

What's New for 2010

Estimated Income Tax Payments. Act 2010-568, effective 4/22/10, lowered the estimated tax filing and payment threshold for corporate taxpayers. A corporation that has an Alabama income tax liability in excess of \$500 must pay estimated tax. See Estimate/Extension/Informational Requirements.

Direct Deposit. For the 2010 tax year, Direct Deposit is available for electronically filed Alabama Form 20C-C returns. See page 3 of these instructions.

My Alabama Taxes (MAT). My Alabama Taxes (MAT) is now available. 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.

All taxpayers who choose to register for MAT will have the ability to manage and monitor their tax accounts. The following functions can be performed depending on the type of tax account:

- View account balance and activity
- Change account information such as name and address
- Make a payment

Taxpayers will also have the ability to specify an authorized agent(s) to access MAT on their behalf. Also available is a messaging capability. For further information, contact the Alabama Department of Revenue, P.O. Box 327900, Montgomery, AL 36132-7900 or call (334)-242-1200.

Mandatory E-file of Original Corporate Income Tax Returns. Effective March 04, 2010, the Alabama Department of Revenue (ADOR) mandated a required E-file provision for original corporate income tax returns. The mandate requirements for tax preparers will be "phased" in over a 2 year period which started January 01, 2009. See Regulations 810-3-39-.12 and 810-3-39-.13 on the Department's Web site at www.revenue.alabama.gov for further information.

- If an income tax return preparer prepared 125 or more acceptable, original corporate income tax returns using tax preparation software in calendar year 2009 and 50 or more acceptable corporate income tax returns using tax preparation software in calendar year 2010, then for the calendar year 2010 all acceptable corporate income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act", as codified in Chapter 30 of Title 40, *Code of Alabama 1975*.

- If an income tax return preparer prepares 25 or more acceptable, original corporate income tax returns using tax preparation software in calendar year 2011, then for that calendar year and for each subsequent calendar year thereafter, all acceptable corporate income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act", as codified in Chapter 30 of Title 40, *Code of Alabama 1975*.

- A Tax Year 2008 Corporation with assets of \$10 million or more, mandated to e-file with the IRS is also mandated to e-file Tax Year 2009 Alabama corporate income tax returns and all subsequent tax years.

- A Tax Year 2009 Corporation with assets of \$5 million or more is mandated to e-file Tax Year 2010 Alabama corporate income tax return and all subsequent tax years.

General Information For Consolidated Filing:

An AAG, Alabama Affiliated Group, may elect to file an Alabama consolidated return. An Alabama consolidated return means an Alabama corporate income

tax return filed by or on behalf of the members of an AAG. The election is made by filing Form 20C-CRE (Election to File Consolidated Corporate Income Tax Return). The completed election form must be submitted to the Department on or before the due date, with extensions, for the first taxable year for which the election is applicable. If the common parent (for federal income tax purposes) is not a member of the AAG, the members shall designate to the Department which member of the group shall serve as the AAG's common parent for Alabama. (The parent must be an Alabama nexus group member). The consolidated election is binding and irrevocable for a period of 120 consecutive months (10 years), beginning with the first month of the taxable year for which the election is made and ending with the conclusion of the taxable year in which the 120th consecutive month expires.

In accordance with §40-18-39, for tax periods beginning January 1, 2002, and after, AAG means a group of corporations, each member of which is subject to tax under §40-18-31 and Public Law 86-272 which are members of an Affiliated Group for Federal purposes and file a Federal Consolidated Corporate Income Tax Return. Each member (including the Alabama designated common parent corporation) shall allocate and apportion their Alabama taxable income and losses separately, using separate apportionment factors and file using the Proforma Form 20C. The sum of the separate company Alabama taxable income amounts (Sum of line 14, of all Proforma Form 20C's) are then brought forward to line 1 of the Alabama Consolidated Corporate Income Tax Return (Form 20C-C) and reported on this single Alabama return for the AAG. Form 20C-C, Consolidated Corporate Income Tax Return, must be filed by all AAGs with a binding consolidated election. All transactions between and among members of the AAG shall be reported on an arms length basis. In addition to the separate company calculation, there may be additional expense items with limitations based on Alabama consolidated taxable income. Credits are not allowed to exceed Alabama consolidated taxable income.

