

Use this schedule to compute credits available to you.

Part A – Credit For Taxes Paid To Other States

You must complete Schedule CR to calculate the available credit for taxes paid to other states.

Part B – Basic Skills Education Credit

This credit is available to resident and nonresident **employers** who provide basic skills education programs approved by the Alabama Department of Education to employees. Expenses incurred for or relating to instructors, materials, or equipment used in the qualifying program, or for supplies, textbooks, or salaries, including compensation paid to employees while participating in the basic skills program may be used in calculating the credit. The credit will equal 20 percent of the actual costs of education limited to the amount of the employer's income tax liability. A credit will not be allowed for employers receiving reimbursement for any cost of the education.

Part C – Rural Physician Credit

This credit is available to licensed resident and nonresident physicians who **practice and reside** in a small or rural Alabama community of less than 25,000 residents with admission privileges to a small or rural hospital having an emergency room. Under the terms of this credit a "small or rural hospital" is defined as an acute care hospital with less than 105 beds, located more than 20 miles from another acute care facility, or which receives Medicare rural reimbursement from the federal government. The amount of this credit is \$5,000.00 per year and may be claimed for not more than five consecutive tax years. No credit will be allowed to physicians meeting the requirements on or before May 5, 1993 nor to a physician having previously practiced within a rural community unless he/she returns to such practice after having practiced in a large or urban community for at least three years.

Part D – Coal Credit

For the tax years beginning on and after January 1, 1995, every corporation, whether a "subchapter S" corporation, as defined by the 1995 Internal Revenue Code, or not, foreign or domestic, that is doing business in Alabama, as a producer of coal mined in Alabama, shall be allowed a credit against the tax imposed by Section 40-18-2, in the amount of one dollar (\$1) per ton of increased production of coal over the previous year's production of coal as set out herein below. Such tax credit shall be based on coal produced after January 1, 1995, provided the coal was mined in Alabama as certified by the producer of the coal. The amount of the total credit in any one year shall be based on the number of tons of Alabama coal produced by the corporation in the year which exceeds the number of tons of Alabama coal produced by the corporation in calendar year 1994. In the event a corporation did not produce Alabama coal during calendar year 1994, such corporation must establish a base year by producing Alabama coal for 12 consecutive months. Thereafter, such corporation shall be eligible for the tax credit as specified herein above over the base year production. (*Acts 1995, No. 95-239, p. 403, §1.*)

Part E – Alabama Enterprise Zone Act Credit

This credit is available to corporations, partnerships, and proprietorships that locate or expand within a designated enterprise zone as approved by the Alabama Department of Economic and

Community Affairs. It was designed to stimulate business and industrial growth in depressed areas of the state. These tax incentives were enacted by Act No. 87573 of the Alabama Legislature and were signed into law on July 22, 1987 as the "**Alabama Enterprise Zone Act.**"

Part F – Capital Credit

The capital credit is available to investing companies and their recipients involved in a qualified project undertaken by certain new businesses to be located in the state and certain expansions of certain existing businesses. To qualify for the capital credit, the project entity must be registered with and approved by the Commissioner's Office of the Alabama Department of Revenue. The capital credit claimed for the tax year shall not exceed 5 percent of the actual capital costs, as defined in the law, of the new business or expansion of an existing business for each of 20 years. The capital credit shall be provided to each investing company and its shareholders, partners, members, owners, or beneficiaries on Form K-RCC provided by the reporting company. Each recipient in the investing company will be allowed a capital credit according to the distributive share, whether or not distributed, of the project's Alabama taxable apportionable income.

This capital credit **CANNOT** be carried forward or back by any recipient. The capital credit is limited to the individual's current tax year liability and is applied after all other deductions, losses, or credits permitted under Titles 40 and 41, *Code of Alabama 1975*. **The Form K-RCC must be attached to the individual return in order to be eligible to receive the capital credit.**

Part G – Tariff Credit

Taxpayers claiming the Tariff Credit must attach the approved Notice of Tariff Credit. For more information contact the Alabama Development Office at 1-800-248-0033 or the Commissioner of the Alabama Department of Revenue at (334) 242-1175.

Part H – Full Employment Act of 2011 Credit

This credit is available to small business that creates new jobs paying more than ten dollars per hour. A small business is defined as a business that employs 50 or fewer employees. The credit shall equal \$1,000.00 for each qualifying new employee. The credit is available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full time employees in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama as of the last day of the tax year immediately preceding the first employment year. The increase must equal or exceed the number of newly hired employees for which a credit is sought by one employee for each newly hired employee for whom a credit is being sought for the current year, plus one employee for all employees for whom credits were claimed in prior years.

Part I – Heroes for Hire Tax Credit Act of 2012 Employee Credit

This credit is available to small businesses that hire recently deployed and now discharged unemployed veterans. The credit is \$1,000.00 and is in addition to the credit allowed by the Full Em-

ployment Act of 2011. The employer cannot take this credit for any employee that claims a business start-up credit allowed under the Heroes for Hire Tax Credit Act of 2012.

**Part J – Heroes for Hire Tax Credit Act of 2012
Business Start-Up Expense Credit**

This credit is available to recently deployed and now discharged unemployed veterans who start their own business. The amount of this credit is up to \$2,000.00. To qualify the recently deployed unemployed veteran must hold at least 50 percent ownership interest in the business, which must be located in Alabama and show a net profit of at least \$3,000.00 for the year in which the credit is taken. The recently deployed unemployed veteran is not allowed to claim this credit if an employer has claimed a hire credit for him or her under the Heroes for Hire Tax Credit Act of 2012.

**Part K – Qualified Irrigation System/
Reservoir System Credit**

This credit is available to any agricultural trade or business as described in the 2007 North American Industry Classification System, Sector 11. The credit is equal to 20 percent of the cost of the purchase and installation of any qualified irrigation equipment and any conversion costs related to the conversion of irrigation equipment from fuel to electricity or 20 percent of the accrued cost of the qualified irrigation equipment and the cost of constructing the qualified reservoir. The credit shall not exceed \$10,000.00 in any tax year and shall not exceed the taxpayer's Alabama income tax

liability computed without regard to the credit. Taxpayers can either take a credit for an irrigation system or a reservoir but not both. Qualified irrigation equipment is any equipment used by an agricultural trade or business in irrigation systems, including but not limited to equipment used to construct irrigation systems and water wells. A qualified reservoir is an off-stream upland reservoir used as a source of water for irrigation by an agricultural trade or business.

Part L – Credit for Taxes Paid to a Foreign Country

This credit is only allowed to resident individual owners of Subchapter K entities, Alabama S corporations, and resident beneficiaries of an estate or trust on their proportionate share of the entity's tax paid or accrued on foreign income. This credit does not apply to wages or any other type income earned in a foreign country. The amount of the credit allowable is 50 percent of the taxpayer's proportionate share of the income taxes paid or accrued to a foreign country by the entity or the tax using Alabama tax rates on the taxpayer's proportionate share of the entity's income derived from the foreign country whichever is less.

**Part M – Neighborhood Infrastructure Incentive Plan
Credit**

This credit is available to homeowners and business owners who form a neighborhood infrastructure authority in existing neighborhoods to manage and finance local projects. The credit is equal to 10 percent of the amount of assessment paid not to exceed \$1,000 dollars in any tax year for a period not exceeding 10 successive years.