

# 2014

## AL4163: ALABAMA BUSINESS MeF ELECTRONIC FILERS HANDBOOK



**For Electronic Filers who file Alabama Business Tax  
Returns/Reports electronically filed via the  
Federal/State MeF System for forms:  
20C, 20CC, 20S, 65, PTEC, 41, CPT and PPT**



Alabama Department of Revenue  
Business Tax MeF Program  
Publication AL4163: Updated (2/3/2015)

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## **Introduction & General Information**

### ***Alabama Department of Revenue Mission Statement:***

The Alabama Department of Revenue will efficiently and effectively administer the revenue laws in an equitable, courteous and professional manner to fund governmental services for the citizens of Alabama.

### ***Overview of Modernized e-File Program (MeF):***

The Alabama Department of Revenue (ADOR), in conjunction with the Internal Revenue Service (IRS), is accepting the following tax forms for 2014/2015 by using the IRS' Modernized E-File system (MeF):

1. 20C - Alabama Corporate Income Tax
2. 20CC - Alabama Consolidated Corporate Income Tax
3. 20S - S Corporation Information/Tax
4. 65 - Alabama Partnership/LLC
5. PTEC - Non-Resident Composite Return
6. 41 - AL Fiduciary Income Tax Returns
7. CPT - Alabama Business Privilege Tax Return and Annual Report For C-Corporations
8. PPT - Alabama Business Privilege Tax Return and Annual Report For Pass-Thru Entities

The transmission method will be a Web Service using Simple Object Access Protocol (SOAP) with attachments messaging. The return data will be formatted using Extensible Markup Language (XML). Authorized E-File providers, also known as Electronic Return Originators (ERO's) can submit returns to the IRS MeF system for federal and state return processing.

**Software developers must test with the ADOR and receive approval prior to submitting live Fed/State or State-Only returns.**

### ***General Information:***

**The Department will accept the following return types:**

- Fed/State (Forms 20C, 20CC, 20S, 65, PTEC and 41)
  - State Only (resubmitted forms 20C, 20CC, 20S, 65, PTEC and 41 / original forms CPT and PPT)
1. Fed/State Original - The E-File Program works best when the Federal and State returns are filed together in one transmission to the IRS (although this is not always possible). Upon receipt, the Internal Revenue Service will validate and verify the federal return data. The IRS will either accept or reject the federal return. The state return is only available to the Department after the federal return is accepted by the IRS. If a Fed/State submission is rejected by IRS, the state will not receive the state return portion. The Fed/State submission must be re-submitted.
  2. State-Only Electronic Return Transmissions - IRS provides the ability for an ERO or individual to transmit/retransmit a state return through the fed/state system without simultaneously transmitting a federal return. There is no difference in the transmission sequence. State-Only returns are transmitted to the IRS, validated and made available for states to download in the same fashion as with the traditional fed/state transmission. This provides a means for individuals who file multiple state returns to have each participating state's return electronically filed. However, each state return must be transmitted separately. The taxpayer's federal return

must be completed, transmitted and accepted by the IRS before transmitting/re-transmitting a State-Only return.

### **Supported Alabama Forms:**

The Department will support the following forms and schedules for Corporate/Partnership return processing:

- Alabama Form CPT (Schedules AL-CAR and Schedule G).
- Alabama Form PPT (Schedules AL-CAR, Schedule BPT-E and Schedule BS)
- Alabama Form 20C (Schedules A, B, C, D-1, D-2, E, F, Other Information, AB and BC).
- Alabama Form 20CC (Schedules AS, B)
- Alabama Form 20S (Schedules A, B, C, D, E, F, G, H, K, PAB) with Alabama Schedule K-1 and Alabama Schedule NRA (NRA must be included in XML)
- Alabama Form 65 (Schedules A, B, C, D,E, K, PAB) with Alabama Schedule K-1 and Alabama Form NMC if applicable (NMC must be included as a Binary Attachment)
- Alabama Form PTEC and Schedule PTE-CK1
- Alabama Form 41 (Schedules A, B, K) with Alabama Schedule K-1 Form 41, Alabama Form NOL-F85, NOL-F85A, Schedule ESBT (Worksheet for Electing Small Business and Qualified Subchapter S Trusts) and Schedule G (Grantor Statement of Income, Deductions, Credits) if applicable.
- Other schedules as binary attachments

The **complete** federal return and the necessary supporting schedules (such as Schedule D and Form 4797) as filed with the IRS are required to be attached in XML for the Alabama return to be considered complete.

Failure to attach the complete federal return with the necessary supporting schedules may result in the imposition of delinquent penalties. Form 20C Filing Status 5 is the **only** return that is not required to submit a copy of the federal return because it will be provided with the parent Form 20CC return.

### **Exclusions from Corporate/Partnership Electronic Filing include:**

- Amended returns
- Name Change Returns
- Returns that cannot be e-filed for federal purposes
- Returns for a tax year prior to 2013 (Form PPT and Form CPT)

Alabama will only accept one return each filing season, any subsequent filings such as additional short year returns and amended returns must be filed by paper.

**Please note:** The Department will generally not approve a request to waive the electronic filing requirement if the software purchased or licensed by a taxpayer or a return preparer does not include all of the features necessary to comply with the Modernized e-File requirements set forth in Department regulations, revenue procedures, publications, and other instructions posted to the <http://www.revenue.alabama.gov> website.

**The Department of Revenue encourages electronic filing; however, we neither support nor recommend any software company. You must address technical and support issues with the company whose product you select.**

**Please see the approved e-file Providers list at the following web address:**

<http://www.revenue.alabama.gov/incometax/corpefilevendors.htm>

## **Reminders for Tax Year 2014 / Filing Season 2015:**

1. **Mandatory e-filing for Corporate/Partnership returns** - Regulations 810-3-39-.12, 810-3-39-.13, 810-3-28-.07, and 810-3-28-.08 were approved by the Alabama Department of Revenue's Research Division and became effective March 4, 2010. **The following forms are under the mandate: 20C, 20CC, 20S, 65 and the form PTEC.**
2. The complete federal return and the necessary supporting schedules and documents as filed with the IRS **are required to be submitted in XML format** with each submission. Failure to submit the **complete** federal return with the necessary supporting schedules in XML format may result in the imposition of delinquent penalties and the return filed will be considered incomplete. *Form 20C Filing Status 5 is the only return that is not required to submit a copy of the federal return because it will be provided with the parent consolidated Form 20CC return.*
3. **The following tax types must be transmitted fed/state unless being resubmitted to correct an error: 20C, 41, 20S and 65**
4. The max occurrence for form AS is 500.
5. The maximum size per submission is 300MB. This includes the Alabama return, federal xml data and all attachments.
6. The state of Alabama allows a **10 Calendar** day period to re-transmit the corrected return. **The perfection period starts from the date the State of Alabama rejects the original submission.** The original submission id must be transmitted with the perfected return in the element named OriginalSubmissionID. This way the original submission date can be populated in our system to prevent any late filing penalties being assessed.
7. For a company filing a form 20C who files as part of a consolidated federal return and all form 20CC, Consolidated Corporate Income Tax Returns, the following information is required to be attached:
  - a. Federal Form 851, Affiliations Schedule, please identify all corporations subject to tax in Alabama (Federal851.pdf)
  - b. Pages 1-5 of the consolidated form 1120 (Consolidated1120.pdf)
  - c. Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules (ConsolidatedIncome.pdf)
  - d. Consolidated Balance Sheets by separate company for the beginning and end of year (ConsolidatedBalance.pdf)
  - e. Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year (FederalK1.pdf)
  - f. Federal Schedule UTP (FederalUTP.pdf)
  - g. Federal form M-3 for the entire federal consolidated group (FederalM3.pdf)
8. The max occurrence for K-1s, CK-1s and NRA forms is 5000.
9. **Business Privilege Tax returns are filed separately from Business Income Tax return; therefore, Business Privilege Tax returns will have a separate Submission ID as well as a separate acknowledgement.**
10. If the business entity does not have an FEIN (Federal Employer Identification Number) then report all 9's for the FEIN (Form CPT & PPT, Page 1, Line 3b), check the "FEIN NOT REQUIRED" checkbox and report the BPT Account Number (Form CPT & PPT, Page 1, Line 3d).
11. For tax year 2013 Alabama has added Schedule BC (Business Credits) to Form 20C.

**\*\*To avoid the most common cause of error rejections ensure you are using the most current version of your Vendor's software and any required or conditional binary attachments are physically attached and correctly named.\*\***

The Form AL8453-C, AL8453-PTE, AL8453-B or AL8453-FDT must be completed and signed by all required parties. The ERO will retain Form AL8453-C, AL8453-PTE, AL8453-B or AL8453-FDT along with a copy of the electronic tax return. Do not submit this form to the Alabama Department of Revenue unless requested to do so.

### **Contact Information:**

**\*\*\*\*Please always contact your software vendor first for assistance.\*\*\*\***

#### **FOR TECHNICAL QUESTIONS REGARDING:**

- The web site
- The XML Schema
- The Summary of the XML Schema (spreadsheet)
- Additional detail of schema elements
- The sample return
- The sample xml instance document
- Software testing and approval
- Business Rule Documents
- Missing acknowledgements
- Rejected returns

#### **CONTACT:**

Business MeF Coordinator, Corporate and Business Privilege Tax

**Forms: 20C, 20CC, CPT and PPT**

Individual & Corporate Tax Division

Alabama Department of Revenue

P.O. Box 327450

Montgomery, AL 36132-7450

**Nicci Adams, Business MeF Coordinator at 334-353-0685**

**EMAIL:**        [CORPORATE.EFILE@REVENUE.ALABAMA.GOV](mailto:CORPORATE.EFILE@REVENUE.ALABAMA.GOV) OR [nicci.adams@revenue.alabama.gov](mailto:nicci.adams@revenue.alabama.gov)

Business MeF Coordinator, Pass Through and Fiduciary Tax

**Forms: 20S, 65, PTEC and Form 41**

Individual & Corporate Tax Division

Alabama Department of Revenue

P.O. Box 327450

Montgomery, AL 36132-7450

**Missy Gillis, Business MeF Coordinator at 334-353-9178**

**EMAIL:**        [CORPORATE.EFILE@REVENUE.ALABAMA.GOV](mailto:CORPORATE.EFILE@REVENUE.ALABAMA.GOV) OR [melissa.gillis@revenue.alabama.gov](mailto:melissa.gillis@revenue.alabama.gov)

**For Forms Questions regarding:**

- Form/schedule development
- Substitute forms approval

**CONTACT:**

Forms Officer  
Individual & Corporate Tax Division  
50 N Ripley St, Room 4212  
Montgomery AL 36104

**Andrea Wyatt, Forms Officer @ 334-353-9447**

**EMAIL:** [Andrea.Wyatt@revenue.alabama.gov](mailto:Andrea.Wyatt@revenue.alabama.gov) or  
[ICForms.Officer@revenue.alabama.gov](mailto:ICForms.Officer@revenue.alabama.gov)

**FAX:** 334-242-0064

**For Business Privilege Tax questions regarding:**

- Business Privilege Tax Laws and Regulations
- Filing requirements
- General correspondence
- Billings
- Refunds
- Name and address changes
- Preliminary and Final Assessments

**CONTACT:**

Business Privilege Tax Section  
Individual & Corporate Tax Division  
Alabama Department of Revenue  
P.O. Box 327900  
Montgomery, AL 36132-7900

**TELEPHONE:** 334-353-7923

**EMAIL:** <https://revenue.alabama.gov/contact/>  
Select Individual & Corporate Income Tax/Business Privilege Tax: Questions and  
Forms CPT, PPT, BPT-IN

**FAX:** 334-242-8915

**For Corporate Income Tax questions regarding:**

- Corporate Income Tax Laws and Regulations
- Filing requirements
- General correspondence
- Billings
- Refunds
- Name and address changes
- Preliminary and Final Assessments

**CONTACT:**

Corporate Income Tax Section  
Individual & Corporate Tax Division  
Alabama Department of Revenue  
P.O. Box 327430  
Montgomery, AL 36132-7430

