

810-3-15-.05 Depreciation, Amortization, and Section 179 Expense.

(1) Effective for all taxable years beginning after December 31, 1997, there shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence) of property used in a trade or business, or of property held for the production of income, in accordance with 26 U.S.C. §§167 and 168. 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 beginning after December 31, 1997, intangible assets which are used in a trade or business or held for the production of income may be amortized in accordance with 26 U.S.C. §197. For interpretation of federal statutes adopted by the Alabama Legislature, see Rule 810-3-1.1-.01, Operating Rules.

(3) A deduction is allowable for the amortization of start-up expenditures in accordance with 26 U.S.C. §195, but in the case of a nonresident, only if the principal place of business being investigated, created, or acquired is located in the State of Alabama.

(4) For taxable years beginning after December 31, 1989, a taxpayer may elect to treat the cost of any section 179 property as an expense which is not chargeable to a capital account in accordance with 26 U.S.C. §179.

(5) For taxable years beginning before January 1, 1998, Alabama income tax law and regulations were similar to the provisions of the Internal Revenue Code and regulations concerning depreciation and amortization of intangible assets. Applicable federal regulations and determinations pertaining to depreciation and amortization of intangible assets will be followed in administering this rule for those tax periods. See also Rule 810-3-1.1-.01, Operating Rules.

(6) 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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