

Alabama Business Privilege Tax
TY2005 Alabama Forms PPT –
Alabama Business Privilege Tax
Return and Annual Report
(For Pass-Thru Entities Only)
Preparation Instructions

Prepared by the
Alabama Department of Revenue
Business Privilege Tax Unit
(334) 353-7923

November 2004

TY2005 Alabama Form PPT

Alabama Business Privilege Tax Return and Annual Report

Form PPT is to be filed by Pass-through Entities only.

General Information - Filing Requirement for Business Privilege Tax

Every corporation, limited liability entity, business trust, disregarded entity and real estate investment trust (REIT) that is doing business in Alabama or is registered/qualified to do business in Alabama is required to file an Alabama Business Privilege Tax Return and Annual Report.

S-corporations, limited liability entities, and disregarded entities must file Alabama Form PPT.

C-corporations, Financial Institution Groups, insurance companies, REITs and business trusts must file Alabama Form CPT. Limited liabilities taxed as corporations for federal income tax purposes must also file Alabama Form CPT.

“Limited liability entity (LLE)” is defined in Section 40-14A-1, Code of Alabama 1975, as:

“...Any entity, other than a corporation, organized under the laws of this or any other jurisdiction through which business may be conducted while offering limited liability to the owners of the entity with respect to some or all of the obligations of the entity and which is taxable under subchapter K of the Code, including, without limitation, limited liability companies, registered limited liability partnerships, and limited partnerships...”

“Corporation” is defined in Section 40-14A-1, Code of Alabama 1975, as:

“...Any entity, including a limited liability company electing to be taxed as a corporation for federal income tax purposes, through which business can be conducted while offering limited liability to the owners of the entity with respect to some or all of the obligations of the entity, other than a limited liability entity or a disregarded entity...”

“S-corporation” is defined in Section 40-14A-1, Code of Alabama 1975, as:

“... An S corporation defined under Section 40-18-160...”

Instructions for Form PPT

Required Attachments to the Alabama Form PPT:

- A copy of page 1 through 4 of the federal tax return.
- For taxpayers doing business in Alabama and outside the State of Alabama, a copy of the Alabama apportionment schedule (for Form 20S or for Form 65).
- Documentation to thoroughly support any exclusion or deduction claimed in the computation of the taxpayer's net worth.
- A copy of the balance sheet used to compute the taxpayer's net worth, if not provided with the copy of the federal tax return.

Due date for the Alabama Form PPT:

For corporations, the Alabama business privilege tax return is due no later than two and a half months after the beginning of a taxpayer's taxable year. The 2005 Form PPT for a calendar year S-corporation would be due on March 15, 2005.

Generally, for all other taxpayer's, the Alabama business privilege tax return is due no later than three and a half months after the beginning of the taxpayer's taxable year. The 2005 Form PPT for a calendar year limited liability entity would be due on April 15, 2005.

See the Department's website (www.ador.state.al.us) concerning extension requests (Alabama Form PSE).

Mailing Address for the Form PPT:

Alabama Department of Revenue
Business Privilege Tax Unit
PO Box 327431
Montgomery, AL 36132-7431

Instructions for Form PPT, Page 1

Type of Taxpayer:

Indicate the type of taxpayer by checking one of the boxes on line 1.a. through line 1.c.

Determination Period Used to Compute the Business Privilege Tax

Lines 2.a. and 2.b. Enter the beginning and ending date of the determination period. The determination period is defined in Section 40-14A-1, Code of Alabama 1975, as the taxpayer's taxable year next preceding the taxpayer's current taxable year (Generally, it is the taxable year that just ended).

Please note prior year forms referred to the Determination Period as the "Balance Sheet Year." The net worth computations required to compute the Alabama business privilege tax for a business privilege taxable year are performed on information extracted from the balance sheet prepared as of the last day of the determination period (Generally, the last day of the determination period is the last day of the taxable year that just ended, and is the date of the balance sheet prepared that coincides with the taxable year that just ended).

For example, for a calendar year taxpayer filing a 2005 Form PPT, the determination period began on January 1, 2004, and ended on December 31, 2004. In line 2a would be entered 01/01/2004. In line 2b would be entered 12/31/2004. The taxpayer's net worth for the 2005 Form PPT would be computed from the taxpayer's December 31, 2004, balance sheet.