**TELEPHONE:** 334-242-1200

**EMAIL:** <https://revenue.alabama.gov/contact/>

Select Individual & Corporate Income Tax/Corporate Income Tax Questions

**FAX:** 334-242-2537

**For Pass-Thru Entity Questions (S Corporation, Partnership and Fiduciary Tax) regarding:**

- Income Tax Laws and Regulations
- Filing requirements
- General correspondence
- Billings
- Refunds
- Name and address changes
- Preliminary and Final Assessments

**CONTACT:**

Pass-Thru Entity Unit  
Individual & Corporate Tax Division  
Alabama Department of Revenue  
P.O. Box 327441  
Montgomery, AL 36132-7441

**TELEPHONE:** 334-242-1033

**EMAIL:** <https://revenue.alabama.gov/contact/>

Select Individual & Corporate Income Tax/Fiduciary/Estates/Partner/Scorps/Trusts:Pass Thru Entities: Forms 20S, 65, PTEC, 41

**FAX:** 334-242-1030

**Other information:**

Alabama's website - [www.alabama.gov](http://www.alabama.gov)

Alabama Department of Revenue website – [www.revenue.alabama.gov](http://www.revenue.alabama.gov)

Corporate Income Tax Electronic Filing Information –  
<http://revenue.alabama.gov/incometax/corpefilemain.cfm>

Internal Revenue Service (IRS) – [www.irs.gov](http://www.irs.gov)

IRS Modernized e-file (MeF) information website - <http://www.irs.gov/efile/content/0,,id=171945.00.html>

Federation of Tax Administrators (FTA) – [www.taxadmin.org](http://www.taxadmin.org)

## **State of Alabama MeF Program Rules and Regulations**

### ***Participation in the MeF Program:***

Those who wish to participate in the Federal/State Electronic Filing Program must first apply to the IRS using the online form. Information for Authorized IRS e-file Providers and Publication 3112, IRS e-file Application and Participation specifies the application process and requirements for federal participation. In order to begin e-filing tax returns, you must apply and be accepted as an Authorized IRS e-file Provider. The quickest way to apply is to use the IRS e-file Application On-Line.

The ADOR automatically accepts electronic filers (electronic return originators and transmitters) which have been accepted to participate in the Federal Electronic Filing Program. No additional registration is required on the part of electronic filers. This document, **Publication AL4163 Alabama Handbook for Electronic Filers of Corporate/Partnership Income Tax Returns** is to be used in conjunction with **IRS Publication 4163**.

IRS Publication 4163 provides detailed instructions on policies and procedures for the federal electronic filing program. All rules, regulations, and requirements governing tax preparers, transmitters, and originators of returns specified by the IRS are in effect for the ADOR. Together the documents specify the requirements for the joint electronic filing of Alabama corporate or partnership income tax returns and federal corporate or partnership income tax returns. **Therefore, electronic filers are encouraged to become thoroughly familiar with both documents.**

### ***ERO and Transmitters Responsibilities:***

Electronic Return Originators (EROs) and transmitters must be approved with the IRS in order to submit Fed/State (Linked/Unlinked) or State-Only (Unlinked) returns. EROs and transmitters must maintain a high degree of integrity, compliance, and accuracy to continue participation in the Alabama Electronic Filing Program.

### **CONFIDENTIALITY**

Unauthorized access or disclosure of confidential taxpayer information will result in severe Federal and Alabama criminal and civil penalties. In accordance with Code of Alabama 1975, §40-2A-10 disclosure of confidential information in violation of this statute is a class A misdemeanor.

### **COMPLIANCE**

Alabama participates in the federal/state electronic filing program. Therefore, any software developed must meet **all** federal **and** state requirements. The following guidelines compliment IRS.

- Comply with all federal and state procedures, requirements and specifications as defined in the following publications:
  - IRS Publications 4163 - *Modernized e-File Information for Authorized IRS e-file Providers of Forms 1120/1120S*
  - IRS Publication 4164 - *Modernized e-File Guide for Software Developers and Transmitters*
  - Alabama Publication AL4163 – *Alabama Handbook for Electronic Filers of Business Income Tax Electronic Filing Income Tax Returns*

- Alabama Publication AL4164 - *Software Developers and Transmitters Guidelines and Schemas for Business Income Tax Returns*
- Alabama Publication AL4162 - *Alabama Business Income Tax Electronic Filing Test Package*

**Filing Due Date Charts:**

EROs must ensure that electronic returns are filed in a timely manner (See Filing Chart below for due dates). The receipt date of the electronic transmission is based on the IRS received date.

**The receipt date of the electronic transmission is based on the electronic postmark date as long as the electronic postmark date is within (3) days of the IRS Received Date. If no electronic postmark date is transmitted or if the Electronic Postmark date is greater than 3 days of the IRS Received Date, the IRS received date will be used. The electronic postmark must be adjusted to the time zone where the taxpayer resides to determine the postmark’s actual time.**

Any return not acknowledged by the Department as “accepted” is considered not filed.

<b>Return Due Date Chart Forms 20C, 20CC, 20S, and PTEC for 20S Tax Year 2014</b>					
Tax Period Beginning & Ending Dates	Tax Period	*Due Date (Weekends Considered)	6 Month Extension Due Date (Weekends Considered)	Tax Year of Return	
01/01/2014 - 12/31/2014	201412	03/16/2015	09/15/2015	2014	
02/01/2014 - 01/31/2015	201501	04/15/2015	10/15/2015	2014	
03/01/2014 - 02/28/2015	201502	05/15/2015	11/16/2015	2014	
04/01/2014 - 03/31/2015	201503	06/15/2015	12/15/2015	2014	
05/01/2014 - 04/30/2015	201504	07/15/2015	01/15/2016	2014	
06/01/2014 - 05/31/2015	201505	08/17/2015	02/15/2016	2014	
07/01/2014 - 06/30/2015	201506	09/15/2015	03/15/2016	2014	
08/01/2014 - 07/31/2015	201507	10/15/2015	04/15/2016	2014	
09/01/2014 - 08/31/2015	201508	11/16/2015	05/16/2016	2014	
10/01/2014 - 09/30/2015	201509	12/15/2015	06/15/2016	2014	
11/01/2014 - 10/31/2015	201510	01/15/2016	07/15/2016	2014	
12/01/2014 - 11/30/2015	201511	02/15/2016	08/15/2016	2014	
Legal Due Date is the 15 <sup>th</sup> of each month.					

**Return Due Date Chart Form 65 and Form 41 Tax Year 2014**

Tax Period Beginning & Ending Dates	Tax Period	*Due Date (Weekends Considered)	5 Month Extension Due Date (Weekends Considered)	Tax Year of Return
01/01/2014 - 12/31/2014	201412	04/15/2015	09/15/2015	2014
02/01/2014 - 01/31/2015	201501	05/15/2015	10/15/2015	2014
03/01/2014 - 02/28/2015	201502	06/15/2015	11/16/2015	2014
04/01/2014 - 03/31/2015	201503	07/15/2015	12/15/2015	2014
05/01/2014 - 04/30/2015	201504	08/17/2015	01/15/2016	2014
06/01/2014 - 05/31/2015	201505	09/15/2015	02/15/2016	2014
07/01/2014 - 06/30/2015	201506	10/15/2015	03/15/2016	2014
08/01/2014 - 07/31/2015	201507	11/16/2015	04/15/2016	2014
09/01/2014 - 08/31/2015	201508	12/15/2015	05/16/2016	2014
10/01/2014 - 09/30/2015	201509	01/15/2016	06/15/2016	2014
11/01/2014 - 10/31/2015	201510	02/15/2016	07/15/2016	2014
12/01/2014 - 11/30/2015	201511	03/15/2016	08/15/2016	2014

Legal Due Date is the 15<sup>th</sup> of each month.

**Return Due Date Chart Forms CPT and PPT (Corporations) Tax Year 2015**

Tax Period Beginning & Ending Dates	Tax Period	*Due Date (Weekends Considered)	6 Month Extension Due Date (Weekends Considered)	Tax Year of Return
1/1/2014 - 12/31/2014	201501	3/17/2015	9/15/2015	2015
2/1/2014 - 1/31/2015	201502	4/15/2015	10/15/2015	2015
3/1/2014 - 2/28/2015	201503	5/15/2015	11/15/2015	2015
4/1/2014 - 3/31/2015	201504	6/16/2015	12/15/2015	2015
5/1/2014 - 4/30/2015	201505	7/15/2015	1/15/2016	2015
6/1/2014 - 5/31/2015	201506	8/15/2015	2/16/2016	2015
7/1/2014 - 6/30/2015	201507	9/15/2015	3/16/2016	2015
8/1/2014 - 7/31/2015	201508	10/15/2015	4/15/2016	2015
9/1/2014 - 8/31/2015	201509	11/17/2015	5/15/2016	2015
10/1/2014 - 9/30/2015	201510	12/16/2015	6/15/2016	2015
11/1/2014 - 10/31/2015	201511	1/15/2016	7/15/2016	2015
12/1/2014 - 11/30/2015	201512	2/16/2016	8/17/2016	2015

Legal Due Date is the 15<sup>th</sup> of each month.

**Return Due Date Chart Form PPT (LLEs and Qualifying Disregarded Entities) Tax Year 2015**

Tax Period Beginning & Ending Dates	Tax Period	*Due Date (Weekends Considered)	6 Month Extension Due Date (Weekends Considered)	Tax Year of Return
1/1/2014 - 12/31/2014	201501	4/15/2015	10/15/2015	2015
2/1/2014 - 1/31/2015	201502	5/15/2015	11/15/2015	2015
3/1/2014 - 2/28/2015	201503	6/16/2015	12/15/2015	2015
4/1/2014 - 3/31/2015	201504	7/15/2015	1/15/2016	2015
5/1/2014 - 4/30/2015	201505	8/15/2015	2/16/2016	2015
6/1/2014 - 5/31/2015	201506	9/15/2015	3/16/2016	2015
7/1/2014 - 6/30/2015	201507	10/15/2015	4/15/2016	2015
8/1/2014 - 7/31/2015	201508	11/17/2015	5/15/2016	2015
9/1/2014 - 8/31/2015	201509	12/16/2015	6/15/2016	2015
10/1/2014 - 9/30/2015	201510	1/15/2016	7/15/2016	2015
11/1/2014 - 10/31/2015	201511	2/16/2016	8/17/2016	2015
12/1/2014 - 11/30/2015	201512	3/16/2016	9/15/2016	2015

Legal Due Date is the 15<sup>th</sup> of each month.

**After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted or changed in any manner. If either the ERO or taxpayer wishes to change any entries on an accepted electronic return, an amended paper return must be filed.**

**4. Responsibility to Clients:**

EROs are entrusted with the task of filing a client’s tax return and must assume the responsibility of ensuring that the return arrives at the Alabama Department of Revenue. In the event that the electronic Alabama return fails to arrive at its destination, EROs must notify their clients of the requirement to file a paper return.

**5. Form Retention Requirements:**

The ERO is required to retain an electronic copy of all returns, form AL8453-C, AL8453-PTE, AL8453B and/or AL8453-FDT, and schedules submitted for a period of **three years from the due date of the return or the date the return was filed**, whichever is later. If the need arises, the Department may request any of the documents, in writing, and the ERO must provide a copy of the document within five working days of the request.

Should an ERO decide to no longer remain in the business, the Department must be notified, in order to, determine the proper resolution of electronic filing program documents and records.

***Monitoring and Suspension of Electronic Submission Policy:***

The Department will monitor the quality of electronic transmissions. If the quality is unacceptable, The Department will contact the ERO, software developer or transmitter. The Department will also monitor complaints about electronic filers and issue warning or suspension letters as appropriate. **The Department reserves the right to suspend the electronic filing privilege of any electronic filer, software developer or transmitter who varies from the requirements, specifications and**

**procedures stated in this guide or any corresponding administrative rules, or who does not consistently transmit error-free returns.** When suspended, the electronic filer, software developer, or transmitter will be advised of the requirements for reinstatement into the program.

### ***E-File Waiver Policy:***

Software Limitations: The Department will generally not approve a request to waive the electronic filing requirement if the software purchased or licensed by a taxpayer or a return preparer does not include all of the features necessary to comply with the Modernized e-File requirements set forth in Department regulations, revenue procedures, publications, and other instructions posted to the [www.revenue.alabama.gov](http://www.revenue.alabama.gov) website.

