

# Alabama Business Privilege Tax TY2007 Forms and Schedules Preparation Instructions

PREPARED BY THE  
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Business Privilege Tax Unit  
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# TY2007 Alabama Form CPT

## Alabama Business Privilege Tax Return and Annual Report Preparation Instructions

Form CPT is to be filed by only C-corporations and certain other taxpayers, as specified on the form (see the top of page 1).

### 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.

C-corporations, financial institution groups, insurance companies, REITs, and business trusts must file Alabama Form CPT. Limited liability entities taxed as corporations for federal income tax purposes must also file Alabama Form CPT.

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

**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...”*

**Limited liability entity 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...”*

### Required Attachments to the Alabama Form CPT:

- A copy of page 1 through 4 of the federal tax return.
- Insurance companies must attach pages 1 through 8 of the federal return in addition to a copy of the balance sheet.
- For taxpayers doing business in Alabama and outside the State of Alabama (multistate taxpayers), a copy of the Alabama apportionment schedule (from Form 20C or Form ET-1 for the taxpayer's determination period).
- 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 CPT:

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 2007 Form CPT for a calendar year C-corporation would be due on March 15, 2007.

Generally, for all other taxpayers, 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.

See the Department's website ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) concerning Alabama Form PSE – the business privilege tax extension request.

### Mailing Address for the Form CPT:

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

### Type of Taxpayer

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

### Determination Period Used to Compute the Business Privilege Tax

**Lines 2a and 2b.** 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 Tax Year 2004 and 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.)

*EXAMPLE: For a calendar-year taxpayer filing a 2007 Form CPT, the determination period began on January 1, 2006, and ended on December 31, 2006. In line 2a would be entered 01/01/2006. In line 2b would be entered 12/31/2006. The taxpayer's net worth for the 2007 Form CPT would be computed from the taxpayer's December 31, 2006, 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.

## Taxable Year Information:

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

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

**Lines 2e.** Short Taxable Year Indicator. Check this box if the taxable year is a short year.

**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 the preparation instructions for 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 18, page 2, Form CPT.

## Taxpayer Information:

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

**Line 3b.** Enter the taxpayer's Federal Employer Identification Number (FEIN). Enter "Applied for" if an FEIN will be assigned to the taxpayer. Enter "Not Required" if an FEIN will not be assigned to the taxpayer.

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

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

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

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

**Line 3g.** 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.

## Return Information:

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

**Line 4b.** Check this box 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 4c.** Check this box 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 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.

Enter \$10.00, the amount of the Secretary of State's corporate annual report fee. A completed Alabama Schedule AL-CAR, Alabama Secretary of State Corporate Annual Report must also be attached. The return will not be considered complete unless the required Alabama Schedule AL-CAR is attached (with the exception of initial returns, which do not require an Alabama Schedule AL-CAR).

A Financial Institution Group filing a consolidated Form CPT would enter an amount equal to the number of Schedule AL-CAR's attached for corporate group members multiplied by \$10.00.

**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 shown paid for the taxable year on 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 20 (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.

**Note Concerning Financial Institution Groups.** *Financial Institution Groups filing a consolidated business privilege tax return, in accordance with Section 40-14A-22(f), Code of Alabama 1975, must enter on line 10, the Privilege Tax Due computed on Alabama Schedule G, Financial Institution Group Computation Schedule. Financial Institution Group members filing a separate Alabama business privilege tax return must enter on line 10, the Privilege Tax Due computed on Alabama Schedule G, Financial Institution Group Computation Schedule. See the instructions for Alabama Schedule G, Alabama Business Privilege Tax Financial Institution Group Computation Schedule.*

**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 shown paid for the taxable year on 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.

**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 [www.revenue.alabama.gov/eff/effindex.html](http://www.revenue.alabama.gov/eff/effindex.html).

### EFT Unit's Mailing Address

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

### Instructions for Form CPT, Page 2

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

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

**Line 1c – Determination Period End Date/Balance Sheet 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 2b.

### Part A – Net Worth Computation:

**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. If the taxpayer does not issue stock or if the taxpayer is either a business trust or a limited liability entity taxed as a corporation for federal tax purposes, enter the book value of the taxpayer's assets and liabilities (assets minus liabilities). 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. The amount entered on line 3 must not be less than zero.