Special Instructions for Initial Business Privilege Tax Returns:

Initial business privilege tax returns should enter on both line 2a (Determination Period Beginning Date) and line 2b (Determination Period Ending Date) either the date of incorporation or organization, for entities organized in the State of Alabama, or the date the entity qualified with the Alabama Secretary of State to do business in Alabama.

Instructions for Form PPT, Page 1

Taxable Year Information:

Lines 2.c. Calendar Taxable Year Indicator. Check this box if the taxable year is a calendar year.

Lines 2.d. Fiscal Taxable Year Indicator. Check this box if the taxable year is a fiscal year.

Lines 2.e. Short Taxable Year Indicator. Check this box if the taxable year is a short year (less than 12 months).

Short Taxable Years that are Also Initial Years. If the short taxable year is also the taxpayer's initial taxable year, an initial business privilege tax return (with a properly completed Alabama Schedule BPT-IN) was due two and one-half months after the taxpayer was organized or qualified to do business in Alabama. Section 40-14A-29, Code of Alabama 1975, levies the initial business privilege tax and establishes the requirement for an initial business privilege tax return. See also the instructions for preparing an initial business privilege tax return and the Alabama Schedule BPT-IN, Initial Privilege Tax Computation Schedule.

Privilege Tax Prorated for Short Taxable Years. The business privilege tax is prorated when taxpayers have a short taxable year – See the instructions for line 17, page 2, Form PPT.

Taxpayer Information:

Line 3.a. Enter the taxpayer's legal name.

Line 3.b. Enter the taxpayer's Federal Employer Identification Number (FEIN).

Line 3.c. Enter the taxpayer's street address.

Line 3.d. Enter the taxpayer's city.

Line 3.e. Enter the taxpayer's state.

Line 3.f. Enter the taxpayer's 9-digit zip code.

Line 3.g. Enter the taxpayer's federal business code number. This number is the North American Industry Classification System (NAICS) reported on the federal income tax return.

Instructions for Form PPT, Page 1

Return Information:

Line 4.a. Check this box if the taxpayer's address represents an address change.

Line 4.b. Check this box only if the taxpayer is an S-corporation and if there is a change in the taxpayer's corporate president information reported on the accompanying Alabama Schedule AL-CAR, Alabama Secretary of State Corporation Annual Report. Line 4b does not apply to other pass-through entities.

Line 4.c. Check this box only if the taxpayer is an S-corporation and if there is a change in the taxpayer's corporate secretary information reported on the accompanying Alabama Schedule AL-CAR, Alabama Secretary of State Corporation Annual Report. Line 4c does not apply to other pass-through entities.

Line 5 – Amended Return Indicator. Check this box if the return is an amended return. Attach a full explanation for filing the amended return, in addition to a computation of the additional amount due or the additional refund due.

Line 6 – Initial Return Indicator. Check this box if the return is an initial return, as required by Section 40-14A-29, Code of Alabama 1975. Attach a completed Alabama Schedule BPT-IN, Initial Privilege Tax Computation Schedule. See the preparation instructions for Alabama Schedule BPT-IN, Initial Privilege Tax Computation Schedule.

Determination Dates to Use for Initial Returns. Please note initial business privilege tax returns should enter on both line 2a (Determination Period Beginning Date) and line 2b (Determination Period Ending Date), either the date of incorporation or organization for entities organized in the State of Alabama, or the date the entity qualified with the Alabama Secretary of State to do business in Alabama.

Computation of Amount Due or Refund Due:

Line 7 – Secretary of State Corporate Annual Report Fee. If the taxpayer is an S-corporation, enter \$10.00, the amount of the Secretary of State's corporate annual report fee. Please also attach a completed Alabama Schedule AL-CAR, Alabama Secretary of State Corporation Annual Report. Alabama business privilege tax returns filed for S-corporations will not be considered a complete return without a properly completed Alabama Schedule AL-CAR, and without payment of the \$10.00 fee (except for initial returns, which do not require an Alabama Schedule AL-CAR). **Pass-through entities other than S-corporations are not subject to the \$10.00 corporate annual report fee, and can leave lines 7, 8 and 9 blank.**

Instructions for Form PPT, Page 1

Computation of Amount Due or Refund Due (continued):

Line 8 – Less: Annual Report Fee Previously Paid. Enter the amount of Secretary of State’s annual report fee paid with the Alabama Form PSE, business privilege tax extension request. If the return is an amended return, enter the amount of Secretary of State’s annual report fee paid with the originally-filed Alabama business privilege tax return.