### ***Alabama Electronic Filing Regulations:***

Please visit the following website for the most current Alabama E-File regulations:  
<http://www.revenue.alabama.gov/incometax/celfmandate.cfm>.

### ***Frequently Asked Questions Regarding the Mandate Regulations:***

#### **Q. Are the Business Privilege Returns, Forms CPT and PPT, mandated to e-file?**

A. At this time NO, there is no mandate for entities to e-file their Business Privilege returns. However, this will be mandated in the near future.

#### **Q. Is the Fiduciary Income Tax Return, Form 41, under the e-file mandate?**

A. At this time NO, there is no mandate for entities to e-file their Fiduciary Income Tax Return. However, this will be mandated in the near future.

#### **Q. When is the Corporate/Partnership Income Tax e-file mandate effective?**

A. March 4th, 2010 and applies to acceptable corporate/partnership income tax returns required to be filed for taxable years beginning on and after January 1, 2009.

#### **Q. How does a preparer know if he or she is required to electronically file a corporate/partnership return?**

A. (1) If an income tax return preparer prepares 25 or more acceptable, original corporate/partnership income tax returns using tax preparation software in a calendar year, then for that calendar year and for each subsequent calendar year thereafter, all acceptable corporate/partnership income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act," as codified in Chapter 30 of Title 40, Code of Alabama 1975.

#### **Q. If there an Opt-Out provision?**

A. No, there is no opt-out provision for corporate/partnership mandate.

#### **Q. Are there any penalties associated with non-compliance to the corporate/partnership mandate?**

A. Currently there are no associated penalties.

## Q. When is a self-prepared corporate or partnership return included in the mandate?

A. Corporations with assets of \$5 million or more, or partnerships with 50 or more partners at the end of the corporation/partnership's taxable year are mandated to e-file Alabama corporate/partnership income tax returns, for that calendar year and all subsequent tax years.

## Information Applicable to All Forms

### ***Transmitting the Returns:***

Authorized E-File providers can transmit returns to the IRS MeF system for Federal and State return processing. State submissions can be made as a Federal return with a State Return attached, a linked Fed/State return, or just a State return, known as a State Only or unlinked submission (*a complete copy of the federal return as filed with the IRS must also be attached to a state only submission*). Each return (Fed/State or State Only) must be in a separate submission. Multiple submissions can be contained in a single message payload.

Packaging of data and transmission payload must be in the proper format.

Returns filed in XML format with SOAP attachments allow for binary attachments to the submission. These attachments may consist of Signature documents, balance sheets, statement records, or other types of documentation. The allowed file type for attachments is file extension .PDF. The file order of attachments and procedures must follow IRS requirements for binary attachments as found in IRS publication 4163. The Department will allow for binary attachments to the state return. Send data elements only if they contain data values. Do not send empty data elements (i.e., zero financial fields, unused elements, etc.)

### Other Packaging Guidelines:

- A submission contains either an IRS return or a state return
- Each submission is a separate file.
- Each federal return must be submitted in the agreed upon IRS XML format.
- Each state return must be submitted in the XML format specified and agreed to by IRS, state agencies, transmitters, and software developers.
- Each state return must include a copy of the FEDERAL RETURN as submitted to the IRS and any attachments associated with that federal return in XML. **If the taxpayer is included in the federal return of a consolidated group, a copy of the pro-forma FEDERAL RETURN for the company must be included along with the first four pages of the consolidated federal return.**
- If the IRS rejects a Fed/State submission, the state will NOT receive the state return portion. The Fed/State submission must be resubmitted.
- Each submission must be in Zip Archive format.
- No nesting of Zip archive files or returns will be allowed. (i.e. one submission, one zip.)
- The SOAP message itself must not be compressed or zipped.
- The message contains a header, a body, and an attachment. See Modernized E-File Logical ICD Model for message layout and message technical specifications.
- ERO's and transmitters must be approved with the IRS in order to submit Fed/State or State Only returns.
- The Department will produce an acknowledgement of acceptance or rejection for each state submission. The transmitter may then retrieve the Department's acknowledgement from the IRS.

## Transmitting Consolidated Corporate Income Tax Returns:

The Consolidated Form 20CC will be packaged independently in a submission.

The Form 20C Filing Status 5 subsidiary will be packaged independently in a submission.

Separate submissions may be packaged in the same transmission therefore the Forms 20CC and 20C Filing Status 5 proforma returns may be transmitted together. The Form 20C Filing Status 5 return is the **only** return that is not required to submit the complete federal return and attachments as submitted to the IRS.

### **Attachments to the Electronic return:**

The tax return may also include non-XML documents, known as “binary attachments”, submitted in PDF format. Approved tax preparation software must provide the necessary instructions for creating and submitting all required attachments. These attachments include items from the following sources:

- Required by the return. Example – a line on the form states “attach itemized schedule”
- Required by the form instructions. Example – instructions state “attach a statement to line XX...”

Approved MeF tax preparation software should provide the necessary instructions for creating, scanning or exporting documents in PDF format and submitting these documents as attachments that are required by Alabama and IRS Publications, Code, and/or Regulations. Preparers will create the binary attachments as pdf documents and submit them as electronic files attached to the MeF return. Check with your software provider to see if your software will support binary attachments. These binary attachments are included to allow taxpayers the ability to provide requested documentation that includes required signatures and third party documents as required by forms and instructions (signed copy of lease, signed appraisal statement, etc).

### **Alabama programming will validate binary attachments by proper location and required title.**

Also, the number of attachments will be verified. If the total number of binary attachments in the XML does not match the number of pdf attachments the return will be rejected.

Conditional Binary Attachments for forms 20C, 20CC, 20S, 65 and PTEC	Required Binary Attachment Title
Consolidated 1120 Pages 1-5 (If applicable)	Consolidated1120.pdf
Federal Form 851 (if applicable)	Federal 851.pdf
Signed Schedule NRAs – Non-resident Agreements (if applicable) (20S)	ALNRA.pdf
Alabama 20CCRE – Election to File Consolidated Income Tax Return (if applicable)	AL20CCRE.pdf
If the Multistate Corporation Separate Accounting checkbox (MultiStateCorpSepAcct) is checked. A copy of the Separate Accounting Approval letter signed by the Commissioner of Revenue must be attached	SeparateAccountingApproval.pdf
If the taxpayer is a member of an affiliated group which files a consolidated federal return the parent company’s current Federal Income Tax Deduction Election (1552) letter must be attached along with the Federal Income Tax Deduction Calculations	1552ElectionCalculations.pdf

.PDF copy of each Alabama corporate income tax return (page 1 only) where the Net Operating Loss listed on Schedule B that is more than six years old	NOLYYYYAL20CPg1.pdf
Alabama 20C/20S/65 additional depreciation allowed by Economic Stimulus Act of 2008 (computation for the difference)	Section179AddBack.pdf
Alabama Form 2220AL Underpayment of Estimated Tax for Corporations (if applicable)	Form2220AL.pdf
Enterprise Zone Capital Credit calculations (if applicable) - This PDF should include Schedule EZ, Certificates and all calculations.	EnterpriseZoneCredit.pdf or CreditStatements.pdf if combined with other credit statements
Basic Skills Education Credit – The approved certification notice issued by the Alabama Department of Education must be attached.	BasicSkillsCert.pdf or CreditStatements.pdf if combined with other credit statements
Income Tax Credit calculations (if applicable) - This PDF should include certificate/document of approval, computation of income generated from project, support for amount paid, and computation of the credit.	IncomeTaxCredit.pdf or CreditStatements.pdf if combined with other credit statements
Tax Increment Fund Payment Credit calculations (if applicable) - This PDF should include the document of approval along with proof of payment(s) into the fund relative to corporate income tax and a detailed schedule computing income generated from the project.	TaxIncrementFundPymtCredit.pdf or CreditStatements.pdf if combined with other credit statements
Coal Tax Credit calculations (if applicable) - This PDF should include a detailed schedule computing the coal tax credit.	CoalCredit.pdf or CreditStatements.pdf if combined with other credit statements
Capital Tax Credit (if applicable) - This PDF must include Form AR (Annual Report of Project) and Form K-RCC if applicable.	CapitalTaxCredit.pdf or CreditStatements.pdf if combined with other credit statements
Other Reconciliation Items (20S if applicable)- This PDF must clearly explain the nature and amounts of the reconciling items.	OtherReconciliationItems.pdf or Statements.pdf if combined with other statements
Other Separately Stated Items (20S if applicable)- This PDF must clearly explain the nature and amounts of the other separately stated items.	OtherSeparatelyStatedItems.pdf or Statements.pdf if combined with other statements
Separate Non-Business Income/Loss (20S/65 if applicable) This PDF must identifying the nature and amounts of the separately stated non-business items.	SeparateNonBusiness.pdf or Statements.pdf if combined with other statements
Other Expense Portfolio Income (20S/65 if applicable)- This PDF must identify the nature and amounts of the other expenses related to portfolio income.	OtherExpenses.pdf or Statements.pdf if combined with other statements
If there is Tax Due on the 20S return - A PDF with a computation schedule must be submitted.	StateIncomeTaxSCorp.pdf or Statements.pdf if combined with other statements
Form NMC must be completed by each qualifying nonresident member of certain affordable rental housing developments	ALNMC.pdf

If QIPIndicator is populated then a .pdf attachment named "ScheduleQIPC.pdf" must be attached (for forms 65 and PTEC)	ScheduleQIPC.pdf
Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules.	ConsolidatedIncome.pdf
Consolidated Balance Sheets by separate company for the beginning and end of year.	ConsolidatedBalance.pdf
Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year.	FederalK1.pdf
Federal Schedule UTP	FederalUTP.pdf
Federal form M-3 for the entire federal consolidated group	FederalM3.pdf
Reemployment Act of 2010, Effective for tax years 2011 and 2012	ReemploymentAct2010.pdf
If Depreciation Adjustment is greater than \$500 on 20S or 65.	DepreciationAdjustment.pdf
If claiming the foreign tax credit a detailed schedule of computations must be attached.	ForeignTaxPaidCredit.pdf or CreditStatements.pdf
Heroes for Hire Credit Act of 2011 – attach a detailed schedule of computations including a copy of veteran form DD214 must be attached.	HeroesHireCredit.pdf or CreditStatements.pdf
Full Employment Act of 2011 (if applicable) - attach an itemized list of qualifying employees and computations.	FullEmploy2011Credit.pdf or CreditStatements.pdf
Alabama New Markets Development Act – detailed schedule of computations for credit	NoticeofCert.pdf or CreditStatements.pdf
Irrigation Credit – attachment should include computations and information regarding when the qualified reservoir was placed into service.	IrrigationCredit.pdf or CreditStatements.pdf
Foreign Taxes Paid Credit – to qualify for this credit a copy of the foreign tax return must be attached.	ForeignTaxReturn.pdf
Alabama Historic Credit - please attach a copy of the tax certificate issued by the commission	HistoricRehabCrdt.pdf
State Proforma – If StateProforma is populated a copy of the subsidiary's separate 1120 proforma (prepared for Alabama State purposes) must be attached named AL1120Proforma.pdf.	AL1120Proforma.pdf
If StateAndLocalIncomeTaxes and TaxRefunds are populated then a pdf showing a detailed schedule of taxes from the federal form 1120, Line 17.	OtherTaxes.pdf
NonSeparately Stated Non-Business Income/Loss (20S/65 if applicable) This PDF must identifying the nature and amounts of the nonseparately stated non-business items.	NonSeparateNonBusiness.pdf or Statements.pdf
<b>Conditional Binary Attachments for forms CPT and PPT</b>	<b>Required Binary Attachment Title</b>