**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 Net Worth.** Enter the sum of lines 1 through 4.

### Part B – Privilege Tax Exclusions and Deductions:

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

**Line 1.** Enter the Total Net Worth from line 5, Part A.

**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. This exclusion is not available for the book value of security (as defined in Internal Revenue Code Section 1236) held by a dealer in securities (as referred to in Internal Revenue Code Section 1236) primarily for sale to customers in the ordinary course of its trade or business.

**Line 3.** This exclusion is only available to financial institutions. Financial institutions should enter the total book value amount for the investment the financial institution taxpayer has in the equity of other entities not doing business in Alabama. The financial institution taxpayer must have an ownership percentage in the other entity of more



than 50%. Section 40-14A-23(g), **Code of Alabama 1975**, provides additional information concerning the exclusion. Attach a listing providing for each separate investment, the name of the entity, the entity's FEIN, the entity's address, and the book value of the investment. The return will not be considered complete without the listing.

**Line 4.** Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of goodwill and core deposit intangibles that resulted from a direct purchase of another corporation or limited liability entity. For goodwill, 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.

**Line 5.** Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of post-retirement benefits, which the taxpayer elected to amortize under Financial Accounting Standards Board (FASB) Statement Number 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. The statement was issued in December 1990, and focuses principally on postretirement health care benefits.

**Line 6.** This exclusion is only available to financial institutions. Financial institutions should enter the total amount that the net worth (computed in accordance with lines 1 through 5, above) exceeds 6% of the total assets of the financial institution taxpayer. Attach a computation of the amount claimed as this exclusion.

**Line 7 – Total Exclusions.** Enter the total of lines 2 through 6.

## Net Worth Apportionment

**Line 8 – Net Worth Subject to Apportionment.** Enter the difference in line 1 (Total Net Worth) and line 7 (Total Exclusions).

**Line 9 – 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.

The apportionment factor to be used by insurance companies, subject to Alabama's insurance premiums tax law (Chapter 4A, Title 27, **Code of Alabama 1975**) shall be the ratio of the insurer's Alabama premium income to its nationwide total direct premiums as reflected on schedule T of the insurer's annual statement filed with the Commissioner of Insurance for the then immediately preceding calendar year. Taxpayers must attach a copy of the schedule T filed with the Commissioner of Insurance.

Taxpayers required to file an Alabama business privilege tax return,

but were not required to file a tax return in accordance with Alabama's income tax law or financial institutions excise tax law, and were not subject to Alabama's insurance premiums tax law, must compute the apportionment factor as if the taxpayer were subject to Alabama's income tax law. Taxpayers computing the apportionment factor in this manner must attach a computation of the apportionment factor.

**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 should be used as the apportionment factor for initial returns.

**Line 10 – Total Alabama Net Worth.** Multiply line 8 (Net Worth Subject to Apportionment) by line 9 (Apportionment Factor).

## Deductions

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

**Line 11.** 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 schedule listing 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.

This deduction is not available to dealers in securities (those subject to the requirements of Internal Revenue Code Section 1236) for the book value of bonds and securities held by the dealer primarily for sale to customers in the ordinary course of its trade or business.

**Line 12.** 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.

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

**Line 13.** 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 14.** 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. The taxpayer must attach a schedule listing 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.

**Line 15 – Total Deductions.** Enter the total of lines 11 through 14.

## Part B – Computation of Privilege Tax Due:

**Line 16 – Taxable Alabama Net Worth.** Enter the difference between line 10 (Total Alabama Net Worth) and Line 15 (Total Deductions).

**Line 17a – Federal Taxable Income.** Enter the federal taxable income used to determine the Tax Rate (see line 17b) which is applied to the Taxable Alabama Net Worth (see line 16) to arrive at the Gross Privilege Tax Calculated (see line 18).

