

For the first tax year beginning on or after January 1, 2001, every subchapter K entity having one or more non-resident owners during any part of the taxable year shall file a composite return and make a composite payment on behalf of all of its non-resident owners at the time the subchapter K entity's annual return is required to be filed for that taxable year (determined without regard to extensions).

By filing Form 65C, an Alabama subchapter K entity reports each non-resident owner's share of the Alabama subchapter K entity **income**. No further filing may then be required by the owner. If a non-resident owner has other income in this State or is due a refund (e.g. due to a net operating loss carryforward), an individual Non-resident Income Tax Return, Form 40NR, must be filed by that owner. On Form 40NR, the owner reports all Alabama income including the owner's share of the Alabama subchapter K entity income. The composite payment made by the subchapter K entity on behalf of its non-resident owners will be accounted for as an estimated tax payment on the owners' return(s).

Any changes must be made on an amended Form 65C no later than the extended due date of the return. After this date, changes in income affecting the owner's tax must be made on the Form 40NR, Alabama Individual Non-resident Income Tax Return.

For tax years beginning on or after January 1, 2002, non-resident owners will be required to file consent agreements with the subchapter K entity. For tax years beginning after 12-31-01, a subchapter K entity is not required to make a composite payment for any non-resident owner that certifies in writing, under penalty of perjury, to the entity prior to the original due date of the entity's income tax return that the non-resident owner has fully paid its Alabama income tax attributable to its distributive share of the entity's net taxable income allocated and apportioned to Alabama with respect to its taxable year. If the non-resident owner that has filed a statement or consent agreement does not pay the tax due at the required time, the subchapter K entity shall pay such amount on behalf of the non-resident owner within 60 days after notice and demand from the Department.

Form 65C and other information are available on the internet from our Web site at www.ador.state.al.us.

General Instructions

PERIOD COVERED. File the 2003 return for calendar year 2003 and fiscal years that begin in 2003 and end in 2004.

ORIGINAL DUE DATE. The calendar year return is due on or before April 15, 2004. For fiscal year or short year taxpayers, the return is due on or before the 15th day of the 4th month following the close of the tax period. If the 15th falls on Saturday, Sunday, or a state holiday then the due date will be considered the following business day.

If an **extension** for filing forms is requested, this form must be completed and submitted with the tax due on or before the original due date.

PAYMENT OF TAX. The total tax liability on the composite return is due on or before the 15th day of the 4th month following the close of the tax period. Payments made after the original due date will be subject to interest and penalty charges. Make check or money order payable to: Alabama Department of Revenue. Write the subchapter K entity's Federal Employer Identification Number (FEIN), the income tax form number (Form 65C), and the tax year on the check.

CAUTION: Do not attach the Form 65C or the Form 65C payment to the Form 65 or vice versa.

SIGNATURE. The return must be signed by an authorized officer of the subchapter K entity. Enter the date signed and the officer's title. If the return is prepared by someone other than an employee of the subchapter K entity, enter the signature and identification information of the preparer.

Specific Instructions

At the top of the Form 65C, fill in the blanks indicating the tax year. In the top block, enter the name and mailing address (with complete zip code) of the subchapter K entity, Federal Identification Number, tax year type, number of owners, and number of non-resident owners included in composite return.

LINE 1a Enter the total amount of tax due from Schedule 65CK1 for every non-corporate non-resident owner.

LINE 1b If payment is being remitted after the original due date of this return, interest should be computed pursuant to Section 40-1-44.

LINE 1c If this return is not filed on or before the due date, enter a failure to timely file penalty (the greater of 10% of the amount of net tax due for non-corporate non-resident owners or \$50). Tax due and not paid by the original due date will be subject to a failure to timely pay penalty of 1% per month (maximum 25%).

LINE 2a Enter the total amount of tax due from Schedule 6SCK1 for every corporate non-resident owner.

LINE 2b If payment is being remitted after the original due date of this return, interest should be computed pursuant to Section 40-1-44.

LINE 2c If this return is not filed on or before the due date, enter a failure to timely file penalty (the greater of 10% of the amount of net tax due for non-corporate non-resident owners or \$50). Tax due and not paid by the original due date will be subject to a failure to timely pay penalty of 1% per month (maximum 25%).

LINE 3 Total amount of tax, interest and penalty due. (Add lines 1a-2c and enter total.)

LINE 4a Enter the amount of any overpayment as shown on your previous year's Form 65C.

LINE 4b Enter the amount of any estimated tax payments made.

LINE 4c Enter the amount of any composite payments made on behalf of the entity filing Form 65C on this line. Make sure you include the Name and FEIN of the entity that made the composite payment on your behalf in the space provided.

LINE 4d Enter the total amount of capital credit allowable to the non-resident owners. The credit cannot exceed the tax due. Attach a schedule of the credit allowable for each nonresident owner. Attach a copy of K-RCC for each owner receiving the credit.

LINE 4e Enter the total amount of all payments/credits. (Add lines 4a-4d.)

LINE 5 Subtract line 4e from line 3. The amount of payment remitted with Form 65C should equal the amount computed on LINE 5.

SCHEDULE 65CK1, LINES 1-12. Give complete information regarding each non-resident owner as requested in columns (A), (B), (C), (D), (E), (F) and (G). Column (E) should include the amount of each non-resident owner's pro rata share of the Alabama Subchapter K entity income allocated and apportioned to Alabama. Separately stated items of loss, deduction, or expense which are subject to other limitations on the individual's return including federal income tax, contribution, investment interest expense, and casualty losses, are not included on the Form 65C. The owner's pro rata share of these items can only be taken on the non-resident individual return, Form 40NR. If a non-resident owner has a loss, do not include the owner on Form 65C.

LINE 13. Enter the totals from any additional pages.

LINE 14F. Add lines 1 through 13, column F and enter here and on line 1, of Form 65C.

LINE 14G. Add lines 1 through 13, column G and enter here and on line 2, of Form 65C.

Form 65C Replaces Alabama Form IT: E-3.