If type of taxpayer is Insurance Company then a pdf including the Annual Statements of Liabilities, Surplus, and Other Funds must be attached.	liability.pdf and
If type of taxpayer is Insurance Company then a pdf including the Schedule T (Premiums and Annuity Considerations) must be attached.	scheduleT.pdf
If type of taxpayer is Insurance Company then a pdf including pages 1-8 of the Federal Return (Form 1120PC or 1120L) must be attached.	federal.pdf
A complete schedule AL-Car must be attached if the entity is a corporation registered to transact business in Alabama.	alcar.pdf
Book Value of Investments – This pdf should include a listing for each separate investment, the name of the taxpayer, the taxpayer’s FEIN, the taxpayer’s address and the book value of the investment.	investment.pdf
Book Value of Investments (Financial Institution exclusion) – This pdf should include a listing for each separate investment, name of entity, entity’s FEIN, entity’s address and book value of the investment.	fininsinvestment.pdf
Amount Adjusted Net Worth Exceeds 6% - This pdf should include the computation of the amount claimed.	adjustednetworth.pdf
Goodwill – This pdf should include for each direct purchase the goodwill originally acquired, the date the direct purchase occurred, accumulated amortization, the name and location of the business acquired and the name and FEIN of the entity that acquired the business and goodwill.	goodwill.pdf
Unamortized Post-Retirement benefits – This pdf should include a description of benefits, amortization schedule, and the line detail of the post-retirement benefits on the balance sheet.	unamortizedproperly.pdf
Apportionment Factor – If TypeOfTaxpayer is Financial Institution Group Member "F" then Form ET-1-showing the apportionment factor calculations should be attached.	apportionmentfactor.pdf
Net Investment in Bonds – This pdf should include the net amount invested, issuing agency, issuance date, and how the investment is reported on the taxpayer’s balance sheet.	bondsecurity.pdf
Net Investment in Pollution Control – This pdf should include supporting documentation.	pollutioncontrol.pdf
Reserves In Alabama – This pdf should include the applicable law or regulation that establishes the taxpayer’s liability, computation of that liability, and identify the location of the plant, facility, mine or site in Alabama.	alabamareserves.pdf

Investment in Housing – The pdf should include the name of the project, the FEIN of the project, the site of the project, the net amount invested in the project and it must identify how the investments are reported on the taxpayer's balance sheet.	housingproject.pdf
Enterprise Zone Credit – The pdf should include documentation from ADECA (Alabama Dept. of Economic and Community Affairs) reporting the amount of credit the taxpayer is entitled to claim.	alenterprisecrdt.pdf
Consolidated Return Indicator is checked on Schedule G then a pdf worksheet that lists Form CPT information (lines 1-20 of page 2) for each member included in the financial institution group must be attached.	fininsconsol.pdf
Zero Apportionment Factor checkbox – The pdf should give an explanation for the zero apportionment factor.	zeroapportstmt.pdf
<b>CONDITIONAL : Form 41</b>	<b>BINARY ATTACHMENT TITLE</b>
Line 7a, If taking a credit for income tax paid to another state.	OtherStateRtn.pdf
Line 7e, If claiming multiple composite payments please attach a list.	MultiplePmt.pdf
Line 7e, if claiming a composite payment a copy of the K-1s reporting the payment amounts must be attached.	CompositePmt.pdf
If Other Adjustments are reported on the Schedule A, then a pdf must be attached with detailed information explaining all adjustments.	OtherAdjustments.pdf
For all items reported on Schedule B, column B (Alabama Adjustments) please attach one pdf which clearly explains all computations for each item of income or deductions included in column B.	ALAdjustments.pdf
If a capital gain or loss is reported on Schedule B please include a pdf with a complete explanation and computation for the total amount of gains and losses reported, specifically identify those amounts not allocated to trust corpus.	ALCapGainOrLoss.pdf
If other income is reported on Schedule B, please attach a document listing the various sources of other income and the amounts.	OtherIncome.pdf
On Schedule K, if any nonresident beneficiary Alabama source income is reported then an attachment should be provided which includes the following information: detailed explanation and computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.	NonResALIncome.pdf

On Schedule K, if any nonresident non-beneficiary Alabama source income is reported then an attachment should be provided which includes the following information: detailed explanation and computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.	NonResNonALIncome.pdf
On Schedule K if depreciation is reported then a pdf must be attached with the following information: detailed explanation and computation for the amount reported on this line.	SchKDepreciation.pdf
On Schedule K, if Depletion is reported then a pdf must be attached with the following information: detailed explanation and computation for the amount reported on this line.	SchKDepletion.pdf
On Schedule K, if Amortization is reported then a pdf must be attached with the following information: detailed explanation and computation for the amount reported on this line.	SchKAmortization.pdf
For all K-1 Items a statement must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.	BeneficiaryShare.pdf
On the K-1 if nonresident beneficiary/grantor Alabama source income is reported please attach a document which includes the following: computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.	BenShareIncome.pdf
For any item reported on Part I of the Form NOL-F85 please attach one document listing the description and explanation of items claimed.	NonBusDeductions.pdf
On the K-1 if nonresident beneficiary/grantor non-Alabama source income is reported please attach a document which includes the following: computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.	NonResSourceIncome.pdf
If the Type of Entity is Bankruptcy Estate Ch.7 or Ch.11 then a copy of the Alabama Form 40 and Federal 1040 must be attached.	ALForm40.pdf and FedForm1040.pdf
Capital Credit – If claimed then the form KRCC must be attached	KRCC41.pdf

For all other binary attachments, the tax preparation software must provide the taxpayer the ability to enter a meaningful name. The following table provides a few examples of meaningful names.

<b>CONDITIONAL: Forms 20C, 20CC, 20S, 65 and PTEC</b>	<b>BINARY ATTACHMENT TITLE</b>
If the regulations require you to attach a merger agreement.	1120 Merger Agreement for XYZ Corporation or Statements.pdf if combined with other statements

If required to attach a detailed schedule of Other Income.	OtherIncome.pdf or Statements.pdf if combined with other statements
If required to attach a schedule of Other Property for Schedule C (Forms 20S/65).	SchedCOtherProperty.pdf or Statements.pdf if combined with other statements
If required to attach a schedule of Other Property for Schedule D1 (Form 20C).	SchedD1OtherProperty.pdf or Statements.pdf if combined with other statements
If shareholder notes are more than 40 characters (20S/65 – K-1)	ShareholderNotes.pdf or K1Statements.pdf
If state notes are more than 20 characters (20S/65 K-1)	StateAdditionalInformation.pdf or K1Statements.pdf

<b>CONDITIONAL : Forms CPT and PPT</b>	<b>BINARY ATTACHMENT TITLE</b>
If required to attach a balance sheet.	balancesheet.pdf
If file a consolidated corporate tax return.	ConsolidatedIncome.pdf
If file a consolidated corporate tax return.	ConsolidatedBalance.pdf

***Electronic Return Signature (AL8453-B/AL8453-C/AL8453-FDT):***

***(AL8453-B/AL8453-C/AL8453-FDT/AL8453-PTE):***

As with any corporate/partnership/fiduciary/business privilege income tax return submitted to the Department on paper, an electronic corporate/partnership/fiduciary/business privilege income tax return must be signed by an authorized corporate officer/partner and the paid preparer, if applicable.

Business Privilege Tax: The Corporation/Partnership (taxpayer) must designate an officer/partner responsible for signing the income tax return. **The officer/partner must sign and date the AL8453-B “Business Privilege Tax Declaration for Electronic Filing” to authorize the origination of the electronic submission of the return prior to the transmission of the return.** The Declaration includes the taxpayer’s declaration that the return is true, correct and complete, as well as the taxpayer’s Consent to Disclosure. The Consent to Disclosure authorizes the Department to disclose information to the taxpayer’s Authorized IRS e-file Providers. Intermediate Service Providers, Transmitters and EROs are authorized by taxpayers to receive acknowledgement of receipt or reason for rejection of the electronic return from IRS. **If the electronic return data on a business privilege tax return is changed after the taxpayer has signed the Declaration, the taxpayer must sign a new declaration if the amounts differ.**

Corporate Tax: - The Corporation (taxpayer) must designate an officer/partner responsible for signing the income tax return. **The officer/partner must sign and date the AL8453-C “Corporate Income Tax Declaration for Electronic Filing” to authorize the origination of the electronic submission of the return prior to the transmission of the return.** The Declaration includes the taxpayer’s declaration that the return is true, correct and complete, as well as the taxpayer’s Consent to Disclosure. The Consent to Disclosure authorizes the Department to disclose information to the taxpayer’s Authorized IRS e-file Providers. Intermediate Service Providers, Transmitters and EROs are authorized by taxpayers to receive acknowledgement of receipt or reason for rejection of the electronic return from IRS. **If the electronic return data on a corporate income tax return is changed after**

**the taxpayer has signed the Declaration, the taxpayer must sign a new declaration if the amounts differ.**

**Fiduciary Tax:** The Fiduciary or Officer responsible for the Estate or Trust must sign the income tax return. **The Fiduciary/Officer must sign and date the AL8453-FDT “Fiduciary Income Tax Declaration for Electronic Filing” to authorize the origination of the electronic submission of the return prior to the transmission of the return.** The Declaration includes the taxpayer’s declaration that the return is true, correct and complete, as well as the taxpayer’s Consent to Disclosure. The Consent to Disclosure authorizes the Department to disclose information to the taxpayer’s Authorized IRS e-file Providers. Intermediate Service Providers, Transmitters and EROs are authorized by taxpayers to receive acknowledgement of receipt or reason for rejection of the electronic return from IRS. **If the electronic return data on a fiduciary income tax return is changed after the taxpayer has signed the Declaration, the taxpayer must sign a new declaration if the amounts differ.**

**Pass Through Tax:** - The S-Corporation/Partnership (taxpayer) must designate an officer/partner responsible for signing the income tax return. **The officer/partner must sign and date the AL8453-PTE “S-Corporation/Partnership Income Tax Declaration for Electronic Filing” to authorize the origination of the electronic submission of the return prior to the transmission of the return.** The Declaration includes the taxpayer’s declaration that the return is true, correct and complete, as well as the taxpayer’s Consent to Disclosure. The Consent to Disclosure authorizes the Department to disclose information to the taxpayer’s Authorized IRS e-file Providers. Intermediate Service Providers, Transmitters and EROs are authorized by taxpayers to receive acknowledgement of receipt or reason for rejection of the electronic return from IRS.

**If the electronic return data on an S-Corporate/Partnership income tax return is changed after the taxpayer has signed the Declaration, the taxpayer must sign a new declaration if the amounts differ.**

**The Form AL8453-B/AL8453-C/ AL8453-FDT/AL8453-PTE must be completed and signed by all required parties. Do not submit this form to the Alabama Department of Revenue unless requested to do so.** The ERO is required to retain a copy of this form along with an electronic copy of all returns, forms and schedules submitted for a period of three years from the due date of the return or the date the return was filed, whichever is later. If the need arises, the Department may request any of the documents, in writing, and the ERO must provide a copy of the document within five working days of the request.

### ***Electronic Payment Options:***

Corporate/Partnership taxpayers who file their 20C, 20CC, 20S, 65 and PTEC returns electronically must also pay the tax liability electronically. Forms CPT, PPT and 41 can elect to pay via check or electronically at this time.

\*Any liability due should be remitted no later than the original due date of the return. For forms CPT, PPT and 41 payments of \$750 or more must be made electronically. Non-electronic Business Privilege Tax payments must be remitted with Form BPT-V. **DO NOT MAIL FORM BPT-V IF THE PAYMENT IS REMITTED ELECTRONICALLY.**

**ELECTRONIC PAYMENT.** Section 41-1-20 requires electronic payments for all single business tax payments of \$750 or more. Substantial penalties will be assessed for noncompliance.

The balance can be paid or refund received in the following ways:

1. Direct Debit/Direct deposit at the time of filing the electronic return through the Software Provider.

2. PAY THROUGH MAT, MY ALABAMA TAXES, ([HTTP://MYALABAMATAXES.ALABAMA.GOV](http://MYALABAMATAXES.ALABAMA.GOV))

In My Alabama Taxes (MAT), you can make a single payment for a specific account for a specific tax period. There is no limit to the number of payments that you can make in a single logon session.

MAT accepts payments in the form of ACH withdrawals from your bank account. Payments must be made from US banking institutions. AT THIS TIME MAT DOES NOT ACCEPT CREDIT CARD PAYMENTS.

