

810-3-15-.02 Business Expenses.

(1) Business expenses deductible from gross income include the ordinary and necessary expenses paid or accrued during the taxable year, directly connected with or pertaining to the taxpayer's trade or business, as determined in accordance with 26 U.S.C. §162.

(2) The provisions and limitations of 26 U.S.C. §274 also apply to expenses for business travel, meals, and entertainment otherwise allowable under 26 U.S.C. §162.

(3) Unreimbursed employee business expenses and certain other miscellaneous itemized deductions are deductible only to the extent that the aggregate of the deductions exceeds 2-percent of adjusted gross income as defined in Code of Alabama 1975, §40-18-14.2.

(4) A farmer who operates a farm for profit is entitled to deduct from gross income as necessary expenses all amounts actually expended in the carrying on of the business of farming in accordance with 26 U.S.C. §162.

(5) Alabama income tax law requires that taxpayers maintain such records as will be sufficient to enable the Department of Revenue to correctly determine tax liability. It is to the advantage of taxpayers who may be called upon to substantiate deductions to maintain as adequate and detailed records as is practical since the burden of proof is on the taxpayer to show that such deductions were not only paid or accrued but also were ordinary and necessary business expenses, as defined in 26 U.S.C. § 162.

(6) For interpretation of federal statutes adopted by the Alabama Legislature, see Rule 810-3-1.1-.01, Operating Rules.

(7) The provisions of the federal "Taxpayer Relief Act of 1997" which were adopted by Alabama Act 98-502 have the same effective date for Alabama income tax purposes as they do for federal income tax purposes.

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