

## Alabama Business Privilege Tax - Proposed Regulation Lapses But Is Reissued

In 2009, the Alabama Department of Revenue proposed a regulation that would disallow a deduction in computing the taxable base of the Alabama Business Privilege Tax equal to the book value of the taxpayer's investments in the equity of any other taxpayer that is doing business in Alabama. The rationale for the deduction is to avoid the double taxation that would occur if the net worth of both the parent/investor and subsidiary/investee were subject to the same tax. The deduction is only allowed to entities doing business or registered to do business in Alabama.

The originally proposed regulation which was under significant scrutiny during the approval process lapsed during recent weeks. However, the regulation has been proposed again with one exception relating only to financial institutions. A public hearing has been scheduled in regards to the regulation for March 24, 2010. If ultimately approved, the proposed regulation would strike the statutory deduction for all tax years beginning on or after January 1, 2010.

The 2010 Alabama Business Privilege Tax Return and accompanying instructions have already been updated to reflect the impact of the proposed regulation. Taxpayers which normally take this deduction in the calculation of their Alabama Business Privilege Tax Liability need to monitor the status of this proposed regulation carefully prior to the filing of their 2010 Business Privilege Tax Returns.

For more information, contact Joyce Waterbury at 919.301.6715.

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