3. Official Payments

[https://www.officialpayments.com/pc\\_entry\\_standard.jsp?clientId=23636316302394527894597934066170040](https://www.officialpayments.com/pc_entry_standard.jsp?clientId=23636316302394527894597934066170040) The Department will accept electronic check (e-check) and credit card

payments through Official Payments Corporation on the Internet. Visit [www.officialpayments.com/echeck](http://www.officialpayments.com/echeck). A convenience fee may be charged for the use of this service and will be automatically calculated, if applicable. The fee is based on the amount of the tax payment and is paid directly to Official Payments Corporation.

Business Privilege Tax: Return, Invoices, Assessments, Extensions: ePay: Credit Card, eCheck

Corporate Income Tax: ePay: Credit Card, eCheck

Pass-Thru Entities: ePay: Credit Card, eCheck

4. Value Payment Systems - <http://www.payaltax.com/>

The Department will accept credit and debit card payments through Value Payment Systems. Value Payment Systems does not accept the American Express card but has a program called BillMeLater. There is a convenience fee for this service. The fee is based on the amount of the tax payment and is paid directly to Value Payment Systems.

Corporate Income Tax: Return, Invoices, Assessments, Extensions: ePay: Credit Card (BillMeLater, Discover/Novus, MasterCard, Visa)

Pass-Thru Entities: Form 20S, Form 65, Form PTEC: Return, Invoices, Assessments, Extensions: ePay: Credit Card (BillMeLater, Discover/Novus, MasterCard, Visa)

Business Privilege : Return, Invoices, Assessments, Extensions: ePay: Credit Card (BillMeLater, Discover/Novus, MasterCard, Visa)

5. For those tax types not mandated to e-pay you can submit a paper check with a voucher. Please see requirement above\*

PPT and CPT voucher (Form BPT-V): [click here](#)

41 voucher (FDT-V): [click here](#)

6. ACH Credit: <http://revenue.alabama.gov/eft/eftindex.cfm>

The Department will allow taxpayers to use the ACH Credit payment method only if certain qualifying conditions are met. A taxpayer must request permission from the Department to use the ACH Credit method and submit a written request, accompanying

the EFT001 form, which demonstrates the existence of a valid business operational reason for using the ACH Credit payment method in lieu of the ACH Debit payment method. Taxpayer requests to use the ACH Credit method will be reviewed on a case-by-case basis. A taxpayer who is already using the ACH Credit method to pay taxes for other states is deemed to have a valid business reason for using the ACH Credit method to make payments for Alabama taxes.

### ***Acknowledgement Types:***

The Department will generate an acknowledgement for all returns received. The acknowledgement record/XML schema format is included in this publication.

The Alabama acknowledgement types are:

**1. ACCEPTED:** This acknowledgement indicates the electronic return was received and successfully completed the pre-entry validation process. No further action is required regarding the transmission. **Any return not acknowledged by the Department as “accepted” is considered not filed.**

**2. REJECTED:** This acknowledgement indicates the electronic return was received and failed to successfully complete the pre-entry validation process. **The acknowledgement will contain an error rejection code number followed by a message indicating the error causing the rejection, or in the case of a schema validation error only the schema error message will be displayed.** The error conditions must be corrected and the return can then be re-transmitted as a “State-Only” return. If a rejection occurs on the due date of the return it will be considered timely filed if it is corrected and re-transmitted **within the 10 calendar day perfection period.** Only after all attempts to correct the return and re-transmit have failed may the return be filed as a paper return. In order for the paper return to be considered timely it must be filed by the later of the due date of the return or ten (10) calendar days after the date Alabama gives notification the return is rejected. The paper return should include (1) an explanation of why the return is being filed after the due date (2) a copy of the reject notification from Alabama to avoid late filing penalties and interest and (3) a signed copy of the AL8453C/AL8453B/AL8453-PTE/AL8453-FDT in lieu of a signature on the paper return.

### **Returns prepared with software that is not approved by the Department will be rejected.**

Unless authorized by the taxpayer to discuss the return with the preparer, the Department will communicate directly with the taxpayer if additional information is needed to correct a return. EROs and transmitters will only be given limited information about the tax return, including acknowledgment of receipt by the Department through the IRS and the reason for any processing delay.

See Publication AL4165 for Alabama Error Reject Codes. Also see the business rules document for field length specifications and other business rules including **Validation Error Codes** and descriptions on the department’s web site at <http://revenue.alabama.gov/incometax/corpefilemain.cfm>.

**EROs and Transmitters should allow 5 business days to receive the State acknowledgement before contacting the Department.**

### ***Error Categories:***

All MeF business rules are divided into 12 error categories. The first eight categories validate the XML data:

1. Missing Document – a tax return document is required but was not included in the tax return.
2. Data Mismatch – the data in two fields should be the same but is not. For example, if MultiSateCorpPercentage is checked on AL Form 20C, Lines 1-14 should be blank; Line 15 (StateIncomeTax) shall equal Schedule D-2 Line 4 (TaxDueOnGrossReceipts). If MultiSateCorpPercentage is checked and StateIncomeTax is not equal to TaxDueOnGrossReceipts then you will receive error message: MultiSateCorpPercentage was checked, Lines 1-14 should be blank and Line 15 (StateIncomeTax) shall equal Schedule D-2 Line 4 (TaxDueOnGrossReceipts).
3. Duplicate Condition – the tax return or the transmission file was previously received and accepted by the Department. This includes if a return was previously submitted via paper.
4. Math Error – results when a computation is incorrect.
5. Incorrect Data – data violates a business rule even though it is syntactically correct. That is, the data values for elements must conform to the format specified and the data type. Also, the data values for elements must contain only values allowed for them in the schema.
6. Missing Data – data is not provided for a required field.
7. Database Validation Error – data provided does not match the IRS database or the data provided should be present in the IRS database but is not. (e.g. the SoftwareID in the Return Header must be listed in the MeF database and in accepted status.)
8. XML Error – the data violates Schema specification. The return and transmission documents must conform to the version of the XML schema they specify.
9. System Error – a return encounters a problem with the IRS systems that prevents the return from being processed electronically.
10. Unsupported – a submitted item(s) is sent to a location that does not accept it or an unusual condition is encountered in the data.

## **Special Instructions for Specific Forms**

### ***Business Privilege Return Information (forms CPT and PPT):***

Calendar year 2013 and fiscal years or short-years that begin on or after January 1, 2014 may be electronically filed. The tax year begin date and the tax year end date must be completed if the Fiscal Year (FY) is selected. If the Calendar year (CY) check box is selected the tax year begin date and tax year end date will be January 1, 2014 and December 31, 2014 respectively. Currently, Alabama only accepts one return each filing season, any subsequent filings such as additional short year returns and amended returns must be filed by paper.

The Alabama Business Privilege Tax Return - Form CPT, Alabama Corporation Privilege Tax Return and Form PPT, Alabama Pass Through Privilege Tax Return are not considered complete and properly filed unless the required documentation is included as a binary attachment (See pages 11-13 for a list of binary attachments).

The total amount of the Business Privilege tax liability for the period is due on or before the un-extended due date of the return. Any balance of tax due and not paid on or before the un-extended due date will be subject to a failure to timely pay penalty and will accrue interest at the rate established by the Secretary of the Treasury under the authority of 26 U.S.C. §6621. For tax year

2009 and forward an extension to file will be automatically granted with **no request required by the taxpayer.**

Please refer to page 11 “Filing Due Date Charts” for the appropriate form’s due date.

### **FORM CPT – ALABAMA CORPORATE PRIVILEGE TAX RETURN**

#### **SPECIAL ISSUES REGARDING FILING STATUS:**

Which entity types file a Form CPT?

- C Corporations, Financial Institutions, Business Trusts, Insurance Companies and LLEs taxed as a Corporation

#### **SPECIAL ISSUES REGARDING FEDERAL RETURN ATTACHMENT:**

Attach federal Form 1120 in XML unless one of the exclusions below pertains to your organization:

- If you are currently not required to e-file the federal return then attach pages 1 through 5 of the federal return as a binary attachment.
- Insurance companies must attach pages 1 through 8 of the federal return, Annual Statement of Liabilities, Surplus and Other Funds, and Schedule T as reported in the annual statements.
- Real Estate Investment Trusts (REITs) – attach pages 1 through 5 of the federal return as a binary attachment.

#### **SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule AL-CAR (Alabama Corporate Annual Report) – The Corporate Annual Report must be completed for corporations and attached to the Business Privilege Tax return if the entity is incorporated, registered or qualified through Alabama Secretary of State’s office to transact business in Alabama.

Schedule G (Alabama Business Privilege Tax Financial Institution Group Computation Schedule) - The Schedule G is used to compute the Alabama business privilege tax liability for financial institution groups, as defined by Section 40-14A-22(f), **Code of Alabama 1975.**

Schedule D-1 (Apportionment Factor Schedule for C Corporations) - This schedule is located on Form 20C and is used for taxpayers doing business in Alabama or multistate taxpayers.

For more information please see Form CPT instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

### **FORM PPT – PASS THROUGH PRIVILEGE TAX RETURN**

#### **SPECIAL ISSUES REGARDING FILING STATUS:**

Which entity types should file a Form PPT?

- S Corporations, Limited Liability Entities, Disregarded Entities and LLEs Taxes as S Corporations

## **SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule C (Apportionment Factor Schedule for S Corporations and Limited Liability Entities) – This schedule is located on Forms 20S and 65 and is used for taxpayers doing business in Alabama or multistate taxpayers.

Schedule BPT-E (Family Limited Liability Entity Election Schedule) – This schedule should be used when Line 18, Page 1 of Form PPT is checked. The taxpayer must complete Part 1 (80% ownership test) and either the Gross Receipts Test or Assets Test in Part 2.

Schedule AL-CAR (Alabama Corporate Annual Report) – The Corporate Annual Report must be completed for corporations and attached to the Business Privilege Tax return if the entity is incorporated, registered or qualified through Alabama Secretary of State's office to transact business in Alabama.

Worksheet BPTNW (Balance Sheet) – Worksheet BPTNW must be completed for corporations and limited liability entities that are not required to complete Schedule L of the federal return.

Worksheet BPTNWI (Balance Sheet) – Worksheet BPTNWI must be completed for disregarded entities in which the parent company is not subject to Business Privilege Tax because the owner of the disregarded entity is a sole proprietor/individual.

For more information see Form PPT instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

## ***Corporate/Partnership Return Information (Forms 20C, 20CC, 20S, 65 and PTEC):***

The Alabama Corporate Income Tax Return - Form 20C, Alabama Consolidated Corporate Income Tax Return - Form 20CC, S Corporation Information/Tax Return - Form 20S and Alabama Partnership Information Return – Form 65 are not considered complete and properly filed unless a complete copy of the appropriate federal return (Form 1120, 1120A, 1120F, 990T, 1120S, 1065 etc) is attached in XML format only. The Alabama Department of Revenue **will no longer require** a copy of the **federal return as a binary attachment in .pdf format** for returns in the Business MeF Program (Forms 20C, 20CC, 20S, and 65). The federal return must now be attached in XML format. Failure to attach the complete federal return with the necessary supporting schedules (such as Schedule D, Form 4797 and spreadsheet of income statements for all corporations included in the Federal Consolidated Return) can result in rejection of the return and may result in the imposition of delinquent penalties.