Line 9 - Net Annual Report Fee Due. Subtract the amount on line 8 from the amount on line 7.

Line 10 - Privilege Tax Due. Enter the amount from page 2, Part B, line 19 (Privilege Tax Due). The Alabama business privilege tax is due, in full, by the original due date of the business privilege tax return, without consideration for any filing extensions. There is no provision in the Alabama business privilege tax law to allow an extension of time to pay the amount of tax due.

Line 11 - Less: Privilege Tax Previously Paid. Enter the amount of business privilege tax paid with the Alabama Form PSE, business privilege tax extension request. If the return is an amended return, enter the amount of business privilege tax paid with the originally-filed Alabama business privilege tax return.

Line 12 - Net Privilege Tax Due. Subtract the amount on line 11 from the amount on line 10.

Line 13 - Penalty Due. Enter the total amount of the penalty for failure to timely file the return and the penalty for failure to timely pay the tax shown due on the return, as specified in Section 40-2A-11, Code of Alabama 1975. The penalty for failure to timely file an Alabama business privilege tax return by the due date is 10% of the tax shown due with the return or \$50, whichever is greater. The penalty for failure to timely pay the amount of tax shown due on an Alabama business privilege tax return equals to 1% of the amount of tax shown due on the return for each month the tax is unpaid - not to exceed 25% of the amount shown due on the return.

Line 14 - Interest Due. Enter the amount of interest due on any business privilege tax unpaid as of the original due date of the business privilege tax return. Section 40-1-44(a), Code of Alabama 1975, specifies the interest rate to be used in computing the amount of interest due (Section 40-1-44 references Internal Revenue Code Section 6621 for the interest rates to be used for underpayments).

Line 15 - Total Privilege Tax Due. Add the amounts shown on lines 12, 13, and 14.

Instructions for Form PPT, Page 1

Computation of Amount Due or Refund Due (continued):

Line 16 - Net Tax Due. Add the amounts shown on line 9 and line 15. A positive amount represents an amount due, and that amount should be entered on line 17 (Payment Due with Return). A negative amount represents a refund due to the taxpayer, and that amount should be entered on line 18 (Amount to be Refunded to Taxpayer).

Line 17 - Payment Due with Return. Enter the amount from line 16, but only if the amount is positive.

Line 18 – Amount to be Refunded to Taxpayer. Enter the amount from line 16, but only if the amount is negative.

Line 19 - EFT Indicator. Check the box if the payment due with the return will be made with an EFT payment.

How to Make EFT Payments:

In order to pay the Alabama business privilege tax using EFT, the taxpayer must first be a registered EFT taxpayer. To register for EFT, taxpayers must complete the Form [EFT:001, EFT Authorization Agreement Form](#), and mail or fax it to the Alabama Department of Revenue's EFT Unit. The mailing address and fax number are given at the top of the form. Form EFT:001 and instructions can be downloaded from the Department's Web site at <http://www.ador.state.al.us/eft/eftindex.html>.

EFT Unit's Mailing Address

Alabama Department of Revenue
EFT Unit
PO Box 327950
Montgomery, AL 36132-7950

Line 20 - Family LLE Election Indicator. Check the box if the new Family LLE Election Form is completed and attached.

Instructions for Form PPT, Page 2

Line 1.a. Enter the taxpayer's Federal Employer Identification Number (FEIN).

Line 1.b. Enter the taxpayer's legal name as shown on page 1, line 3.a.

Line 1.c. - Determination Period End Date. Enter the balance sheet date for which the net worth computations are made. This date should agree with the date shown on page 1, line 2.b. (the ending date of the determination period).

Part A – Net Worth Computation

I. S-corporations

Line 1. Enter the total amount of the taxpayer's capital stock and paid in capital, but not less than zero. The amount must not be reduced for any treasury stock owned by the corporation.

Line 2. Enter the amount of retained earnings, but not less than zero. Include any amounts designated for the payment of dividends until the amounts are definitely and irrevocably placed to the credit of the stockholders, subject to withdrawal on demand. The amount entered on line 2 must not be less than zero.

Line 3. Enter the amount of related party debt exceeding the total of the amounts entered on line 1 and line 2, as required by Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amounts on line 1 and line 2 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, Code of Alabama 1975, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities.