The tax rate used to compute the business privilege tax is based upon the taxpayer's federal taxable income, as required by Section 40-14A-22, **Code of Alabama 1975**. C-corporations are to use their federal taxable income before net operating losses and special deductions for the federal taxable income columns of the tax rate table, shown below. The federal taxable income shall be apportioned in accordance with Chapter 27, Title 40, **Code of Alabama 1975**. The deduction for federal income tax is not allowed in computing the federal taxable income amount. C-corporations filing as members of an Alabama affiliated group must determine federal taxable income on a separate company basis.

### Line 17b – Tax Rate.

The tax rate is specified in Section 40-14A-22(b), **Code of Alabama 1975**, and is determined using the following table:

Federal Taxable Income of the Taxpayer			Amount of tax per \$1,000 of Taxable Alabama Net Worth
More Than or Equal to	But Less Than	Tax Rate	
—	\$ 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

### Line 18 – Gross Privilege Tax Calculated.

Multiply line 16 (Taxable Alabama Net Worth) by line 17b (Tax Rate).

*Example:*

Line 16 – Taxable Alabama Net Worth	\$1,000,000
Line 17a – Federal Taxable Income	\$ 250,000
Line 17b – Tax Rate	.00125
Line 18 – 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 <b>Short year factor</b>
Line 18 – Gross Privilege Tax Calculated	\$616

**Line 19 – 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 20 – Privilege Tax Due.** Enter the difference between line 18 and line 19, but not less than \$100, the minimum amount of the tax. This amount is also entered on page 1 of Form CPT on line 10, in the Computation of Amount Due or Refund Due area of the page.

## Maximum Privilege Tax:

Financial Institution Groups have a \$3,000,000 maximum levy for the Alabama Business Privilege Tax. See Section 40-14A-22, **Code of Alabama 1975**.

Insurance companies subject to the insurance premium taxes levied by Chapter 4A Title 27, **Code of Alabama 1975**, have a \$3,000,000 maximum levy for the Alabama Business Privilege Tax. See Section 40-14A-22, **Code of Alabama 1975**.

C-corporations and LLEs taxed as corporations have a \$15,000 maximum levy for the Alabama Business Privilege Tax. See Section 40-14A-22, **Code of Alabama 1975**.

Section 40-14A-22(d), **Code of Alabama 1975**, establishes a maximum business privilege tax levy of \$100 for any corporation organized as a not-for-profit corporation that does not engage in any business other than holding title to property and paying the expenses thereof, including, without limitation, a property owner's association or a corporation organized solely to hold title to property on a temporary basis.

## Minimum Privilege Tax:

Section 40-14A-22(c), **Code of Alabama 1975**, establishes a minimum business privilege tax levy of \$100 for C-corporations, LLEs taxed as corporations, insurance companies and REITs – even for business privilege tax years that are short years.

The minimum business privilege tax levy for financial institution groups is established by Section 40-14A-22(f), **Code of Alabama 1975**. Section 40-14A-22(f) defines the terms: affiliated groups; financial institutions; and, financial institution groups. The section explains how the business privilege tax is computed for a financial institution group and how the minimum business privilege tax is computed for a financial institution group.

# TY2007 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 has qualified with the Alabama Secretary of State 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...”*

### 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 (multistate taxpayers), a copy of the Alabama apportionment schedule (from Form 20S or Form 65 for the taxpayer’s determination period).
- 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 2007 Form PPT for a calendar year S-corporation would be due on March 15, 2007.

Generally, for all other taxpayers (noncorporate taxpayers), 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 2007 Form PPT for a calendar year limited liability entity would be due on April 16, 2007.

See the Department’s website ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) concerning extension requests for Alabama business privilege tax returns (Alabama Form PSE).

### Mailing Address for the Form PPT:

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

### Type of Taxpayer:

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

### Determination Period Used to Compute the Business Privilege Tax

**Lines 2a. and 2b.** 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 (TY2004 and prior) 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 2007 Form PPT, the determination period began on January 1, 2006, and ended on December 31, 2006. In line 2a would be entered 01/01/2006. In line 2b would be entered 12/31/2006. The taxpayer’s net worth for the 2007 Form PPT would be computed from the taxpayer’s December 31, 2006, 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.