The total amount of the corporation's income tax liability for the period is due on or before the unextended due date of the return. Any balance of tax due and not paid on or before the due date will be subject to a failure to timely pay penalty and will accrue interest at the rate established by the Secretary of the Treasury under the authority of 26 U.S.C. §6621. For tax year 2008 and forward an extension to file will be automatically granted with **no request required by the taxpayer**. **Please refer to Section 5 "Return Due Date Charts" for the appropriate form's due date.**

## **FORM 20C – ALABAMA CORPORATE INCOME TAX RETURN**

### **SPECIAL ISSUES REGARDING FILING STATUS:**

1. **Filing Status 1** (Corporation operating only in Alabama) – If checked, then Alabama Apportionment Factor must be 100%.
2. **Filing Status 2** (Multistate Corporation – Apportionment)
  - Schedule A - Multistate Corporations must not use Schedule A to make adjustments for nonapportionable (nonbusiness) items. Adjustments for these items must be made on Schedule C.
  - Schedule C (Allocation of Nonbusiness Income, Loss, and Expense ) - This schedule should only be used if Filing Status 2, Multistate Corporation Apportionment, is checked. This schedule is used to report all items of nonbusiness income, nonbusiness loss, and nonbusiness expense. These items are excluded from apportionable income and are allocated either to Alabama or to another state.
  - Schedule D -1 (Apportionment Factor Schedule) - This schedule is only used for Filing Status 2 and must be completed and attached to report the corporation's business activity in Alabama represented by the apportionment percentage. The Alabama apportionment factor must equal the sum of the Alabama property factor, Alabama payroll factor and twice Alabama Sales factor divided by 4. If the total average property everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if payroll everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if total sales everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 2.
3. **Filing Status 3** (Multistate Corporation – Percentage of Sales)
  - Schedule D-2 Percentage of Sales should only be used if Filing Status 3 is checked. This schedule should be used by taxpayers whose **only activity** in Alabama consists of **sales and does not include owning or renting real estate or tangible personal property, and whose gross Alabama sales do not exceed \$100,000.**
4. **Filing Status 4** (Multistate Corporation-Separate Accounting) – If checked then the prior written approval document signed by the Alabama Department of Revenue Commissioner must be attached (SeparateAccountingApproval.pdf).
5. **Filing Status 5** (Proforma Return) - This filing status is not an available option for taxpayers who do not have a valid election to file a consolidated Alabama return. Please see our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for instructions on filing a Consolidated Corporate Income Tax Return. *This filing status has the ability to utilize any schedule on the form 20C that is applicable to their filing needs.*

### **SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

**Schedule A** (Reconciliation Adjustments of Federal Taxable Income to Alabama Taxable Income) – Multistate Corporations must not use Schedule A to make adjustments for nonapportionable (nonbusiness) items. Adjustments for these items must be made on Schedule C.

Schedule B (Alabama Net Operating Loss Carryforward Calculation) - The Alabama net operating loss deduction is limited to net operating losses incurred by a corporation which did business in Alabama and filed Alabama corporate income tax returns in prior taxable years. **You must attach copies of the Alabama corporate income tax returns (page 1 only) for all applicable years that are more than six years old.** This includes tax periods where the net operating loss was used.

Schedule C (Allocation of Nonbusiness Income, Loss and Expenses) - Only used for filing status 2 ( Multistate Corporation – Apportionment).

Schedule D-1 (Apportionment Factor Schedule) - Only used for filing status 2 (Multistate Corporation – Apportionment). *Please Note: For 2013 an “InactiveEntity” checkbox was added to the header. This checkbox is intended for taxpayers with a zero percent apportionment, a completely blank return (except the “Header” and “OtherInformation”) and is only filing Form 20C to meet the filing requirements.*

Schedule D-2 (Percentage of Sales) - Only used for filing status 3 ( Multistate Corporation – Percentage of Sales).

Schedule E (Federal Income Tax (FIT) Deduction/ (Refund) – This schedule should be used to compute the amount of the corporation’s federal income tax deduction allowed for Alabama corporate income tax purposes.

- Corporations filing a consolidated federal return - complete the entire schedule.
- Corporations filing separate company federal returns - complete lines 6-12 of this schedule only. Lines 1-5 are used to compute the amount of the consolidated federal tax liability attributable to the company filing Form 20C. Taxpayers utilizing method 1552(a)(3) must attach a copy of the corporation’s federal income tax deduction work papers. Even if the taxpayer is filing as part of a consolidated federal return, taxpayer’s utilizing method 1552(a)(3) should skip to line 6. **Lines 1-5 of this schedule will only work for those taxpayers using methods 1552(a)(1) or 1552(a)(2).**

Schedule F (Credits/Exemptions) –

1. Capital Tax Credit – Reported from Form 20C, Schedule BC, Part A, Line 1.
2. Alabama New Markets Development Credit: Reported from Form 20C, Schedule BC, Part B, Line 1.
3. Alabama Accountability Tax Credit – Reported from Form 20C, Schedule BC, Part C, Line 6.
4. Other Credits – Reported from Form 20C, Schedule BC, Part O, Line 1.

Schedule BC (Business Credits) –

*Part A – Capital Credit (Capital Tax Credit):* Section 40-18-290 through 40-18-203. Corporations eligible for the tax credit must have written approval from the Alabama Department of Revenue prior to the project entity taking the credit. The credit allowable is up to 5 percent of the qualifying project’s allowable capital costs for each of 20 years, limited to the tax liability generated by or arising out of the qualifying project, and is applied after all deductions, exemptions and other credits have been taken. The corporation is required to complete and attach Form AR with the Form 20C return to be eligible to receive the capital credit. If the C

Corporation is a member or partner of an investing company that has a qualifying project, the C Corporation must complete and attach Form K-RCC with Form 20C. All documentations should be scanned into one pdf (CapitalTaxCredit.pdf) and filed with form 20C.

*Part B – Alabama New Markets Development Credit:* Act Number 2012-483, established an income tax credit to corporations that invest in businesses located in impoverished and low income communities. This credit cannot exceed the amount of the taxpayer's state tax liability for the tax year for which the tax credit is claimed.

*Part C – Alabama Accountability Tax Credit:* Act Number 2013-64. Corporations are eligible for the tax credit for contributions that provide scholarships to qualifying schools. The credit is equal to 100% of the total contributions made to a scholarship granting organization for educational scholarships during the taxable year for which the credit is claimed up to 50% of the tax liability of the taxpayer. The credit may be carried forward for 3 years. The name, full address and the amount contributed to the scholarship granting organization must be provided on Schedule BC.

#### **Other Credits:**

*Part D - Alabama Enterprise Zone Act Credit:* Section 41-23-24. Corporations eligible for the tax credit must be approved by the Alabama Department of Economic and Community Affairs (ADECA) and must also receive certification annually from ADECA. **Each corporation qualified for and receiving an Alabama Enterprise Zone Credit is required to complete and file Schedule EZ and the certificate of Certification and computations with the Form 20C return. If a C corporation is a member or partner of a pass through entity that is eligible for the enterprise zone credit, the credit is distributed to each partner or member based on the percentage of ownership; Schedule EZ-K1 is required to be attached to the C corporation Form 20C return.**

*Part E – Basic Skills Education Credit:* Sections 40-18-135 through 40-18-139. Corporations eligible for the tax credit must (1) have written approval from Alabama Department of Education, (2) the employees shall have been continuously employed for at least 16 weeks for at least 24 hours per week and (3) the employer cannot receive or require reimbursement or any form of remuneration for any cost of education. The credit is 20 percent of the actual costs limited to the employer's income tax liability. *A copy of the document of approval along with a detailed schedule (including actual costs incurred, employee employment period) computing the credit must be filed with Form 20C (EmployerEducationCredit.pdf).*

*Part F – Income Tax Credit:* Section 40-18-35. Corporations eligible for the tax credit must have written approval. The credit cannot exceed the lesser of (1) tax due, or (2) the amount paid pursuant to the financing agreement in the year for which tax is due, corresponding to debt service on the project obligations. *A copy of the certificate/document of approval, computation of income generated from project, support for amount paid, and computation of credit must be filed with form 20C (IncomeTaxCredit.pdf).*

*Part G – Tax Increment Fund Payment Credit:* Section 40-18-35. Corporations eligible for the tax credit must have written approval. The credit is allowed for any payments into the fund with respect to corporate income tax due, for the year, on income generated by or arising from the project. Such credit cannot exceed the lesser of the amount of income tax due or the amount (exclusive of job development fees) paid into the tax increment funds. *The document of approval along with proof of payment(s) into the fund relative to corporate income tax and a detailed schedule computing income generated from the project must be filed with form 20C (TaxIncrementFundPaymentCredit.pdf).*

*Part H – Coal Credit:* Acts 1995, No. 95-239, p. 403 Section 1. Corporations doing business in Alabama as a producer of coal mined in Alabama are allowed a credit against the Alabama income tax liability. The credit is one dollar per ton of the increase in Alabama coal produced for the year over the Alabama coal produced in the prior year. A detailed schedule computing the coal tax credit must be filed with form 20C (CoalTaxCredit.pdf)

*Part I – Capital Docks Credit:* Sections 40-18-240 through 40-18-250. Corporations eligible for the tax credit must have written approval from the Governor, Finance Director and Alabama State Port Authority. Also, a written statement of intent must be filed with the Alabama Department of Revenue prior to the project being placed in service. *Forms AR and K-RCC, if applicable, should be attached to claim the credit.*

*Part J – Entertainment Industry Incentive Act of 2009:* Section 41-7A-43. Qualified Production Companies are entitled to a rebate for Production Expenditures. The rebate is equal to 25 percent (25%) of the State-Certified Production Expenditures.

*Part K – Full Employment Act of 2011 Credit:* Sections 40-18-290 through 40-18-293. This credit can be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer's state tax liability. This credit is not refundable or transferable.

*Part L – Heroes for Hire Tax Credit Act of 2012 Employee Credit:* Sections 40-18-321 through 40-18-322. Qualified employers are allowed a tax credit for hiring full time recently deployed and now discharged unemployed veterans. The new hire must be (1) a resident of Alabama at the time of entry into military service or mobilized to active, federal military service while a member of the Alabama National Guard or other reserve unit located in Alabama; (2) received an honorable or general discharge from active, federal military service within the two-year probationary period preceding the date of hire and (3) has certification by the Department of Labor at the time of hire by either collecting or being eligible to collect unemployment benefits or having exhausted his or her unemployment benefits.

*Part M – Heroes for Hire Tax Credit Act of 2012 Business Start-Up Expense Credit:* Section 40-18-323. Qualified employers are allowed a nonrefundable tax credit against the income tax liability to recently deployed unemployed veterans in an amount up to \$2,000 for expenses associated with one start-up business in which the veteran holds at least 50% ownership interest. The credit is only applicable to businesses (1) started after April 2, 2012; (2) located in Alabama and (3) showing a net profit of at least \$3,000 for the year in which the credit is taken.

*Part N – Qualified Irrigation System/Reservoir System Credit:* Section 40-18-341. The credit shall not exceed \$10,000 and shall not exceed the income tax liability in any year. Such credit shall be taken in the year in which the qualified irrigation equipment or the qualified reservoir is placed in service.

*Part O – Summary of Total Credits Allowable:* Add Part D, Part E, Line 9, Part F, Part G, Part H, Part I, Line 4, Part J, Part K, Line 5, Part L, Line 2, Part M, Line 5 and Part N, Line 11. Enter the total here and on Form 20C, Page 4, Schedule F, Line 4. The total of all credits claimed cannot exceed the tax due on Form 20C, Page 1, and Line 15. However, the Entertainment Industry Incentive Act of 2009 rebate may exceed the tax and is refundable.

**Other Information Schedule - This schedule should be used by all taxpayers without regard to Filing Status.** This schedule request additional information, and requires additional forms and/or attachments as applicable to each corporate taxpayer.

**For a company filing a form 20C who files as part of a consolidated federal return, the following information is required to be attached:**

- Federal Form 851, Affiliations Schedule, please identify all corporations subject to tax in Alabama (Federal851.pdf)
- Pages 1-5 of the consolidated form 1120 (Consolidated1120.pdf)
- Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules (ConsolidatedIncome.pdf)
- Consolidated Balance Sheets by separate company for the beginning and end of year (ConsolidatedBalance.pdf)
- Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year (FederalK1.pdf)
- Federal Schedule UTP (FederalUTP.pdf)
- Federal form M-3 for the entire federal consolidated group (FederalM3.pdf)

For more information please see Form 20C instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

**FORM 20CC – ALABAMA CONSOLIDATED CORPORATE INCOME TAX RETURN**

**SPECIAL ISSUES REGARDING FILING STATUS:**

Who should file a Form 20CC?

The Form 20CC must be filed by all Alabama Affiliated Group's (AAG) with a binding consolidated election (Form 20C-CRE). **Do not use Alabama Consolidated Corporate Income Tax Return Form 20CC if you are not the parent of the Alabama Affiliated Group.** All transactions between and among members of the AAG shall be reported on an arms length basis. In addition to the separate company calculation, there may be additional expense items with limitations based on Alabama consolidated taxable income. Credits are not allowed to exceed Alabama consolidated taxable income.

