

**ALABAMA DEPARTMENT OF REVENUE:**  
**Guidance Related to Governor Kay Ivey's 21<sup>st</sup> Supplemental Emergency Proclamation**  
**Issued December 18, 2020**  
**As Updated January 6, 2021**

On December 11, 2020, Governor Kay Ivey issued her [21<sup>st</sup> Supplemental Emergency Proclamation](#) (Proclamation). The following guidance is being issued by the Commissioner of Alabama Department of Revenue to effectuate the implementation of the tax relief measures included in the Proclamation.

**I. Guidance for Alabama Individual Income Taxpayers.**

- A. *The following CARES Act benefits are not included in the calculation of an individual taxpayer's 2020 Alabama income liability.*
1. Economic Impact Payments (commonly referred to as "Stimulus Payments") received by the taxpayer during 2020.
  2. Principal or interest payments incurred by an employer on behalf of the taxpayer on any qualified education loan that is excluded from the employee's federal gross income pursuant to IRC Section 127(c)(1)(B), as amended under Section 2206(a) of the CARES Act. *NOTE: Other forms of educational assistance as defined in IRC Section 127(c)(1)(A) and (C), provided by the taxpayer's employer (including but not limited to payments of tuition, fees, and similar payment, books, supplies, and equipment, and the provision of courses and related materials and equipment) continue to be includable in the calculation of Alabama income tax.*
  3. Amounts received from the state Coronavirus Relief Fund (CRF), including for example Revive Alabama and Revive Plus grant funds received by the taxpayer to reimburse qualified expenses incurred due to business interruptions caused by the Coronavirus (COVID-19) pandemic and related business closures. *NOTE: In calculating their 2020 Alabama income tax liability, taxpayers may not deduct expenses for which the taxpayer was reimbursed with CRF grant funds.*
  4. Qualifying disaster relief payments received by the taxpayer that would be excluded from federal income taxation under IRC Section 139 as a result of the Presidential Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak.
  5. Amounts for which the taxpayer has received loan forgiveness under the CARES Act Paycheck Protection Program (PPP). *NOTE: In calculating their 2020 Alabama income tax liability, pursuant to the amendment of Internal Revenue Code of 1986 by Section 278 of the COVID-related Tax Relief Act of 2020, taxpayers may deduct expenses paid with PPP loan amounts that have been forgiven or that the taxpayer reasonably expects to receive forgiveness even if the taxpayer has not submitted an application for forgiveness of the loan by the end of the 2020 tax year.*

- B. *Calculation of Federal Income Tax Deduction for Individual Income Taxpayers.*  
According to [guidance](#) issued by the IRS, eligible individual taxpayers who did not receive the full amount of their federal Economic Impact Payment may claim a “Recovery Rebate Credit” on their 2020 federal income tax return. In accordance with the provisions of the Proclamation, the worksheet to be included in the Department’s instructions for the 2020 Form 40, Form 40NR, and Form 40A for the calculation of taxpayers’ Federal Income Tax Deduction has been modified to exclude any adjustment for Recovery Rebate Credits claimed by taxpayers on their federal return.

## ***II. Guidance for Employers.***

The following should not be included in Alabama wages reported on Form W-2 for the 2020 tax year:

- A. Principal or interest payments incurred by an employer on behalf of the taxpayer on any qualified education loan that is excluded from the employee’s federal gross income pursuant to IRC Section 127(c)(1)(B), as amended under Section 2206(a) of the CARES Act. *NOTE: Other forms of educational assistance as defined in IRC Section 127(c)(1)(A) and (C), provided by the taxpayer’s employer (including but not limited to payments of tuition, fees, and similar payment, books, supplies, and equipment, and the provision of courses and related materials and equipment) continue to be includable in Alabama wages reported by the employer.*
- B. Qualifying disaster relief payments received by the taxpayer that would be excluded from federal income taxation under IRC Section 139 as a result of the Presidential Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak.

## ***III. Guidance for Corporate Income Taxpayers and Financial Institution Excise Taxpayers.***

- A. *Paycheck Protection Program (PPP) Loan Forgiveness.*
1. *Exclusion from taxable income:* Under Section 1106 of the CARES Act, amounts of PPP loans for which a taxpayer receives loan forgiveness are not included in the calculation of the taxpayer’s federal taxable income. Because calculation of Alabama Corporate Income Tax and Financial Institution Excise Tax begins with a taxpayer’s federal taxable income, the exclusion to PPP loan forgiveness under Section 1106 will flow through to the taxpayer’s calculation of Alabama taxable income, without the need for any adjustment on the taxpayer’s Alabama return.
  2. *Deductibility of expenses:* In accordance with the amendment of Internal Revenue Code of 1986 by Section 278 of the COVID-related Tax Relief Act of 2020, expenses paid with PPP loan amounts that have been forgiven are deductible in calculating federal taxable income. Because the calculation of Alabama Corporate Income Tax and Financial Institution Excise Tax begins with a taxpayer’s federal taxable income, the allowance of

these deductions at the federal level will flow through to the taxpayer's calculation of Alabama taxable income, without the need for any adjustment on the taxpayer's Alabama return.

B. *CRF Grant Awards.*

1. *Federal treatment:* According to IRS [guidance](#), if state governments use Coronavirus Relief Fund (CRF) payments to establish a grant program to support businesses, the grant awards will be considered gross income taxable to a business receiving the grant for the purpose of calculating their federal taxable income. If otherwise deductible, expenses paid or reimbursed with the grant funds will be deductible in calculating the taxpayer's federal taxable income.
2. *Alabama treatment:* Grant awards received by Alabama corporate and financial institution taxpayers from the State's CRF are to be excluded from the calculation of their Alabama taxable income. Because CRF grant funds would be excluded from the calculation of Alabama taxable income, expenses for which taxpayers were reimbursed with CRF grant funds would not be deductible in the calculation of a taxpayer's Alabama taxable income.
3. To the extent that the inclusion of the grant award in gross income at the federal level is fully offset by corresponding deductible expenses, no adjustment to the calculation of the taxpayer's Alabama taxable income will be necessary.

**IV. Inquiries.**

Inquiries regarding this guidance should be submitted to the Department's Income Tax Administration Division by email at [Kathleen.Abrams@revenue.alabama.gov](mailto:Kathleen.Abrams@revenue.alabama.gov).