Line 4. For the determination period, enter the excess amount (the amount in excess of \$500,000 for each shareholder) of compensation or similar amounts paid to (or accrued as a liability to) certain direct or indirect shareholders, as defined in Section 40-14A-23, Code of Alabama 1975. This amount will be added to lines 1, 2, and 3, in arriving at the taxpayer's net worth. Section 40-14A-23(f), Code of Alabama 1975, should be referred to for a more thorough explanation of this adjustment.

Line 5 - Total S-Corporation Net Worth. Enter the sum of lines 1 through 4.

Instructions for Form PPT, Page 2
Part A – Net Worth Computation
II. Limited Liability Entities (LLEs)

Line 6. Enter the total amount of the partner/member capital accounts, but not less than zero.

Line 7. Enter the amount of related party debt exceeding the total of the amount entered on line 6, as required by Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amounts on line 6 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, Code of Alabama 1975, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities.

Line 8. For the determination period, enter the excess amount (the amount in excess of \$500,000 for each partner/member) of compensation, distributions or similar amounts paid to (or accrued as a liability to) certain direct or indirect partners/members, as defined in Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amounts entered on lines 6 and 7, in arriving at the taxpayer's net worth. Section 40-14A-23(f), Code of Alabama 1975, should be referred to for a more thorough explanation of this adjustment.

Line 9 - Total LLE Net Worth. Enter the sum of lines 6 through 8.

Part A – Net Worth Computation
III. Disregarded Entities

Line 10. Reserved for Future Use – Please leave the amount field on line 10 blank.

Line 11. If the taxpayer is a disregarded entity that has as its single member a taxpayer that IS subject to the Alabama business privilege tax, then the disregarded entity pays only the minimum tax. Enter \$100, the amount of the minimum business privilege tax, in Part B, line 19. The form can then be completed from that point, in accordance with the instructions for this form. The name and FEIN of the single member must be provided on line 11, or the form will be considered incomplete. Nothing should be entered in the amount field for line 11.

Line 12 - Disregarded Entity Net Worth Computation. If the taxpayer is a disregarded entity that has as its single member a taxpayer that IS NOT subject to the Alabama business privilege tax, then the disregarded entity must compute its own net worth, and pay the Alabama business privilege tax accordingly. Enter the amount the taxpayer's assets exceed its liabilities, but not less than zero. The name and FEIN of the single member owner must be provided with the return.

Alabama Business Privilege Tax

TY2005 Form/Schedule Preparation Instructions (Nov 12, 2004)

Instructions for Form PPT, Page 2

Part A – Net Worth Computation

III. Disregarded Entities (continued)

Line 13. Enter the amount of related party debt exceeding the amount entered on line 12, as required by Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amount on line 12 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, Code of Alabama 1975, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities.

Line 14. For the determination period, enter the excess amount (the amount in excess of \$500,000 for the owner) of compensation, distributions or similar amounts paid to (or accrued as a liability to) certain direct or indirect owners, as defined in Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amounts entered on lines 12 and 13, in arriving at the taxpayer's net worth. Section 40-14A-23(f), Code of Alabama 1975, should be referred to for a more thorough explanation of this adjustment.

Line 15 - Total Disregarded Entity Net Worth. Enter the sum of lines 12 through 14.

Part B – Privilege Tax Exclusions and Deductions

Exclusions - Exclusions are allowed by Section 40-14A-23 (g), Code of Alabama 1975. Attach documentation for any exclusion claimed on this return.

Line 1. Enter the amount of net worth from Part A line 5, line 9, or, Line 15.

Line 2. Enter the total book value amount for the investment the taxpayer has in the equity of other taxpayers doing business in Alabama. Attach a listing providing for each separate investment, the name of the taxpayer, the taxpayer's FEIN, the taxpayer's address and the book value of the investment (if this exclusion is taken, the return will not be considered complete without the listing). This exclusion is not available for the book value of security held by a dealer primarily for sale to customers in the ordinary course of its trade or business, pursuant to Internal Revenue Code Section 1236.

Line 3. Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of goodwill that resulted from a direct purchase of another corporation or limited liability entity. Attach a listing showing 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. If this exclusion is taken, the return will not be considered complete without the listing.

Instructions for Form PPT, Page 2 Part B – Privilege Tax Exclusions and Deductions

Exclusions (continued)

Line 4. Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of post-retirement benefits, for which the taxpayer elected to amortize under Financial Accounting Standards Board (FASB) Statement Number 106. FASB Statement Number 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, was issued in December 1990, and focuses principally on postretirement health care benefits.

