

Alabama Depreciation and Section 179 Rules

1. At this time, Alabama income tax law is tied to the federal depreciation rules of Internal Revenue Code Section 168 and the expensing provisions of Internal Revenue Code Section 179 for TY2009, and future tax years.
2. Due to Act Number 2008-549, passed by the Alabama Legislature during the First 2008 Special Session, Alabama income tax law was decoupled from the federal bonus depreciation and additional Section 179 expensing deductions allowed by the federal 2008 Economic Stimulus Act. The decoupling generally impacted only qualifying property acquired during TY2008. Generally for subsequent tax years, the decoupling will cause only a federal/Alabama basis difference in the property acquired during TY2008 as well as an add-back for Alabama-allowed Depreciation.
3. On March 11, 2009, the Department issued a policy entitled, [Decoupling of Alabama Income Tax Law from the Bonus Depreciation and Additional Section 179 Provisions of the Federal Economic Stimulus Act of 2008](#). The policy is available on the Department's website. Tax practitioners are encouraged to review the document in order to properly report on the TY2009 Alabama business income tax return any Alabama-allowed Depreciation or any federal or Alabama Section 179 deduction carryovers from TY2008 to TY2009. Another issue addressed by the document is that concerning the federal recapture of bonus depreciation or the Section 179 expense deduction.

The 2009 Forms 20C provides a means to record Alabama-allowed depreciation on Schedule A. Also, as a result of the decoupling, assets disposed of might have an Alabama basis different from the federal basis, resulting in a gain or loss for Alabama income tax purposes that might differ from the gain or loss for federal income tax purposes. TY2009 Form 20C, Schedule A, lines 4b and 21 have been provided to make the required adjustment.

The 2009 Forms 65 and 20S provide a means to record Alabama-allowed depreciation on Schedule A, line 7a (Form 65) and Schedule A, line 8a (Form 20S). Also, as a result of the decoupling, assets disposed of might have an Alabama basis different from the federal basis, resulting in a gain or loss for Alabama income tax purposes that might differ from the gain or loss for federal income tax purposes. Schedule A, line 7b (Form 65) and Schedule A, line 8b (Form 20S) have been provided to make the required adjustment.