

## What's New

Requests for relief of composite payment requirements will be considered on a case-by-case basis when properly submitted. To request relief, Form PTE-R must be completed and mailed at least 30 days before the original due date of the composite return. Form PTE-R and instructions for requesting relief are available at [www.revenue.alabama.gov](http://www.revenue.alabama.gov).

## Composite Payment and Return Requirements for Subchapter K Entities and S Corporations

A partnership, or other entity classified as a Subchapter K entity, is required to file a composite return and make composite payments on behalf of its nonresident owners or members if there are one or more nonresident owners or members at any time during the taxable year.

The law specifically exempts estates, trusts, and business trusts from the requirement to make a composite payment and file a composite return. The law generally exempts Alabama Qualified Investment Partnerships from the composite payment and return requirement.

A pass-through entity is not generally required to remit a composite payment on behalf of a nonresident member that is an entity exempt from Alabama income taxation, in accordance with §40-18-32, *Code of Alabama 1975*. The pass-through entity is required to disclose the tax-exempt entity's name, taxpayer identification number and distributive share of income items on the composite return filed for the taxable year, as is required for all nonresident members. The amount of the composite payment due with respect to the tax-exempt entity would be zero, unless the income is considered unrelated business taxable income in accordance with 26 U.S.C. §512 or the income is otherwise specifically subject to the composite payment requirement of §40-18-24.2, *Code of Alabama 1975*.

The Alabama composite return is not filed as an attachment to the Alabama income tax return for the entity.

Every Subchapter K entity and every S corporation that is credited with a composite payment on a composite return must also file a composite return to properly allocate the composite payment made on its behalf.

The allocation and apportionment requirements established by the Multistate Tax Compact, codified in Chapter 27, Title 40, *Code of Alabama 1975*, and all rules pertaining to the Multistate Tax Compact are applicable to composite returns required to be filed by Subchapter K entities and S corporations.

In computing the amount of the composite payment, the entity shall apply the maximum tax rate provided in §40-18-5 (5%) to each nonresident owner's distributive share of income, to include both separately stated income and nonseparately stated income.

The nonresident owner's distributive share of income shall be computed in accordance with §40-18-24, *Code of Alabama 1975*, for Subchapter K entities. The nonresident shareholder's distributive share of income shall be computed in accordance with §40-18-162, *Code of Alabama 1975*, for S corporations.

In computing the amount of the composite payment, an entity may not offset the income or gain of a nonresident owner/shareholder with the loss of another owner/shareholder.

In computing the amount of the composite payment, a net operating loss carry-forward may not be used to offset income or gain.

Every nonresident owner or shareholder whose income is reported on a composite return must file an Alabama income tax return and report the Alabama source in-

come – even if the income earned in Alabama is included on a composite return, unless the nonresident owner or shareholder is a nonresident individual who has no other Alabama source income. In order for a nonresident individual to have the benefit of any net operating losses generated by a partnership or S corporation, the nonresident individual must establish those losses by filing an Alabama individual income tax return.

Should you have any additional questions, please call the Pass-through Entity Section at (334) 242-1033.

## Nonresident Agreements (S corporation only)

An Alabama S corporation may file the agreement of each nonresident shareholder of the entity (1) 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 (2) to be subject to personal jurisdiction in this State for the purpose of the collection of unpaid income tax, together with related interest and penalties, from the nonresident shareholder. An S corporation is not required to make a composite payment for any nonresident shareholder 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 nonresident shareholder 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 nonresident shareholder that has filed a NRA does not pay the tax due at the required time, the S corporation shall make the required payment of income tax due within 60 days after notice and demand from the Department. The tax due is the total of each owner's distributive share of the entity's net taxable income allocated and apportioned to Alabama multiplied by 5% for all nonresident owners.