Line 5 - Total Exclusions. Enter the total of lines 2 through 4.

Net Worth Apportionment

Line 6 - Net Worth Subject to Apportionment. Enter the difference in line 1 (Total Net Worth) and line 5 (Total Exclusions).

Line 7 - Apportionment Factor. Section 40-14A-24(a), Code of Alabama 1975, establishes the net worth apportionment requirements for the Alabama business privilege tax. Taxpayers that conducted all of their business in Alabama during the determination period should enter 100%. No supporting documentation is required of taxpayers reporting an apportionment factor of 100%.

Taxpayers that conducted business both within and without Alabama (multistate taxpayers) during the determination period should generally not enter 100%. Multistate taxpayers must enter the same factor as was used by the taxpayer during the determination period for purposes of apportioning the taxpayer's income in accordance with Alabama's income tax law (Chapter 18, Title 40, Code of Alabama 1975), or Alabama's financial institutions excise tax law (Chapter 16, Title 40, Code of Alabama 1975). Attach a copy of the computation of the apportionment factor from the applicable Alabama tax return for the determination period.

Special Apportionment Factor for Initial Returns: Initial Alabama business privilege tax returns require an apportionment factor. The computation of the apportionment factor for an initial return is to be performed as of the opening of business of the first day the taxpayer is incorporated, formed, organized (if a domestic entity) or registered with the Alabama Secretary of State to do business in Alabama (if a foreign entity). Since usually at that point, a business has no sales or payroll information, the ratio of Alabama property to total property must be used as the apportionment factor for initial returns.

Line 8 - Total Alabama Net Worth. Multiply line 6 (Net Worth Subject to Apportionment) by line 7 (Apportionment Factor).

Alabama Business Privilege Tax

TY2005 Form/Schedule Preparation Instructions (Nov 12, 2004)

Instructions for Form PPT, Page 2
Part B – Privilege Tax Deductions

Deductions - Deductions are allowed by Section 40-14A-24(b), Code of Alabama 1975. Attach documentation for any deduction claimed on this return.

Line 9. Enter the net amount invested in bonds and securities issued by the State of Alabama, or its political subdivisions, prior to January 1, 2000. “Net amount invested” means the cash, including any premium and net of any discount, paid as the purchase price for the bond or other security, less the amount of any premium amortized and plus the amount of any discount accreted, reduced by the proportionate amount of principal on the bond or other security that is amortized or otherwise paid or retired. The taxpayer must attach a listing showing the details of the deduction. For each bond or security, the listing should provide the net amount invested, the issuing agency, issuance date, and how the investment is reported on the taxpayer’s balance sheet. If this deduction is taken, the return will not be considered complete without the listing. This deduction is not available for the book value of bonds and securities held by a dealer primarily for sale to customers in the ordinary course of its trade or business, pursuant to Internal Revenue Code Section 1236.

Line 10. Enter the net amount invested in, or book value from the taxpayer’s balance sheet, for all devices, facilities, or structures, and all identifiable components or materials for use therein, that are located in Alabama and are acquired or constructed primarily for the control, reduction, or elimination of air, ground, or water pollution or radiological hazards where such pollution or radiological hazards result from or would be caused by the taxpayer’s activities in Alabama.

Line 11. Enter the amount reported on the taxpayer’s balance sheet for the balance of any reserve, account, or trust reasonably determined to satisfy any liability that is imposed by federal, state, or local government laws or regulations for reclamation, storage, disposal, decontamination, retirement, or other related costs associated with a plant, facility, mine, or site in Alabama. Attach documentation identifying the applicable law or regulation that establishes taxpayer’s liability, as well as a computation of the liability. The documentation must also identify the location of the plant, facility, mine or site in Alabama.

Line 12. Enter the total amount reported on the taxpayer’s balance sheet as the book value of the taxpayer’s investment in low-income, residential real estate projects that qualify for federal or state income tax credits, loans or grants. See Section 40-14A-24(b)(7) Code of Alabama, 1975. The taxpayer must attach a listing showing the details of the deduction. For each separate low-income housing project, the attached documentation must identify the name of the project, the FEIN of the project, the site of the project, and the net amount invested in the project. The documentation must also identify how the investments are reported on the taxpayer’s balance sheet. If this deduction is taken, the return will not be considered complete without the listing.