Proforma Return (Filing Status 5 on the 20C form) – This is only available for companies who have a valid election to file a consolidated Alabama return. A Proforma Form 20C should be completed for each member of the AAG and the parent should file the Consolidated Corporate Income Tax Return Form 20CC.

If a corporation is a member of an affiliated group which files a consolidated federal return, additional schedules are required. See "Other Information" on page 4 of the Form 20C for these filing requirements.

Note: If any payments were made by any corporation other than the AAG parent corporation, please attach a detailed list showing the name of the corporation who made the payment, including the FEIN of the corporation and the amount paid.

**SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

**Schedule AS** (Affiliations Schedule) - Currently, the State of Alabama allows up to 500 affiliates to be listed on the Schedule AS for electronic MEF filing purposes.

Please attach a copy of Federal Form 851 (Federal 851.pdf), Affiliations Schedule. And, Complete Schedule AS, Alabama Affiliations Schedule for each year a consolidated return is filed.

Schedule B (Alabama Consolidated Net Operating Loss Carryforward Calculation) - For taxable years beginning after December 31, 1984, a net operating loss (NOL) may be carried forward for a maximum of 15 years. *There is no provision in Alabama tax law that allows corporations to carry a net operating loss back to prior taxable years. This schedule must be completed in order to claim the NOL deduction.* **Copies of the Alabama corporate income tax returns (page 1 only) for all applicable years more than six years old must be attached** (NOLYYYYAL20CPg1.pdf), including tax periods where the NOL's were utilized.

**The Alabama net operating loss deduction is limited to net operating losses incurred by a corporation which did business in Alabama and filed Alabama corporate income tax returns in prior taxable years.**

Note1: Please complete Form 20CC Schedule B for the AAG Consolidated portion of the NOL only. The separate company Proforma Form 20C, Schedule B, should be used to compute the separate company NOL's.

Note 2: Please begin the net operating loss schedule with the oldest loss year first, ending with the most current loss year. Please list loss years only. Tax years that utilize net operating losses should not be listed. The utilized losses are shown in column 3.

**The Form 20CC Consolidated Corporate Income Tax Return requires the following information to be attached:**

1. Federal Form 851, Affiliations Schedule, please identify all corporations subject to tax in Alabama (Federal851.pdf)
2. Pages 1-5 of the consolidated form 1120 (Consolidated1120.pdf)
3. Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules (ConsolidatedIncome.pdf)
4. Consolidated Balance Sheets by separate company for the beginning and end of year (ConsolidatedBalance.pdf)
5. Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year (FederalK1.pdf)
6. Federal Schedule UTP (FederalUTP.pdf)
7. Federal form M-3 for the entire federal consolidated group (FederalM3.pdf)

For more information see Form 20CC instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

**FORM 20S – S CORPORATION INFORMATION / TAX RETURN**

**SPECIAL ISSUES REGARDING FILING STATUS:**

Form 20S requires that an Alabama Schedule K-1 be completed for any entity that was a shareholder at any time during the taxable year. The Alabama Form 20S is not considered complete and properly filed unless a copy of the federal Form 1120S with all federal K-1s are attached. Failure to attach the complete federal return (in XML format only) with the necessary supporting schedules and all applicable Nonresident Shareholder Agreement forms (Sch NRA) will result in rejection of the return and may result in the imposition of delinquent penalties.

The Alabama Form 20S is due by the 15<sup>th</sup> day of the 3<sup>rd</sup> month after the end of the tax year. If the return cannot be filed by the due date an automatic 6 month extension of time to file the return (up to a maximum of 6 months) will be granted if the return is filed within the six-month automatic

extension period.

Multistate Operations – If the S Corporation operates in more than one state, Schedule B, C, and D must be completed. Section 40-18-22, Code of Alabama 1975, requires partnerships and limited liability companies that are doing business both within and without the State of Alabama to allocate and apportion their income in accordance with Chapter 27, Title 40, Code of Alabama 1975 (also known as the Multistate Tax Compact). See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

**SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule A (Computation of Separately Stated and Nonseparately Stated Income/Tax) – Multistate Corporations must not use Schedule A to make adjustments for non-apportionable (non-business) items. Adjustments for these items must be made on Schedule B.

Schedule PAB (Pass Through Add Back Form) – If an S-Corp makes interest/intangible payments to a related member, Form PAB should be completed and attached to the S-Corp's return. Enter the amount from line 12 of Form PAB on Schedule A, Line 9. DO NOT include small business health insurance premiums.

Schedule B (Allocation of Non-business Income, Loss, and Expense) – This schedule should only be used if Multistate Operation, page 1 is checked. Nonbusiness items are not subject to the multistate apportionment requirements of Chapter 27, Title 40, Code of Alabama 1975, but are allocated directly to Alabama or another state, in accordance with the Multistate Tax Compact. See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

Schedule C (Apportionment Factor Schedule) –**Do not complete this schedule if entity operates exclusively in Alabama.**

Schedule C (Apportionment Factor Schedule) - This schedule is only used for Multistate Operations and must be attached to report the business activity in Alabama represented by the apportionment percentage. The Alabama apportionment factor must equal the sum of the Alabama property factor, Alabama payroll factor and twice Alabama Sales factor divided by 4. If the total average property-everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if payroll everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if total sales everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 2.

Schedule D (Apportionment of Federal Income Tax) – This schedule should be completed to compute the amount of the corporation's federal income tax deduction allowable for/apportioned to Alabama. **If the corporation operates only in Alabama, completion of Schedule D past line 1 is not required. The amount from Line 1 should also be entered on Schedule K, Line 13. Please see instructions for more details**

Schedule G (Tax Credits) –This schedule should be completed only if any tax credit detailed below will be taken at the S corporation level. All credits detailed below are provided on a pass-through basis for all shareholders of eligible S corporations.

1. Basic Skills Employer Education Tax Credit, Section 40-18-135 through 40-18-139 – This credit is 20% of the actual cost of an employer provided or sponsored Approved Basic Skill Education Program. For additional information about the program, contact Alabama Department of Education at 1-800-392-8086.

2. Coal Tax Credit - corporations doing business in Alabama as a producer of coal mined in Alabama are allowed a credit against the Alabama income tax liability. The credit is one dollar per ton of the increase in Alabama coal produced for the year over the Alabama coal produced in the prior year. A detailed schedule computing the coal tax credit must be filed with form 20S (CoalTaxCredit.pdf)
3. Capital Credit – The S-Corporation is required to complete and attach Form AR with the Form 20S return in order for the shareholders to be eligible to receive the capital credit on their respective income tax returns. Form AR must include a list of all recipients and their distributive share of the qualifying project. All partners/members of the investing company that are eligible for the capital credit must complete and attaché Form K-RCC to their respective income tax returns to take the capital credit.
4. Credit for Taxes Paid to Foreign Country – Attach a copy of the foreign income tax return and a computation for the credit taken. The credit allowed cannot exceed the amount of income tax that would otherwise be imposed by Alabama on the individuals income derived from the foreign country.
5. Heroes for Hire Credit Act of 2012, act number 2012-168, credit for hiring full time recently deployed and now discharged unemployed veterans. This credit is only applicable for businesses started after April 2, 2012, located within Alabama, and showing a net profit of at least \$3,000 for the year in which the credit is taken.
6. Full Employment Act of 2011, Sections 40-18-290 through 40-18-293. This credit can be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer's state tax liability. This credit is not refundable or transferable.
7. Alabama New Markets Development Act, Act Number 2012-483, established an income tax credit to corporations that invest in businesses located in impoverished and low income communities. This credit cannot exceed the amount of the taxpayer's state tax liability for the tax year for which the tax credit is claimed.
8. Enterprise Zone Credit – Business entities must apply for and be approved by the Alabama Department of Economic and Community Affairs (ADECA) to participate in the Enterprise Zone Program. Further business entities must be certified by ADECA, on an annual basis, to be eligible to claim the Alabama Enterprise Zone Credit. For additional information contact ADECA at 334-242-5370.
9. Irrigation Credit, Act Number 2012-391. The credit shall not exceed \$10,000 and shall not exceed the income tax liability in any year. Such credit shall be taken in the year in which the qualified irrigation equipment or the qualified reservoir is placed in service.
10. Historic Rehabilitation Credit – Sections 40-9F-1 through 40-9F-8 were amended by Act 2014-452 which allows for a tax credit against Alabama Income Tax. Attach a copy of the tax certificate issues by the commission.

Schedule H (Other Information Schedule) - **All S corporations must complete this schedule providing the requested additional information as applicable to each corporate taxpayer.**

Schedule K (Distributive Share Items) - Amounts entered in the Alabama Amount column must equal the product of the Amount entered in the Federal Amount column multiplied by the Apportionment Factor.

Alabama Schedule K-1 - *To be considered a complete return, the Alabama Form 20S MUST be accompanied by a properly completed Alabama Schedule K-1 for each tax entity that was a shareholder at any time during the taxable year.* An Alabama Schedule K-1 must be included for each partner/shareholder in the partnership during the tax period.

The Alabama K-1 has two columns in some boxes of Part III. The first column should be completed for both residents and nonresident partners/shareholders. The second column of Part III should be completed for resident partners\shareholders only. This column should include the resident's share of income (loss) from all sources, including income (loss) earned from other states.

Example: A multistate entity has \$100,000 of income. 27% is allocated to Alabama. The entity has a nonresident and resident partner/shareholder each receiving 50% of income (loss). On schedule K-1, the entity would report \$13,500 in Column 1, Box M, *for both the nonresident partner/shareholder and resident partner/shareholder.* The entity would report 50,000, income (loss) from all sources, in Column 2, Box M for the resident partner/shareholder.

Schedule NRA Non-resident Agreement - An Alabama S Corporation may file the agreement of each non-resident shareholder of the entity to file a return and make timely payments of all taxes imposed on the shareholder with respect to the income of the Alabama S corporation, and to be subject to personal jurisdiction in this State for the purpose of collection of unpaid income tax, together with related interest and penalties, from the non-resident owner/shareholder.

See Form 20S Instructions

Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

## **FORM 65 – ALABAMA PARTNERSHIP / LIMITED LIABILITY COMPANY RETURN OF INCOME**

### **SPECIAL ISSUES REGARDING FILING STATUS:**

The Alabama Form 65 requires that an Alabama Schedule K-1 be completed for any entity that was a partner or owner during the taxable year. *The Alabama Form 65 is not considered complete and properly filed unless a copy of the federal Form 1065 with all federal K-1s are attached.* Failure to attach the complete federal return with the necessary supporting schedules will result in rejection of the return and may result in the imposition of delinquent penalties.

Returns made on the basis of calendar year shall be filled on or before the 15<sup>th</sup> day of April following the close of the calendar year. Returns made on the basis of fiscal year shall be filed on or before the 15<sup>th</sup> day of the fourth month following the close of the fiscal year. If the return cannot be filed by the due date an automatic **five month extension** of time to file the return (up to a maximum of **five months**) will be granted if the return is filed within the **five month** automatic extension period.

Multistate Operations – If the Partnership/LLC operates in more than one state Schedule B, C, and D must be completed. Section 40-18-22, Code of Alabama 1975, requires partnerships and limited liability companies that are doing business both within and without the State of Alabama to allocate and apportion their income in accordance with Chapter 27, Title 40, Code of Alabama 1975 (also

known as the Multistate Tax Compact). See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

**SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule A (Computation Of Separately Stated And Nonseparately Stated Income/Tax) - Multistate Corporations must not use Schedule A to make adjustments for nonapportionable (nonbusiness) items. Adjustments for these items must be made on Schedule B.

Schedule PAB (Pass Through Add Back Form) – If a partnership makes interest/intangible payments to a related member, Form PAB should be completed and attached to the partnership's return. Enter the amount from line 12 of Form PAB on Schedule A, Line 8.

Schedule B (Allocation of Nonbusiness Income, Loss, and Expense) – This schedule should only be used if Multistate Operation, page 1 is checked. Nonbusiness items are not subject to the multistate apportionment requirements of Chapter 27, Title 40, Code of Alabama 1975, but are allocated directly to Alabama or another state, in accordance with the Multistate Tax Compact. See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

Schedule C (Apportionment Factor Schedule) – **Do not complete this schedule if entity operates exclusively in Alabama.**

Schedule C (Apportionment Factor Schedule) - This schedule is only used for Multistate Operations and must be attached to report the business activity in Alabama represented by the apportionment percentage. The Alabama apportionment factor must equal the sum of the Alabama property factor, Alabama payroll factor and twice Alabama Sales factor divided by 4. If the total average property-everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if payroll everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if total sales everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 2.