Estimate/Extension/Informational Requirements for AAG's:

All payments made on behalf of or for the AAG are to be paid for and credited to the account of the AAG parent corporation. Any AAG, which has an Alabama income tax liability in the excess of \$500 must pay estimated tax. The first payment is due by the 15th day of the 4th month of the taxable year. The 2nd, 3rd, and 4th payments are due by the 15th day of the 6th, 9th, and 12th months, respectively. If an installment is due on a Saturday, Sunday, or state holiday, payments made on the next day that is not a Saturday, Sunday, or legal holiday are considered made on the due date to the extent the payment is applied against that required installment.

The amount of required installments shall be 25 percent of the required annual payment. Required annual payment generally means the lesser of a) 100 percent of the tax shown on the return for the taxable year, or b) 100 percent of the tax shown on the return of the corporation for the preceding taxable year. The prior period exception shall not apply if the preceding taxable year was not a taxable year of 12 months or the corporation did not file a return for such preceding taxable year showing a liability for tax. Refer to Alabama Code Section 40-18-80-1.

Form 2220AL. Relief from the interest and penalty due on underpayment of estimated tax may be granted to eligible taxpayers who file Alabama Form 2220AL and meet one of the exceptions below.

- A corporation computed their required quarterly installments using an ap-

proved federal method (**annualized or seasonal**).

- A **Large Corporation** is allowed to base its first quarter installment on the prior year tax liability.
- An exception to the first and second quarter estimate requirement will be allowed if the **2010 Tax Liability** is between \$500 and \$4,999 for tax payments that fall between January 1, 2010 and April 22, 2010.

Remit estimated tax and automatic extension payments using Form BIT-V, if the payment is less than \$750, and/or is mailed to the Department. Payments over \$750 must be remitted electronically. Form BIT-V is not required if the payment is made electronically. To obtain Form BIT-V visit our Web site at www.revenue.alabama.gov.

Where To File/Payment of Tax:

The total amount of the AAG's income tax liability for the period is due on or before the unextended due date of the return. If the return is to be filed under extension, any liability due should be remitted no later than the original due date of the return. Payments of \$750 or more must be made electronically. Payments less than \$750, may be remitted with Form BIT-V. **DO NOT MAIL FORM BIT-V IF THE PAYMENT WAS REMITTED ELECTRONICALLY.**

ELECTRONIC PAYMENT. §41-1-20 requires electronic payments for all single business tax payments of \$750 or more. Substantial penalties will be assessed for noncompliance.

Electronic Payment Options available:

- **ACH Debit** – Taxpayers making e-payments via ACH Debit must have a sign on ID and access code to login to the Alabama Department of Revenue (ADOR) Paperless Filing & Payment Systems. Visit our Web site at www.revenue.alabama.gov/cservlets.htm for additional information.

- **ACH Credit** – Taxpayers making e-payments via ACH Credit must be pre-approved by ADOR. To register, complete and submit Form EFT:001 entitled EFT Authorization Agreement Form. Visit our Web site at www.revenue.alabama.gov/eservices.htm for additional information.

- **Alabama Interactive** – The Department will accept e-payments for estimated and automatic extension payments through Alabama Interactive. Visit www.alabamainteractive.org/taxestimation/ or www.alabamainteractive.org/taxextension/.

- **Official Payments** – The Department will accept electronic check (e-check) and credit card payments through Official Payments Corporation on the Internet. Visit www.officialpayments.com/echeck. There is a convenience fee for credit card payments. The fee is based on the amount of the tax payment and is paid directly to Official Payments Corporation.

- **Link2Gov** – The Department will accept credit card payments through Link2Gov. You may choose to use your Discover/Novus, MasterCard, Visa or American Express card. There is a convenience fee for this service. The fee is based on the amount of the tax payment and is paid directly to Link2Gov.

- **Value Payment Systems** – The Department will accept credit card payments through Value Payment Systems. You may choose to use your Discover/Novus, MasterCard or Visa card. Value Payment Systems does not accept the American Express card but has a program called BillMeLater. There is a convenience fee for this service. The fee is based on the amount of the tax payment and is paid directly to Value Payment Systems.

Make check or money order payable to:

Alabama Department of Revenue

Write the AAG's federal employer identification number, the income tax form number or type of payment (i.e. Form 20C-C, automatic extension payment, estimated tax payment, etc.), and the tax year end on the check. Remit with a properly completed Form BIT-V if the payment is not made electronically.

Tax due and not paid on or before the due date will be subject to a failure to timely pay penalty of 1% per month, up to 25%, and will accrue interest at the rate provided in §40-1-44.