Instructions for Form PPT, Page 2 Part B – Privilege Tax Deductions

Deductions (continued)

Line 13. S-corporations, LLEs and disregarded entities enter 30% of the Alabama taxable income for the determination period. This deduction is allowed by Section 40-14A-24(b)(8) and (9), Code of Alabama 1975.

Taxable income is to include income passed through to the shareholders and members. Taxable income for an S-corporation, other than a qualified subchapter S subsidiary, is the amount taken into account by its owners pursuant to Internal Revenue Code Section 1366. Taxable income for an LLE is the amount taken into account by its owners pursuant to Internal Revenue Code Section 702. Taxable income for a disregarded entity is the amount taken into account by the owner pursuant to Internal Revenue Code Section 61 or 1361. Taxable income shall be apportioned and allocated to Alabama in accordance with Alabama income tax law (Title 40, Chapter 18, Code of Alabama 1975) or Alabama financial institutions excise tax law (Title 40, Chapter 16, Code of Alabama 1975).

Line 14 - Total Deductions. Enter the total of lines 9 through 13.

Line 15 - Taxable Alabama Net Worth. Enter the difference between line 8 (Total Alabama Net Worth) and Line 14 (Total Deductions).

Computation of Privilege Tax Due

Line 16a - Federal Taxable Income. Enter the federal taxable income used to determine the Tax Rate (see the instructions for line 16b) which is applied to the Taxable Alabama Net Worth (see line 15) to arrive at the Gross Privilege Tax Calculated (see line 17). The tax rate used to compute the business privilege tax is based upon the taxpayer's federal taxable income during the Determination Period, as required by Section 40-14A-22, Code of Alabama 1975.

Federal Taxable Income for S-Corporations. The federal taxable income to be used by S-corporations to determine the tax rate for the Alabama business privilege tax shall be the federal ordinary income or (loss) from trade or business activities plus any items of income or applicable deductions passed through to the shareholders that were determined pursuant to Internal Revenue Code Section 1366. The income shall be apportioned in accordance with Chapter 27, Title 40 Code of Alabama 1975, and the accompanying rules. Deductions shall not be allowed for the federal income tax or any federal or Alabama net operating loss in computing the federal taxable income for purposes of determining the business privilege tax rate.

Instructions for Form PPT, Page 2

Part B – Computation of Privilege Tax Due

Line 16a - Federal Taxable Income (continued) - Federal Taxable Income for Disregarded Entities.

Federal Taxable Income for LLEs. The federal taxable income to be used by LLEs to determine the tax rate for the Alabama business privilege tax shall be the federal ordinary income or (loss) from trade or business activities adjusted by any items of income or expenses passed through to the members or partners that were determined pursuant to Internal Revenue Code Section 702. The income shall be apportioned in accordance with Chapter 27, Title 40, Code of Alabama 1975, and the accompanying rules.

The federal taxable income to be used by Disregarded Entities to determine the tax rate for the Alabama business privilege tax shall be the federal ordinary income or (loss) from trade or business activities adjusted by any items of income or expenses, determined pursuant to Internal Revenue Code Section 61. This income shall be apportioned in accordance with Chapter 27, Title 40, Code of Alabama 1975, and the accompanying rules.

Line 16b - Tax Rate.

Enter on line 16b the taxpayer’s business privilege tax rate. The tax rate is specified in Section 40-14A-22, Code of Alabama 1975, and is determined using the following table:

Federal Taxable Income of the Taxpayer		Tax Rate
		(The amounts shown within the parentheses are the amounts per \$1,000 of Taxable Alabama Net Worth)
More Than or Equal to	But Less Than	
---	\$ 1	.00025 (\$.25 per \$1,000)
\$ 1	\$ 200,000	.00100 (\$ 1.00 per \$1,000)
\$ 200,000	\$ 500,000	.00125 (\$ 1.25 per \$1,000)
\$ 500,000	\$ 2,500,000	.00150 (\$ 1.50 per \$1,000)
\$2,500,000	---	.00175 (\$ 1.75 per \$1,000)

Instructions for Form PPT, Page 2

Part B – Computation of Privilege Tax Due

Line 17 - Gross Privilege Tax Calculated.

Multiply the amount on line 15 (Taxable Alabama Net Worth) by the rate on line 16b (Tax Rate).

