

810-3-25-.15 Computation of Alabama Taxable Income for a Foreign Trust, for Tax Years Beginning after December 31, 2004.

(1) The term “foreign trust” will have the same meaning for Alabama income tax purposes, as is used in with Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code, 26 U.S.C. §§ 641 through 692.

(2) Determination of Foreign Trust. The determination as to whether a trust is a foreign trust or a United States trust will be made for Alabama income tax purposes in the same manner the determination is made for federal income tax purposes.

(3) Computation of Alabama Taxable Income. The Alabama taxable income of a foreign trust will be computed in the same manner as the Alabama taxable income of a nonresident trust is computed.

(4) Withholding Requirement. Any withholding applicable to a foreign trust for federal income tax purposes applies equally to Alabama income tax. The rate of Alabama income tax withholding would be equal to the maximum tax rate the owner or grantor is subject to under Alabama income tax law.

(5) Required Reporting. Any foreign trust; foreign trust owner; grantor of a foreign trust; beneficiary of a foreign trust; transferor or property to a foreign trust; or, distributor of property from a foreign trust to a United States person; subject to special reporting by Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code, 26 U.S.C. §§ 641 through 692, will have similar special reporting requirements under Alabama income tax law.

Author: Voncile Catledge, Joe Garrett, and Ed Cutter, CPA

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

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