40-18-1.1, Code of Alabama 1975, concerning the adoption of federal Internal Revenue Code sections in Alabama income tax law; and, in accordance with Title 40, Chapter 18, Code of Alabama 1975, Income Taxes.

(2) Purpose of Alabama DNI. Alabama DNI serves the same purpose as the federal DNI.

(a) Alabama DNI, adjusted for items not included in the gross income of the estate or trust in accordance with 26 U.S.C. §§ 651 and 661, limits the amount of deduction an estate or trust may claim for distributions to beneficiaries.

(b) Alabama DNI may also limit the amount of Alabama income a beneficiary or trust owner must report.

(3) Computation of Alabama DNI. Alabama DNI is computed in a similar manner as federal DNI. In computing Alabama DNI for an estate or trust the Alabama taxable income of the estate or trust is modified as follows:

(a) The amount of the deductions for distributions to beneficiaries allowed by 26 U.S.C. §§ 651 and 661, but adjusted to comply with Title 40, Chapter 18, Code of Alabama 1975, are added to the Alabama taxable income.

(b) The amount of the personal exemption deducted in computing Alabama taxable income is added to the Alabama taxable income.

(c) Gains from the sale of capital assets are subtracted from the Alabama taxable income if the gains are allocated to corpus and are:

1. not paid, credited, or required to be distributed to any beneficiary during the taxable year., or

2. not paid, permanently set aside, or to be used for the purposes specified in 26 U.S.C. § 642(c).

(d) Losses from the sale of capital assets are added to the Alabama taxable income if the losses are allocated to corpus and are not considered in the determination of the amount to be paid, credited, or required to be distributed to any beneficiary during the taxable year.

(e) The amount of income specified in 26 U.S.C. §§ 643(a)(4), but adjusted to comply with Title 40, Chapter 18, Code of Alabama 1975, is subtracted from the Alabama taxable income.

(f) The amount of tax exempt interest income excluded in accordance with Title 40, Chapter 18, Code of Alabama 1975, is added to the Alabama taxable income.

(g) The amount of adjustment required by 26 U.S.C. §§ 643(a)(6), concerning foreign trusts, but adjusted to comply with Title 40, Chapter 18, Code of Alabama 1975, is added to the Alabama taxable income.

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

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