

Alabama Department of Revenue

Information Release

Sept. 12, 2011

Tax Guidance: Gross Income Tax Rule Becomes Effective

The Alabama Department of Revenue announced today that amendments to three income tax regulations, collectively referred to as the “gross income regulation,” have become final.

The amendments, proposed and certified in accordance with the Alabama Administrative Procedure Act (APA) rules process, are **effective for the 2011 tax year**.

The rule change requires Alabama resident taxpayers to include in their Alabama gross income their distributable share of partnership, limited liability company, and s-corporation income derived from both in-state and out-of-state activities.

Prior to the administrative rule change, the existing gross income tax regulation allowed residents to apportion income from partnerships, limited liability companies, and s-corporations, and exclude non-Alabama source income from the tax base.

The amendments conform the three income tax regulations to the underlying Alabama tax statutes addressing Alabama gross income. Reference: §40-2A-7(a)(5), 40-18-1.1(c), 40-18-14, 40-18-28; and 40-18-162, [Code of Alabama 1975](#)

Copies of the administrative rules are available at the Alabama Department of Revenue Web site, www.revenue.alabama.gov, under Tax Policy, Administrative Rules. See [Individual and Corporate Tax Division](#)—Recently Amended, Repealed or Newly Promulgated rules category.

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