## Taxable Year Information:

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

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

**Lines 2e.** 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, Part II, page 2, Form PPT.

## Taxpayer Information:

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

**Line 3b.** Enter the taxpayer's Federal Employer Identification Number (FEIN). Enter "Applied for" if a FEIN will be assigned to the taxpayer. Enter "Not Required" if a FEIN will not be assigned to the taxpayer. Single member limited liability companies should not use their owner's FEIN or social security number.

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

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

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

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

**Line 3g.** 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.

## Return Information:

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

**Line 4b.** 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 4c.** 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.

**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 shown paid for the taxable year on 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 shown paid for the taxable year on 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.

**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 [www.revenue.alabama.gov/efteftindex.html](http://www.revenue.alabama.gov/efteftindex.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 1a.** Enter the taxpayer's Federal Employer Identification Number (FEIN), if the taxpayer does not have a FEIN, enter the same information as is entered on page 1, line 3b.

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

**Line 1c – 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 2b (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.** 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 during the determination period, 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.

### 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 amount 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.** 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 during the determination period, 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.

### 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.

**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.** 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 during the determination period, 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 supporting any exclusion claimed on the 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 (as defined in

Internal Revenue Code Section 1236) held by a dealer in securities (as referred to in Internal Revenue Code Section 1236) primarily for sale to customers in the ordinary course of its trade or business.

**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.

**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).

**Deductions** – Deductions are allowed by Section 40-14A-24(b), **Code of Alabama 1975**. Attach documentation supporting any deduction claimed on the 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 to dealers in securities (those subject to the requirements of Internal Revenue Code Section 1236) for the book value of bonds and securities held by the dealer primarily for sale to customers in the ordinary course of its trade or business.

**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.

**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.

**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

More Than or Equal to	But Less Than	Tax Rate	Amount of tax per \$1,000 of Taxable Alabama Net Worth
—	\$ 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



# Alabama Schedule AL-CAR

## Secretary of State

### Corporation Annual Report

#### 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 <b>Short year factor</b>
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.

#### 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.

Section 10-2B-16.22, *Code of Alabama 1975*, requires domestic and foreign corporations to file an annual report with the Alabama Secretary of State. The Alabama Schedule AL-CAR, submitted by corporations with Alabama Form CPT and Alabama Form PPT, is a means for corporations to satisfy that reporting requirement.

#### Preparation Instructions

**Line 1a – FEIN.** Enter the Federal Employer Identification Number (FEIN) of the corporation.

**Line 1b – Legal Name.** Enter the legal name of the corporation. Please note this schedule cannot be used to change the legal name of a corporation.

**Line 1c – Contact Person Concerning This Form.** Enter the name of the person that is knowledgeable of the information provided on the form. Providing the contact person’s name and phone number can facilitate the resolution of possible processing errors.

**Line 1d – Contact Person’s Phone Number.** Enter the contact person’s telephone number. Providing the contact person’s name and phone number can facilitate the resolution of possible processing errors.

**Line 2a – County of Incorporation for All Alabama Entities.** Enter the Alabama county of incorporation, if the corporation was incorporated in Alabama.

**Line 2b – State or Country of Incorporation for All Foreign Entities.** Enter the state or country of incorporation, if the corporation is a foreign corporation.

**Line 3a – Date of Qualification in Alabama for Foreign Entities.** Enter the date the corporation qualified to do business in Alabama.

**Line 3b – Date of Incorporation for All Entities.** Enter the date of incorporation.

**Line 3c – Telephone Number of Taxpayer.** Enter the telephone number of the corporation.

**Line 4a – Name of Registered Agent in Alabama.** Enter the name of the registered agent in Alabama. This form cannot be used to change the registered agent of a corporation.

**Line 4b – FEIN or Social Security Number.** Enter the FEIN or social security number of the registered agent.

**Line 4c – Street Address.** Enter the street address or mailing address of the registered agent.

**Line 4d – City, State, and Zip Code.** Enter the city, state and zip code of the registered agent.

**Line 5a – Name of Corporate President.** Enter the name of the current corporate president. Please check the update box on this line, if there is a change in corporate president. Please also check the corporate president update box (line 4b) on page 1 of the Form CPT or the Form PPT, whichever is filed by the corporation.

