

810-3-171-.01 Determination of Shareholder's Prorata Share.

(1) Except as provided in paragraph (2) below, each shareholder's prorata share of the income, losses, deductions and credits of the Alabama S corporation which are attributable to Alabama for each taxable year will be the sum of the following items:

(a) Each item of separately stated income, loss, deduction and credit attributed to Alabama will be divided by the number of days in the taxable year and the result will be divided by the number of shares outstanding each day.

(b) The net non-separately stated income (or loss) attributed to Alabama will be divided by the number of days in the taxable year and the result will be divided by the number of shares outstanding each day.

(c) The total for each shareholder will be the sum of the amounts in subparagraphs (a) and (b), above, for each share held by the shareholder and for each day the shares were held.

1. For example, if a shareholder held one-half of the outstanding shares of stock of the corporation for one-half of the year, that shareholder would be credited with 25% of the items of income, loss and deductions of the corporation attributed to Alabama for the year.

(d) Other than the items of income, loss, deduction and credit to be separately stated as provided by §40-18-162(a)(1), Code of Alabama 1975, other items of income and deductions are not to be separately allocated or apportioned to individual shareholders.

(2) (a) If a shareholder terminates his or her stock interest in an Alabama S corporation during the taxable year, and all persons who are or were shareholders during the taxable year agree, the computation of the prorata income and losses as outlined in paragraph (1) above will be applied as if the corporation had two short taxable years, the first of which ended on the date of termination of the terminating shareholder's interest.

(b) The consent of the affected shareholders may be in any form which clearly reflects the shareholder's agreement to the election provided by §40-18-171(b), and must be notarized or otherwise authenticated before some officer authorized to administer oaths.

(c) The corporation will not file two returns, but will prepare schedules showing the separately stated and nonseparately stated income, losses, deductions and credits attributed to Alabama for each such part of the taxable year. These schedules, along with the consent agreements of all the shareholders, must be attached to the Alabama S corporation return as filed.

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