

MEMO# 16231

June 25, 2003

ALABAMA TAX UPDATE

[16231] June 25, 2003 TO: TAX COMMITTEE No. 36-03 RE: ALABAMA TAX UPDATE As was discussed at the recent Tax Committee meeting, the Governor of Alabama recently proposed a tax on intangible assets. Although the Legislature adopted most of the Governor's tax proposals, the intangibles tax was not included in the final legislation passed by the Alabama legislature. The final legislative package, however, does include certain changes to the Alabama business privileges tax. The legislation specifies that business trusts who do business in Alabama are subject to the business privilege tax. This tax is calculated based on the taxpayer's net worth in Alabama, up to a maximum tax of \$15,000 per year (the maximum tax is \$3 million for insurance companies and \$500,000 for REITs). The maximum tax of \$3 million currently also applies to "financial institution groups" (as defined in the statute), but this provision would be eliminated under the legislation. The entire tax package will not take effect unless it is approved by the voters of Alabama in a referendum scheduled for September 9, 2003. David Orlin Assistant Counsel

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