**Line 5b – Social Security Number.** Enter the social security number of the current corporate president.

**Line 5c – Street Address.** Enter the street address or mailing address of the current corporate president.

**Line 5d – City, State and Zip Code.** Enter the city, state, and zip code of the current corporate president.

**Line 6a – Name of Corporate Secretary.** Enter the name of the current corporate secretary. Please check the update box on this line, if there is a change in corporate secretary. Please also check the corporate secretary update box (line 4c) on page 1 of the Form CPT or the Form PPT, whichever is filed by the corporation.

**Line 6b – Social Security Number.** Enter the social security number of the current corporate secretary.

**Line 6c – Street Address.** Enter the street address or mailing address of the current corporate secretary.

**Line 6d – City, State and Zip Code.** Enter the city, state, and zip code of the current corporate secretary.

**Line 7 – Kind of Business Done in Alabama.** Please provide a brief statement of the character of business in which the corporation is engaged in the State of Alabama.

**Line 8 – Mailing Address of the Principal Place of Business in Alabama.** Please provide the mailing address for the principal place of business in Alabama.

**Line 9 – Kind of Business Done Generally.** Please provide a brief statement of the general character of business in which the corporation is engaged.

**Line 10 – Mailing Address of the Principal Office and Place of Business if Outside the State of Alabama.** Please provide the mailing address for the principal place of business, if it is located outside of Alabama.

## Alabama Schedule BPT-IN

### Initial Privilege Tax Computation Schedule

Section 40-14A-29, *Code of Alabama 1975*, requires newly organized corporations, limited liability entities, and disregarded entities to file an initial business privilege tax return and to pay the business privilege tax reported on the return, within two and one-half months after organization.

Corporations, limited liability entities, and disregarded entities organized outside of Alabama, but qualifying with the Alabama Secretary of State to do business in Alabama, must file an initial business privilege tax return and pay the business privilege tax reported on the return, within two and one-half months after the date of qualification.

The initial return generally consists of a Form CPT, for C-corporations, or a Form PPT, for pass-through entities, in addition to a properly completed Alabama Schedule BPT-IN, Initial Privilege Tax Computation Schedule. An Alabama Schedule AL-CAR, the corporate annual report, is not required for an initial return.

The preparation of the Form CPT and the Form PPT differs for an initial return, as follows:

**1. Determination Period Dates.** Line 2a and 2b on page 1 of the Form CPT or Form PPT (the Determination Period Beginning Date and Ending Dates) should be the date of incorporation or organization for corporations, limited liability entities, and disregarded entities organized in Alabama. For corporations, limited liability entities, and disregarded entities organized outside the State of Alabama, line 2a and 2b of the Form CPT or Form PPT should be the date the entities qualified with the Alabama Secretary of State to do business in Alabama.

**2. Apportionment Factor.** The apportionment factor used on the initial return is based solely on the ratio of property located in Alabama to total property owned by the taxpayer (which includes property located outside of Alabama). The apportionment factor is computed as of the date of organization, if organized in Alabama, or the date the entity qualified with the Alabama Secretary of State, if a foreign entity. See the instructions for apportionment factors – line 9, Part B, page 2, Form CPT and line 7, Part B, page 2, Form PPT.

**3. Possible Short Taxable Year Proration of Privilege Tax.** If the initial return is for a short taxable year (the period of time between the date organized or qualified and the last day of the taxable year is less than one year), the business privilege tax is prorated over the short period. The business privilege tax for a short taxable year will never be less than \$100.

### Preparation Instructions

**Line 1a – FEIN.** Enter the Federal Employer Identification Number (FEIN) of the entity.

**Line 1b – Name.** Enter the legal name of the entity.

**Line 1c – Determination Period Ending Date.** Enter the date the entity was incorporated or organized in Alabama. If the entity was organized outside the State of Alabama, enter the date the entity qualified with the Alabama Secretary of State to do business in Alabama. Complete Parts A and B of Form CPT or Form PPT, whichever is applicable, as of the Determination Period Ending Date.

For example, if a corporation is incorporated on April 1, 2007, then the date that would be entered on line 1c, as the Determination Period Ending Date, would be 04/01/07.