## General Instructions

### Original Due Date

The calendar year return is due on or before April 18, 2016 for Subchapter K entities. The calendar year return is due on or before March 15, 2016 for S corporations. 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 for Subchapter K entities. For fiscal year or short year taxpayers, the return is due on or before the 15th day of the 3rd month following the close of the tax period for S corporations. If the 15th falls on Saturday, Sunday, or a state holiday then the due date will be considered the following business day.

Any changes must be made on an amended Form PTE-C no later than the extended due date of the Subchapter K entity's/S corporation's return. If an amended Form PTE-C results in overpayment of tax, the overpayment may be refunded or credited to the next year's filing. Any changes in income affecting the owner's/shareholder's tax after the extended due date, must be made on the owner's/shareholder's applicable tax return. (Individual – Form 40NR, C corporation – Form 20C, S corporation – Form 20S, or Fiduciary – Form 41.)

### Extension

An extension of time for filing Form PTE-C is granted automatically. However, the extension of time for filing the return is not an extension of time for payment of tax. The amount of tax due must be paid on or before the due date of the return without regards to the extension of time to file the return. All calendar year PTE-C returns have an extended due date of Sept. 15, 2016.

## Estimates

Estimate payments are not required by Alabama law. If you wish to make voluntary estimated payments, your payment should be submitted with Form PTE-V.

**NOTE:** Form PTE-C is no longer required to be submitted with an estimated payment.

## Payment of Tax

The total tax liability on the calendar year composite return is due on or before April 18, 2016 for Subchapter K entities. The total tax liability on the calendar year composite return is due on or before March 15, 2016 for S corporations. For fiscal year or short year taxpayers, the payment is due on or before the 15th day of the 4th month following the close of the tax period for Subchapter K entities. For fiscal year or short year taxpayers, the payment is due on or before the 15th day of the 3rd month following the close of the tax period for S corporations. 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/ S corporation's Federal Employer Identification Number (FEIN), Form PTE-C, and the tax year on the payment and enclose Form PTE-V when payment is mailed.

Section 41-1-20, *Code of Alabama 1975* requires all single tax payments of \$750 or more to be made electronically. My Alabama Taxes (MAT) is a secure way to view and access your tax information using the Internet. Anyone who has an account with the Alabama Department of Revenue (ADOR) may register to access their tax information through MAT. To sign up for MAT, go to <https://myalabamataxes.alabama.gov/>. Form PTE-V is not required when payment is made electronically.

**CAUTION:** Do not attach the Form PTE-C or the Form PTE-C payment to the Form 65/Form 20S or vice versa.

## Signature

The return must be signed by an authorized officer of the Subchapter K entity/S corporation. 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/S corporation, enter the signature and identification information of the preparer.

## Specific Instructions

File the 2015 return for calendar year, fiscal year or short year that begins in 2015. Mark the appropriate box at the top of the form for a calendar, fiscal or short year.

**NOTE:** A 52/53 week filer can only file a fiscal year or short year return.

At the top, right-hand corner of page 1, check the appropriate box indicating a calendar year, fiscal year or short year return. A **calendar tax year** is 12 consecutive months, beginning January 1 and ending December 31. A **fiscal tax year** is 12 consecutive months ending on the last day of any month except December. A **short tax year** is a tax year of less than 12 months. A **52/53 week tax year** is a fiscal tax year that varies from 52 to 53 weeks that ends on a set day of the week but does not have to end on the last day of a month.

Also, check the 52/53 week checkbox if the tax return is being filed by an entity with a 52/53 week filing election in place for the tax year. The fiscal year or short year checkbox must be selected for a 52/53 week filer.

Check the appropriate box indicating a Subchapter K entity or S corporation. Check the Qualified Investment Partnership box if the return is being filed for a Qualified Investment Partnership. Check the box if this return serves as an amendment. Enter the Federal Employer Identification Number (FEIN), Federal Business Code, name, and mailing address (with complete ZIP code) of the Subchapter K entity/S corporation. Enter the number of owners/shareholders, and number of nonresident owners/shareholders included in composite return. Check the box if the address of the entity has changed since the last filing.

