



MULTISTATE INCOME/FRANCHISE TAX

Alabama amends recent pass-through entity tax election

Tax Alert

Overview

[Alabama House Bill 588](#) (“H.B. 588”) was signed into law by Governor Kay Ivey on Friday May 14, 2021. H.B. 588 includes, among others, the following provisions and amendments:

- Amends the Electing Pass-Through Entity Tax Act (Act 2021-1) enacted earlier this session,
- Replaces the original bill’s entity level tax (with no flow through to owners) with an entity-level tax system that restores flow through of income or loss to owners along with a credit equal to the distributive share of Alabama income tax paid by the electing pass-through entity.
- This provision is effective for tax years beginning on or after January 1, 2021. The Department is authorized to waive estimated tax penalties and interest assessments for the quarterly estimated tax payment due April 15, 2021.

For more details on Act 2021-1, see our previous alert [here](#). The Alabama Department of Revenue has issued temporary guidance on this pass-through entity level tax [here](#).

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