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Commissioner

# State of Alabama Department of Revenue

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## NOTICE

April 6, 2018

### HB384 / Act 2018-465 - Changes to Credit for Tax Paid Limitation for Tax Years 2013-2017 Initial Guidance for Taxpayers and Preparers

Recently enacted legislation (HB384, now Act 2018-465) operates to remove the AGI limit previously imposed under the Department's Rule No. 810-3-21-.03 on the calculation of the credit for tax paid to other jurisdictions for the 2013 through 2017 tax years. To respond to this legislative change, the Department is updating its systems and instructing tax preparation software providers to remove this limitation from software programming for the 2017 tax year. This change should be communicated to software providers by April 6, 2018. Preparers should expect some delay before software providers update their systems to reflect the change and, given that we are now less than two weeks from the April filing deadline, there may be software providers who choose not to update their systems until after the filing deadline.

The Department recommends that taxpayers and preparers wait until their filing system of choice is updated before filing 2017 returns with a credit for tax paid issue. If their system is not updated by the original filing deadline, we suggest they consider filing with an extension. Alabama offers an automatic six month filing extension. Should taxpayers or preparers choose to file returns before systems are updated and to manually override the limit, the Department will attempt to process the return routinely without the limitation. However, we cannot offer assurances that the steps taxpayers or preparers take to override the limit will not result in the return being stopped in our system for review.

For tax years 2013 through 2016, amended returns seeking refunds under Section 2 of Act 2018-465 must be filed by the earlier of the expiration of the period in which to file a refund petition under Ala. Code 1975, Section 40-2A-7, or June 30, 2018. Like other amended returns, these refund claims must be filed using paper returns mailed to Compliance Unit, P.O. Box of 327447, Montgomery, AL 36132-7447.

For amended returns that have already been filed seeking refunds related to this issue, even those claims that the Department has previously denied, taxpayers need not take any additional action other than to reference the amended return on the list described below. The Department is in the process of reviewing and releasing refunds that had previously been held over this issue.

Taxpayers who received notices for failing to apply the limit to the credit for tax paid do not need to respond further to the notices. However, taxpayers who had an overpayment/refund reduced for failing to apply the limit will need to file an amended return to reverse our adjustment and reclaim the additional refund previously offset by the Department.

Finally, in addition to the filing of returns, the Department suggests that taxpayers and preparers file a separate schedule that lists by taxpayer and by tax year each return filed with an Act 2018-465 issue, including returns filed prior to the issuance of this guidance. This schedule should be filed via email addressed to [kathleen.abrams@revenue.alabama.gov](mailto:kathleen.abrams@revenue.alabama.gov). These lists will allow the Department to verify that it has reviewed and appropriately processed all returns with an Act 2018-465 issue. The list should include the taxpayer's name, SSN (last four digits), tax year, and date amended.