**LINE 1** – Enter the total amount of tax due from Schedule PTE-CK1, page 3 of PTE-C for every owner/shareholder.

**LINE 2** – If payment is being remitted after the original due date of the return, compute interest on the late payment in accordance with Section 40-1-44, *Code of Alabama 1975*, and enter the interest amounts in the applicable columns.

**LINE 3** – If the 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 or \$50). The tax due if not paid by the original due date of the return will be subject to a failure to timely pay penalty of 1% per month (for a maximum of 25%), which should be entered on line 3.

**LINE 4** – Total amount of tax, interest, and penalty due. (Add lines 1 through 3)

**LINE 5a** – Enter the amount of overpayment as shown on the Form PTE-C return for the previous tax year.

**LINE 5b** – Enter the total amount of estimated tax payments and automatic extension payments made for the tax year.

**LINE 5c** – Enter the amount of composite payments made on behalf of the entity for the tax year. Please provide the name and FEIN of the entity making the composite payment(s) – if multiple payers, please attach a listing to the return.

**LINE 5d** – Enter the total amount of all payments/credits. (Add lines 5a through 5c.)

**LINE 6** – Amount to be Remitted or (Overpayment)

Enter the amount to be remitted or overpayment by subtracting line 5d from line 4. A positive amount represents an amount due. A negative amount represents an overpayment.

Form PTE-V must accompany the payment unless the payment is made electronically. Complete the indicator on the return if the payment is made electronically.

**LINE 7a** – Enter the amount of overpayment to be credited to the following tax year.

**LINE 7b** – Enter the amount of overpayment to be refunded.

**PAGE 2** – Provide the requested information concerning the entity filing the composite return if a partnership or LLC.

## SCHEDULE PTE-CK1, LINES 1-11.

Schedule PTE-CK1 serves as the third page of Alabama Form PTE-C, and summarizes the required information concerning nonresident shareholders and owners. Give complete information regarding each nonresident owner/shareholder as requested in columns (A), (B), (C), (D), (E), (F), (G), and (H). Column (C) should indicate one of the following: I = individual; F = trust/estate; P = partnership, LTD, LLC, LLP; S = S corporation, E = exempt entity; C = corporation; IRA = individual retirement arrangement; FGOV = foreign government or DE = disregarded entity.

Column (E) should include the amount of each nonresident owner's/shareholder's pro rata share of nonseparately stated income plus portfolio income allocated and apportioned to Alabama as reported on Schedule K-1, Line M and Line Q. Column (E) should not include separately stated items of loss, deduction or expense which are subject to other limitations on the individual's return. The pro rata share of these items can only be taken on the nonresident tax form. If a nonresident owner/shareholder has a loss, do not include him/her on Form PTE-C unless the loss is used to offset guaranteed payment(s).

Column (F) should include the amount of each Subchapter K owner's guaranteed payments allocated and apportioned to Alabama. Column (G) should be the total of Columns (E) and (F). Column (H) should be the amount from Column (G) multiplied by 5%.

If this report covers more than eleven (11) nonresident owners, attach additional pages providing the same information as requested on Schedule PTE-CK1. The totals from the additional pages of Schedule PTE-CK1 should be combined and reported on line 13 of Schedule PTE-CK1.

**LINE 12** – Enter the totals from Page 3, columns (E) through (H).

**LINE 13** – Enter the total from any additional pages of PTE-CK1, columns (E) through (H).

**LINE 14** – Enter the totals columns (E) through (G), (lines 12 + 13).

**LINE 14H** – Add lines 12 and 13, column H and enter here and on Page 1, line 1.

**Unless Schedule PTE-CK1 is attached, this return is considered incomplete.**

**Note:** For entities needing additional information about composite filing requirements for Affordable Rental Housing Developments and Publicly Traded Partnerships, please call (334) 242-1033.