Mail Consolidated Returns and Payments to:

Alabama Department of Revenue
Consolidated Business Tax Compliance Unit (CBTCU)
P.O. Box 327437
Montgomery, AL 36132-7437
Telephone (334) 353-9448

How To File:

Short period returns are not required or allowed unless the taxpayer changes their accounting period or ceases to exist before the end of the tax year. A change in ownership does not prompt the end of a tax year for Alabama purposes. For example, if a corporation is purchased during a tax year by another corporation and the accounting period remains the same, for federal tax purposes, the corporation will file two short period returns. For Alabama purposes, the taxpayer should file one return for the entire year.

Corporations that either withdraw from doing business in the state prior to the end of the year or do not begin doing business in the state at the beginning of the tax year must file a full year return. Do not file a short year return. The tax year for the state return must be the same as the federal tax year. Income will be apportioned to Alabama using the apportionment factor.

DO NOT file Form 20C-C if you are not the parent of the Alabama Affiliated Group. Taxpayers filing consolidated Alabama corporate returns will submit completed proforma Forms 20C for each separate company include in the consolidated corporate group (including the Alabama designated common parent). A proforma Form 20C is a completed Form 20C with filing status 5 checked. See Alabama Form 20C Instructions for general instructions for using Form 20C Proforma returns.

REQUIRED ATTACHMENTS. For the return to be considered complete and properly filed, a signed copy of the consolidated federal return (Form 1120) must be attached. Failure to attach the complete consolidated federal return, as filed with the IRS, with the necessary supporting schedules, forms and statements (ex: Schedule D, Schedule UTP, Form 8886, Form 4797, balance sheet, supporting statements for other income and other deductions) may result in the imposition of delinquent penalties. In addition to the signed copy of the consolidated federal return, the following are required: 1) Federal Form 851, the federal affiliations schedule should be included and the names of those entities subject to Alabama tax should be identified. The names of the entities subject to Alabama tax can either be underlined, or identified by using an asterisk beside the name of the entity. 2) Copies of the supporting schedules, forms and statements filed as an attachment with the consolidated federal form should be included with the Alabama Form 20C-C. This would include items such as the consolidating income spreadsheets (including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules); the consolidating balance sheets (by separate company) for the beginning of the year and the end of the year; supporting statements for other income and other deductions (by separate company). **These support statements, forms and schedules should be copies of the actual documents provided to the Internal Revenue Service, not reproduced versions for state tax purposes.** The taxpayer is also required to include copies of Schedules K-1 for each entity the corporation held an interest in during the taxable year. Itemized depreciation schedules are not required to be attached to Form 20C, but should be maintained and available upon request.

Period Covered:

File the 2010 consolidated return for calendar year 2010 and for fiscal years or short-years that begin in 2010.

Signature:

The return must be signed by an authorized officer of the corporation. If the property or business is being operated by a receiver trustee in bankruptcy, or an

assignee, such person shall sign for the corporation. Enter the date signed and the title of the person whose signature is affixed. If the return is prepared by anyone other than an employee of the taxpayer, enter the signature and identification information of the preparer.

Specific Instructions

At the top, left-hand corner of page 1 check all applicable boxes if filing an initial, final, amended return, or address change.

At the top, right-hand corner of page 1 check the appropriate box indicating a calendar-year, fiscal-year, or short-year return. Fill in the blanks indicating the beginning and ending dates of the tax period if the return is for a fiscal year or a short year.

In the top center block of page 1, enter the AAG's common parent's federal business code number, its federal employer identification number (FEIN), name, address (with complete zip code), state of incorporation, common federal parent corporation name and the federal parent's FEIN, etc.

If notification of Final IRS change is attached, check the box.

If Federal Form 1120-REIT was filed, check the box.

If the Alabama Form 2220AL (which is used to compute underpayment of estimated taxes based on an allowable federal method) is attached, check the box.

BE SURE TO FILL OUT ALL APPLICABLE LINES ON PAGE 1 even if detailed schedules are attached. Failure to properly complete the return may result in delinquency penalties.

Line 1. Alabama taxable income (sum of all Proforma Form 20Cs, line 14).

Line 1a. Consolidated NOL (from Form 20C-C, Schedule B).

Line 1b. Alabama consolidated taxable income.

Line 2a. Enter the amount of total tax due (6.5% of line 1b).