Schedule E (Required Information Schedule) – All partnerships and limited liability companies must provide all required information on this schedule.

Schedule K (Distributive Share Items) - Amounts entered in the Alabama Amount column must equal the product of the amount entered in the Federal Amount column multiplied by the Apportionment Factor.

Schedule CR – This schedule includes all credits allowed to qualifying entities.

1. Credit for Taxes Paid to Foreign Country – Attach a copy of the foreign income tax return and a computation for the credit taken. The credit allowed cannot exceed the amount of income tax that would otherwise be imposed by Alabama on the individuals income derived from the foreign country.
2. Heroes for Hire Credit Act of 2012, Sections 40-18-320 through 40-18-324, credit for hiring full time recently deployed and now discharged unemployed veterans. This credit is only applicable for businesses started after April 2, 2012, located within Alabama, and showing a net profit of at least \$3,000 for the year in which the credit is taken.

3. Full Employment Act of 2011, Sections 40-18-290 through 40-18-293. This credit can be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer's state tax liability. This credit is not refundable or transferable.
4. Capital Credit – The S-Corporation is required to complete and attach Form AR with the Form 20S return in order for the shareholders to be eligible to receive the capital credit on their respective income tax returns. Form AR must include a list of all recipients and their distributive share of the qualifying project. All partners/members of the investing company that are eligible for the capital credit must complete and attaché Form K-RCC to their respective income tax returns to take the capital credit.
5. Alabama New Markets Development Act, Act Number 2012-483, established an income tax credit to corporations that invest in businesses located in impoverished and low income communities. This credit cannot exceed the amount of the taxpayer's state tax liability for the tax year for which the tax credit is claimed.
6. Enterprise Zone Credit – Business entities must apply for and be approved by the Alabama Department of Economic and Community Affairs (ADECA) to participate in the Enterprise Zone Program. Further business entities must be certified by ADECA, on an annual basis, to be eligible to claim the Alabama Enterprise Zone Credit. For additional information contact ADECA at 334-242-5370.
7. Irrigation Credit, Act Number 2012-391. The credit shall not exceed \$10,000 and shall not exceed the income tax liability in any year. Such credit shall be taken in the year in which the qualified irrigation equipment or the qualified reservoir is placed in service.
8. Historic Rehabilitation Credit – Sections 40-9F-1 through 40-9F-8 were amended by Act 2014-452 which allows for a tax credit against Alabama Income Tax. Attach a copy of the tax certificate issues by the commission.

Required Entity Information – This form is required for the Alabama Form 65. All Partnerships must complete this section providing the additional required information.

Alabama Schedule K-1 - *To be considered a complete return, the Alabama Form 65 MUST be accompanied by a properly completed Alabama Schedule K-1 for each tax entity that was a shareholder at any time during the taxable year. An Alabama Schedule K-1 must be included for each partner/shareholder in the partnership during the tax period.*

The Alabama K-1 has two columns in some boxes of Part III. The first column should be completed for both residents and nonresident partners/shareholders. The second column of Part III should be completed for resident partners\shareholders only. This column should include the resident's share of income (loss) from all sources, including income (loss) earned from other states.

Example: A multistate entity has \$100,000 of income. 27% is allocated to Alabama. The entity has a nonresident and resident partner/shareholder each receiving 50% of income (loss). On schedule K-1, the entity would report \$13,500 in Column 1, Box M, *for both the nonresident partner/shareholder and resident partner/shareholder*. The entity would report 50,000, income (loss) from all sources, in Column 2, Box M for the resident partner/shareholder.

See Form 65 Instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

### **FORM PTEC – NONRESIDENT COMPOSITE PAYMENT RETURN**

An Alabama Subchapter K entity/S corporation may file composite returns and make composite payments on behalf of some or all of its non-resident owners/shareholders if there are one or more non-resident owners/shareholders during any part of the taxable year. By filing Form PTE-C no further filing may then be required by an individual owner/shareholder. If an individual non-resident owner/shareholder has other income in Alabama or is due a refund a Form 40NR, Alabama Individual Nonresident Income Tax Return must be filed by that owner/shareholder.

**Required Entity Information** – This form is required for the Alabama Form PTE-C. All Subchapter K entities, S Corporations and Qualified Investment Partnerships must complete this section providing the additional required information.

Please refer to **Section 5 “Return Due Date Charts”** for the due dates and extended due dates for Form PTE-C used for S Corporations, and the due dates and extended due dates for Form PTE-C used for Partnerships since these dates will differ.

A completed Alabama Schedule K-1 for each owner/shareholder included on Form PTE-C should be submitted with Form 65/Form 20S.

Schedule PTE-CK1 should be completed for each non-resident owner/shareholder for whom the company is making a composite payment.

See Form PTE-C Instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

### ***Fiduciary Income Tax Return Information (Form 41):***

The Alabama Form 41 is used to report the gross income of estates and trusts in addition to reporting the deductions, exemptions and credits allowed estates and trusts by Alabama income tax law in determining the Alabama taxable income of the estates and trusts.

**Due Date:** Calendar year returns are due on or before the 15<sup>th</sup> day of April following the close of the calendar year. Fiscal year or short year returns are due on or before the 15<sup>th</sup> day of the fourth month following the close of the fiscal or short year. If the due date falls on a Saturday, Sunday or holiday the return is due on the following business day. If the return cannot be filed by the due date an automatic **five month extension** of time to file the return (up to a maximum of **five months**) will be granted if the return is filed within the **five month** automatic extension period. The extension of time for filing the return is NOT an extension of time for payment of tax.

**Required Attachments:** To be considered a complete return, the Alabama Fiduciary Income Tax Return must have attached in XML format a complete copy of the federal Form 1041 with all federal K-1s, statements and attachments. In addition, a properly completed Schedule K-1 must be transmitted for each person or tax entity that was a beneficiary at any time during the taxable year.

**CRATs (Charitable Remainder Annuity Trust) and CRUTs (Charitable Remainder Unitrust)** should be prepared as follows:

When completing a form 41 for a CRAT or CRUT, the return should be completed using the standard instructions down to line 5 of page 1. Line 6 should then be completed by entering 0 and checking "alternate tax method."

#### Schedule A – Computation of Alabama Income Distribution Deduction:

Line 6, Other Adjustments: Attach a complete explanation (OtherAdjustments.pdf) for each of the adjustments entered on line 6.

Line 8, If a complex trust enter accounting income for the tax year as determined under the governing instrument and allocable local law: This line applies to complex trusts only.

Line 9, Income required to be distributed currently: This applies to simple and complex trusts only.

Line 10, Other amounts paid, credited or otherwise require to be distributed: This applies to only decedent's estates or complex trusts.

#### Schedule B – Computation of Alabama Adjusted Total Income:

\*\* For all items reported on Schedule B, column B (Alabama Adjustments) please attach one pdf (ALAdjustments.pdf) which clearly explains all computations for each item of income or deductions included in column B.\*\*

Line 4, Capital gain or loss: If a capital gain or loss is reported on Schedule B please include a pdf (ALCapGainOrLoss.pdf) with a complete explanation and computation for the total amount of gains and losses reported, specifically identify those amounts not allocated to trust corpus.

Line 8, Other Income: If other income is reported on Schedule B, please attach a document (OtherIncome.pdf) listing the various sources of other income and the amounts.

#### *Possible Reasons for an Alabama Adjustment on Schedule B:*

1. Tax exempt Income – Tax exempt interest income for Alabama income tax purposes can differ from tax exempt interest for federal purposes. Interest income from obligations of the United States or its possessions is taxable for federal income tax purposes and is exempt for Alabama income tax purposes. Interest income from the obligations of the State of Alabama and the obligations of Alabama local political subdivisions is exempt for federal income tax purposes, and is exempt for Alabama income tax purposes. Interest income from non-Alabama state and local government obligations is except for Federal income tax purposes, but not for Alabama income tax purposes.
2. Federal passive activity loss restrictions – Estates and trusts are subject to certain federal passive activity loss restriction, which are not applicable in computing Alabama taxable income.
3. Capital Gains or Losses – While federal income tax law may limit the amount of capital losses that may be claimed by a taxpayer in a tax year, in computing Alabama taxable income estates and trusts shall report gains and losses in accordance with 40-18-8.
4. Net Operating Loss – In computing Alabama taxable income an estate or trust is only entitled to the net operating loss deduction provided for individual taxpayers in 40-18-15.2.
5. Deductions not claimed on the federal return in order to take a federal employment tax credit – certain federal employment tax credits require the wages to be reduced by the amount of the credit taken, the amount of wages were reduced would be allowed as a deduction for Alabama income tax purposes.

### Schedule K-Summary of Alabama K-1 Information:

Each line on the Schedule K must equal the sum of all K-1 information for that particular item.

- If any nonresident beneficiary Alabama source income is reported then an attachment (NonResALIncome.pdf) should be provided which includes the following information: detailed explanation and computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.
- If any nonresident non-beneficiary Alabama source income is reported then an attachment (NonResNonALIncome.pdf) should be provided which includes the following information: detailed explanation and computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.
- If depreciation is reported then a pdf (Form41K1Depreciation.pdf) must be attached with the following information: detailed explanation and computation for the amount reported on this line.
- If Depletion is reported then a pdf (Form41K1Depletion.pdf) must be attached with the following information: detailed explanation and computation for the amount reported on this line.
- If Amortization is reported then a pdf (Form41K1Amortization.pdf) must be attached with the following information: detailed explanation and computation for the amount reported on this line.

### Schedule K-1 – Fiduciary Income Tax Beneficiary Information:

- If the Form 41 is a grantor trust then all K-1's submitted with that return must also have the grantor trust indicator check box populated.
- For all K-1 Items a statement (BeneficiaryShare.pdf ) must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.
- On the K-1 if nonresident beneficiary/grantor *Alabama* source income is reported please attach a document (BenShareIncome.pdf ) which includes the following: computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.
- On the K-1 if nonresident beneficiary/grantor *non-Alabama* source income is reported please attach a document (NonResSourceIncome.pdf ) which includes the following: computation for the amount reported on this line as well as the entire amount of Alabama source income allocated to nonresident beneficiaries.
- The Beneficiary Identifying number on Part II line E should never be the same ID as the Estate or Trust's EIN reported on Part I line A.

Schedule NOL-F85 – The Form NOL-F85 is used to compute the amount of a net operating loss originating in a tax year. It is used to determine the amount of net operating loss that can be carried back or forward to another tax year. Part III of the form is used to make an election to forfeit the carryback of the net operating loss to prior tax year, and only carry the net operating loss forward to future tax years.

*Alabama net Operating Loss:* An Alabama net operating loss is the amount by which deductions (after modifications) exceed gross income. A net operating loss may result from losses incurred in a trade or business, from the sale of assets used in a trade or business, or from personal casualties or thefts. For the purpose of computing the amount of an allowable net operating loss, certain items of income, expense or deduction will be classified as business or non-business.

Schedule NOL-F85A – This form is designed to apply a net operating loss sustained by an estate or trust (Form 41) to the next taxable year to which the loss is being carried. Before Form NOL-F85A can be completed you must first complete the Form NOL-F85 to determine if you have an allowable net operating loss and the amount that may be carried back or carried forward.

*Carryback of NOL:* For loss years beginning after December 31, 1997 an NOL may be carried back and deducted from taxable income in each of the preceding two years or until exhausted.

When an NOL is carried back to a prior year, taxable income will be recomputed in such prior year. If the NOL being carried back is equal to or greater than taxable income as previously reported or last adjusted (including any deductions for NOLs carried back to such year from any loss year prior to the current loss year), taxable income will be reduced to zero. If the NOL being carried back is less than taxable income as previously reported or last adjusted.

*Carry forward of NOL:* An NOL may be carried forward 15 years subsequent to the loss year in order of time or until exhausted, whichever occurs first.