

810-3-15-.03 Interest Expense.

(1) Effective for all taxable years beginning after December 31, 1997, interest paid or accrued within the taxable year on indebtedness shall be limited to the amount allowable as an interest deduction for federal income tax purposes in the corresponding tax year or period pursuant to the provisions of 26 U.S.C. §§163, 264, and 265. Educational loan interest is not deductible for Alabama income tax purposes. For interpretation of federal statutes adopted by the Alabama Legislature, see Rule 810-3-1.1-.01, Operating Rules.

(2) Effective for all taxable years or periods beginning after December 31, 1987, and prior to December 31, 1997, interest paid or accrued within the taxable year on indebtedness shall be limited to the amount allowable as an interest deduction for federal income tax purposes in the corresponding tax year or period pursuant to the provisions of 26 U.S.C. §163.

(3) For taxable years beginning prior to January 1, 1988, all interest paid or accrued within the taxable year on indebtedness was fully deductible.

(4) 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 they do for federal income tax purposes.

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