Example:

Line 15 – Taxable Alabama Net Worth	\$1,000,000
Line 16a – Federal Taxable Income	\$ 250,000
Line 16b – Tax Rate	.00125
Line 17 – Gross Privilege Tax Calculated	\$1,250

Special Calculation for Short Taxable Years:

If the taxable year is a short taxable year, the gross privilege tax calculated will be prorated using a fraction, the numerator of which is the number of calendar days in the short taxable year, the denominator of which will be 365. The computation of prorated business privilege tax must be attached to the return.

Example Assuming Facts from Above Example and a Short Year of 180 days:

Taxable Alabama Net Worth		
Multiplied by Tax Rate Equals	\$1,250	
Multiplied by	180/365	Short year factor
Line 17 – Gross Privilege Tax Calculated	\$616	

Line 18 - Alabama Enterprise Zone Credit. Enter the amount of Alabama Enterprise Zone Credit to which the taxpayer is entitled. Attach supporting documentation from the Alabama Department of Economic and Community Affairs (ADECA) showing the amount of the Alabama Enterprise Zone Credit the taxpayer is entitled to claim. Contact ADECA for additional information concerning the Alabama Enterprise Zone Credit.

Line 19 - Privilege Tax Due.

Enter the difference between line 17 and line 18, but not less than \$100, the minimum amount of the tax. This amount is also entered on page 1 of Form PPT on line 10 (Privilege Tax Due) in the Computation of Amount Due or Refund Due area of page 1.

See the following concerning the minimum and maximum amounts for the tax.

Instructions for Form PPT, Page 2

Part B – Privilege Tax Due

Maximum Privilege Tax:

S-corporations, LLEs, and disregarded entities have a \$15,000 maximum levy for the Alabama Business Privilege Tax. See Section 40-14A-22(d), Code of Alabama 1975.

LLEs meeting the definition of “electing family limited liability entity” as stated in Section 40-14A-1, Code of Alabama, 1975, have a maximum levy for the Alabama Business Privilege Tax of \$500.

Minimum Privilege Tax:

Section 40-14A-22(c), Code of Alabama, 1975, establishes a minimum business privilege tax levy of \$100 for S-corporations, LLEs, and disregarded entities – even for business privilege tax years that are short years.

Type of taxpayer (*check only one*):

1a S Corporation

1b Limited Liability Entity

1c Disregarded Entity

Determination Period:

2a Beginning
____/____/____
(mm/dd/yyyy)

2b Ending
____/____/____
(mm/dd/yyyy)

2c CY (Calendar Year)

2d FY (Fiscal Year)

2e SY (Short Year)

TAXPAYER INFORMATION

3a LEGAL NAME OF TAXPAYER

3b FEIN

3c MAILING ADDRESS

3d CITY

3e STATE

3f ZIP CODE

3g FEDERAL BUSINESS CODE NUMBER (NAICS)

RETURN INFORMATION

4a Address Change for Taxpayer

4b S Corporation President Information Change on Annual Report

4c S Corporation Secretary Information Change on Annual Report

5 Check Box if an Amended Return

P

6 Check Box if an Initial Return – Schedule BPT-IN Must Be Attached

NOTE: Initial returns must be filed within 2-1/2 months of incorporation or qualification – See instructions.

COMPUTATION OF AMOUNT DUE OR REFUND DUE

		Amount Due	FOR DEPARTMENT USE ONLY
7 Secretary of State corporate annual report fee \$10	7		
8 Less: Annual report fee previously paid for this period	8		
9 Net annual report fee due (line 7 less line 8)		9	
10 Privilege tax due (Page 2, Part B, line 19)	10		
11 Less: Privilege tax previously paid for this period	11		
12 Net privilege tax due (line 10 less line 11)	12		
13 Penalty due (see instructions)	13		
14 Interest due (see instructions)	14		
15 Total privilege tax due (add lines 12, 13 and 14)		15	
16 Net tax due (add lines 9 and 15)		16	
17 Payment due with return if line 16 is positive		17	
18 Amount to be refunded if line 16 is negative	18		
19 EFT Indicator if payment made through Electronic Funds Transfer (EFT) check this box and see instructions			<input type="checkbox"/>
20 Family LLE Election attached			<input type="checkbox"/>

Make check payable to: **Alabama Department of Revenue**

Telephone number: (334) 353-7923

Web Site: www.ador.state.al.us

Mail to: Alabama Department of Revenue, Business Privilege Tax Section, P.O. Box 327431, Montgomery, AL 36132-7431

Form PPT is to be filed only by Pass-Through Entities!