**Line 1d – Short Taxable Year Return Indicator.** Check this box if the period of time between date of organization or qualification until the end of the taxpayer's taxable year is less than a year. An example of a short year would be where a corporation incorporated on April 1, 2007, but is intending (or is possibly required) to have a December 31st taxable year end.

**Line 2 – Taxable Alabama Net Worth.** Compute Taxable Alabama Net Worth (Line 16, page 2, Form CPT and Line 15, page 2, Form PPT) in accordance with the instructions for the applicable form. Please note the apportionment factor for initial returns differs from the apportionment factor for the annual business privilege tax returns. Preparation instructions for Form CPT and Form PPT provide instructions concerning the apportionment factor used to compute the Alabama business privilege tax. The instructions provide an explanation of the property-only apportionment factor required for initial returns.

**Line 3 – Tax Rate.** The tax rate for initial privilege tax computations is always .00025.

**Line 4 – Gross Tax Due.** Multiply line 2 (Taxable Alabama Net Worth) by line 3 (Tax Rate).

**Line 5 – Ratio of Days Remaining in the Calendar Year Divided by 365.** Enter the ratio of the number of days remaining in the calendar year or, if different, the number of days remaining in the taxpayer's taxable year, to 365. This ratio will allow the business privilege tax to be prorated to the short taxable year.

**Line 6 – Tax Due.** Multiply line 4 (Gross Tax Due) by line 5 (Ratio of Days Remaining in Taxable Year). Line 6 cannot be less than \$100. The amount computed for line 6 should also be entered on page 2, line 20, of Form CPT or page 2, line 19, of Form PPT, whichever is applicable.

**Line 7a – Contact Person Concerning this Form.** Enter the name of the person who can answer questions concerning the preparation of this form.

**Line 7b – Contact Person's Phone Number.** Enter the phone number of the person who can answer questions concerning the preparation of this form.

**Line 8a – County of Incorporation or Organization for All Alabama Entities.** Enter the Alabama county of incorporation or organization, if the entity was incorporated or formed in Alabama.

**Line 8b – State or Country of Incorporation or Organization for All Foreign Entities.** Enter the state or country of incorporation or organization, if the entity was not incorporated or formed in Alabama.

**Line 9a – Date of Qualification or Registration in Alabama for Foreign Entities.** Enter the date the entity qualified with the Alabama Secretary of State to do business in Alabama.

**Line 9b – Date of Incorporation or Organization for All Entities.** Enter the date of incorporation or organization.

**Line 9c – Telephone Number of Taxpayer.** Enter the telephone number of the taxpayer's primary office.

**Line 10a – Name of Registered Agent in Alabama.** Enter the name of the registered agent in Alabama. This form cannot be used to change the registered agent of a corporation.

**Line 10b – FEIN or Social Security Number.** Enter the FEIN or social security number of the registered agent.

**Line 10c – Street Address.** Enter the street address or mailing address of the registered agent.

**Line 10d – City, State, and Zip Code.** Enter the city, state and zip code of the registered agent.

**Line 11a – Name of Corporate President.** Enter the name of the current corporate president.

**Line 11b – Social Security Number.** Enter the social security number of the current corporate president.

**Line 11c – Street Address.** Enter the street address or mailing address of the current corporate president.

**Line 11d – City, State and Zip Code.** Enter the city, state, and zip code of the current corporate president.

**Line 12a – Name of Corporate Secretary.** Enter the name of the current corporate secretary.

**Line 12b – Social Security Number.** Enter the social security number of the current corporate secretary.

**Line 12c – Street Address.** Enter the street address or mailing address of the current corporate secretary.

**Line 12d – City, State and Zip Code.** Enter the city, state, and zip code of the current corporate secretary.

**Line 13 – Kind of Business Done in Alabama.** Please provide a brief statement of the character of business in which the entity is engaged in the State of Alabama.

**Line 14 – Principal Place of Business in Alabama.** Please provide the mailing address for the principal place of business in Alabama.

**Line 15 – Kind of Business Done Generally.** Please provide a brief statement of the general character of business in which the entity is engaged.

**Line 16 – Principal Office and Place of Business if Outside the State of Alabama.** Please provide the mailing address for the principal place of business, if it is located outside of Alabama.