

INSTRUCTIONS FOR THE PREPARATION OF
ALABAMA DEPARTMENT OF REVENUE
Form PTE-C and Schedule PTE-CK1
Nonresident Composite Payment Return

2008

An Alabama Subchapter K entity/S corporation may file composite returns and make composite payments on behalf of some or all of its nonresident owners/shareholders if there are one or more nonresident owners/shareholders during any part of the taxable year (determined without regard to extensions).

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

Form PTE-C and other information are available on the internet from our Web site at www.revenue.alabama.gov.

Nonresident Agreements (Schedule NRA)

An Alabama Subchapter K entity/S corporation may file the agreement of each nonresident owner/shareholder of the entity (1) to file a return and make timely payments of all taxes imposed on the owner/shareholder with respect to the income of the Alabama Subchapter K entity/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 owner/shareholder. A Subchapter K entity/S corporation is not required to make a composite payment for any nonresident owner/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 owner/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.

Failure of Nonresident Owner in Pass Through Entity to Timely File

If the nonresident owner that has filed a NRA does not pay the tax due at the required time, the Pass Through entity 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 non-corporate nonresident owners and 6.5% for all corporate nonresident owners.

General Instructions

Period Covered

File the 2008 return for calendar year 2008 and fiscal years that begin in 2008 and end in 2009.

Original Due Date

The calendar year return is due on or before April 15, 2009 for Subchapter K entities. The calendar year return is due on or before March 15, 2009 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.)

Subchapter K entities, Corporations, Trust, and Estates with income from Alabama are required to file a separate return. Form PTE-C (composite return) does not satisfy the filing requirement for Subchapter K entities, Corporations, Trusts, or Estates. For more information/instructions call ADOR at 334-242-1033.

Extension

A six month extension of time for filing Form PTE-C will be 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.

Estimates

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

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 15, 2009 for Subchapter K entities. The total tax liability on the calendar year composite return is due on or before March 15, 2009 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. 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 BIT-V when payment is mailed.

Section 41-1-20, **Code of Alabama, 1975** requires the use of **Electronic Funds Transfer (EFT)** for all single tax payments of \$750 or more. Taxpayers must register to use EFT and substantial penalties can be assessed for noncompliance. Call the Alabama Department of Revenue EFT Hotline at (334) 242-0192 or 1-800-322-4106, option 7 for further information. Form BIT-V is not required when payment is made by EFT.

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

At the top, right-hand corner, check the appropriate box indicating calendar year, fiscal year, or short-year. Fill in the blanks indicating the beginning and ending dates of the tax period if the return is for a fiscal year or short period. Check the appropriate box indicating a Subchapter K entity or S corporation. Check the box if this form serves as an amendment. Enter the Federal Employer Identification Number (FEIN), Federal Business Code, name 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 2 of PTE-C for every non-corporate nonresident owner/shareholder. Enter the total amount of tax due from Schedule PTE-CK1, page 2 of PTE-C for every corporate nonresident owner.

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 in the applicable columns a failure to timely file penalty (the greater of 10% of the amount of net tax due or \$50). The tax due and 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 in the applicable columns.

LINE 4 – Total amount of tax, interest, and penalty due. (Add lines 1 through 3 in each column and enter the total in each column)

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

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

LINE 5c – Enter in the applicable columns 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 in each column.)

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

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

NOTE: Interest, Penalties, and Credits must be calculated and applied separately for the non-corporate owners/shareholders and corporate owners.

LINE 6b – Total Amount to be Remitted

Enter in the line 6b the sum of the amounts entered in the two columns on line 6a, if the amount is a positive number.

Form BIT-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 – Total Overpayment

Enter in the line 7a the sum of the amounts entered in the two columns on line 6a, if the resulting amount is a negative number.

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

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

SCHEDULE PTE-CK1, LINES 1-11.

Schedule PTE-CK1 serves as the second page of Alabama Form PTE-C, and summarizes the requested 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; T = trust; P = partnership, Ltd, LLC, LLP; S = S corporation, or C = C corporation. Column (D) 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 (F) should include the amount of each nonresident owner's pro rata share of the Alabama Subchapter K entity income plus guaranteed payments allocated and apportioned to Alabama for Subchapter K entities. Column (F) should include the amount of each nonresident owner's pro rata share of the Alabama S corporation income for S corporations. Separately stated items of loss, deduction, or expense which are subject to other limitations on the individual's return including but not limited to, federal income tax, contributions, investment interest expense, capital credits, gas and oil depletion, natural resources other than gas and oil depletion, and casualty losses are not included on the Form PTE-C. The owner's/shareholder's pro rata share of these items can only be taken on the nonresident individual return, Form 40NR. If a nonresident owner/shareholder has a loss, do not include the owner/shareholder on Form PTE-C. However, if a nonresident owner has a loss **and** has guaranteed payment(s), the owner may be included on Form PTE-C and the loss can be used to offset the guaranteed payment(s).

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.

If this report covers more than fifty (50) nonresident owners, submit Schedule PTE-CK1 on CD-Rom in Excel format. All substitute PTE-CK1 schedules must include the same information and be in the same format as requested in lines 1 through 11.

LINE 12 – Enter the totals from Page 2, columns (D) through (H).

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

LINE 14 – Enter the totals columns (D) through (F), (lines 12 + 13).

LINE 14G – Add lines 12 and 13, column G and enter here and on Page 1, line 1 under non-corporation owners/shareholders of Form PTE-C.

LINE 14H – Add lines 12 and 13, column H and enter here and on Page 1, line 1 under corporate owners of Form PTE-C.

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