P

I authorize a representative of the Department of Revenue to discuss my return and attachments with my preparer.

UNDER PENALTIES OF PERJURY, I declare that I have examined this return and accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Please Sign Here



Your Signature**

Title

Date

Paid Preparer's Use Only



Preparer's signature

Date

Phone number

Preparer's social security no.

Firm's name (or yours, if self-employed) and address

E.I. No.

ZIP Code

**Paid preparers may sign in lieu of an officer IF a power of attorney is on file with the Department of Revenue or attached to this return.

ALABAMA DEPARTMENT OF REVENUE
Alabama Business Privilege Tax
Pass-Through Entity Privilege Tax Computation Schedule

1a FEIN ▶	1b TAXPAYER NAME	1c Determination Period End Date (Balance Sheet Date): ____/____/____ (mm/dd/yyyy)
--------------	------------------	---

Part A – Net Worth Computation

I. S-Corporations			
1 Issued capital stock and additional paid in capital (without reduction for treasury stock) but not less than zero.	1		
2 Retained earnings, but not less than zero, including dividends payable.	2		
3 Amount of related party debt exceeding the sums of line 1 and 2.	3		
4 All payments for compensation, distributions, or similar amounts in excess of \$500,000.	4		
5 Total net worth (add lines 1-4). Go to Part B, line 1.		5	
II. Limited Liability Entities (LLE's)			
6 Sum of the partners'/members' capital accounts, but not less than zero	6		
7 All compensation, distributions, or similar amounts paid to a partner/member in excess of \$500,000.	7		
8 Amount of related party debt exceeding the amount on line 6.	8		
9 Total net worth (add lines 6, 7 and 8). Go to Part B, line 1.		9	
III. Disregarded Entities			
10 (Reserved for future use.)		10	
11 If a disregarded entity has as its single member a taxpayer that is subject to the privilege tax, then the disregarded entity pays the minimum tax. (Go to Part B, line 19.) Single Member Name: _____ FEIN: _____		11	
12 Assets minus liabilities for all disregarded entities that have as a single member an entity that is not subject to the privilege tax.	12		
13 Amount of related party debt exceeding the amount on line 12	13		
14 For disregarded entities, all compensation, distributions, or similar amounts paid to a member in excess of \$500,000.	14		
15 Total net worth (sum of lines 12, 13 and 14). Go to Part B, line 1.		15	

Part B – Privilege Tax Exclusions and Deductions

Exclusions (Attach supporting documentation)			
1 Net worth from Part A – line 5, 9, or 15.		1	
2 Book value of the investments by the taxpayer in the equity of other taxpayers doing business in Alabama.	2		
3 Unamortized portion of goodwill resulting from a direct purchase.	3		
4 Unamortized balance of properly elected post-retirement benefits pursuant to FASB 106.	4		
5 Total exclusions (sum of lines 2-4)		5	
6 Net worth subject to apportionment (line 1 less line 5)		6	
7 Apportionment factor (see instructions)	7	_____ %	
8 Total Alabama net worth (multiply line 6 by line 7)		8	
Deductions (Attach supporting documentation)			
9 Net investment in bonds and securities issued by the State of Alabama or political subdivision thereof, when issued prior to January 1, 2000.	9		
10 Net investment in all air, ground, or water pollution control devices in Alabama.	10		
11 Reserves for reclamation, storage, disposal, decontamination, or retirement associated with a plant, facility, mine or site in Alabama	11		
12 Book value of amount invested in qualifying low income housing projects (see instructions)	12		
13 For S corporations and LLE's, 30 percent of Alabama taxable income (see instructions)	13		
14 Total deductions (add lines 9-13)		14	
15 Taxable Alabama net worth (line 8 less line 14)		15	
16a Federal Taxable Income (see instructions)	16a		
16b Tax rate (see instructions)	16b	_____ %	
17 Gross privilege tax calculated (multiply line 15 by line 16b)		17	
18 Alabama enterprise zone credit (see instructions)	18		
19 Privilege Tax Due (line 17 less line 18) (minimum \$100, for maximum see instructions) Enter also on Form PPT, page 1, line 10, Privilege Tax Due		19	

S-corporations must complete and attach an Alabama Schedule AL-CAR, and enter \$10 for the corporate annual report fee on line 7, page 1. Other (noncorporate) pass-through entities are not required to file an Alabama Schedule AL-CAR or pay the corporate annual report fee.