Line 2b. A consolidated filing fee is due from an Alabama affiliated group which elects to file an Alabama consolidated return. Enter the amount from the table below:

§40-18-39(c)(8), *Code of Alabama 1975*, states, "An Alabama affiliated group that has made an Alabama consolidated return election under this subsection shall be assessed an annual fee for the privilege of filing an Alabama consolidated return.... The annual fee shall be a graduated fee based upon the aggregate amount of total assets, determined in accordance with Treasury Department Form 1120 or any successor form, of the Alabama affiliated group for the taxable year to which the fee relates, as set out below:

| Total Assets | Annual Fee |
|-----------------------------|------------|
| \$0 to \$2,500,000 | \$5,000 |
| \$2,500,001 to \$5,000,000 | \$10,000 |
| \$5,000,001 to \$7,500,000 | \$15,000 |
| \$7,500,001 to \$10,000,000 | \$20,000 |
| \$10,000,001 and over | \$25,000 |

Line 2c. Enter the amount of total tax due (sum of lines 2a and 2b).

Line 3. TAX PAYMENTS, CREDITS, AND DEFERRAL.

Line 3a. Enter the tax overpayment carried over from the prior period.

Note: If these payments were made by any corporation other than the AAG parent corporation, please attach a detailed list showing the name of the corporation who made the payment, including the FEIN of the corporation and the amount paid.

Line 3b. Enter the amount of estimated tax payments made for this tax period.

Line 3c. Enter the amount of any composite payments made on this line. Make sure you include the Name and FEIN of the entity making the payment on your behalf in the space provided. (Attach schedule if multiple payments were made.)

Line 3d. Enter the amount of any Automatic Extension payments.

Line 3e. This line is only to be used if the taxpayer is filing an AMENDED RETURN. The amount shown should be any payments made with the original return and/or any payments made because of adjustments to the return by the Alabama Department of Revenue.

Line 3f. Credits/Exemptions (sum of all Proforma Form 20Cs, line 8, Schedule F). Credits/Exemptions for AAGs cannot exceed tax due (line 2a, Form 20C-C) nor can they offset any of the consolidated filing fee. However, the Qualified Production Company rebate may exceed the tax and is refundable. For additional instructions for separate company computations for Schedule F, please see the Form 20C instructions.

Line 3g. LIFO Reserve Tax Deferral. (sum of all Proforma Form 20Cs, line 16g.)

Line 3h. Total Payments, Credits, and Deferral (add lines 3a through 3g and enter the total).

Line 4. Reductions/applications of overpayments

Line 4a. Credit to 2011 estimated tax. Enter the amount of the overpayment to be carried over to the 2011 estimated taxes.

Line 4b. Enter the amount of the overpayment you elect to contribute to the Penny Trust Fund.

Once the election is made to apply an overpayment to the next year's estimated tax and/or contribute to the Penny Trust Fund, the election may not be changed. The amount of overpayment applied to the estimated tax for the following year will not be refunded until after the following year's tax return has been filed. Contributions to the Penny Trust Fund are designated for the promotion of public schools and public health.

Line 4c. If this return is not filed on or before the due date (with extensions), enter a delinquent penalty of 10% of the tax due or \$50, whichever is greater.

Taxes not paid by the original due date will be subject to a late payment penalty of 1% per month for each month or fraction thereof that the tax remains unpaid, up to 25%, as provided in §40-2A-11.

Estimated tax payments not paid by each quarterly due date will be subject to interest on the underpayment – determined by applying the underpayment rate established by 26 U.S.C. §6621 (as provided by Alabama Code Section 40-18-80.1) to the underpayment for the period of underpayment. In addition, the 10% penalty provided for in Alabama Code Section 40-2A-11 applies to estimated tax payments not paid by the quarterly due date.

Line 4d. Enter the amount of interest due on the balance of tax due, computed from the due date (without extensions) of this return to the date paid. The Alabama interest rate is the same as provided in 26 U.S.C. §6621.

Line 4e. Enter the amount of total reductions. (Sum lines 4a, b, c and d.)

Line 5. Enter the amount of tax due, or the amount to be refunded. Refunds should be entered as a negative or in parenthesis.

Electronic Payment Indicator. Check the box if the payment shown due on this return was made electronically. Payments of \$750 or more must be made electronically.

Direct Deposit Information For Electronically Filed (e-filed) Returns

For the 2010 tax year, Direct Deposit is available for **Alabama Form 20C-C e-filed returns.**

Line 1. The routing number **must be nine** digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on line 1a.

Line 3. The account number can be up to 17 characters (both number and letters), to include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. Be sure not to include the check number.

WARNING: Due to changes in the electronic banking rules, the Alabama Department of Revenue will no longer allow direct deposits to or through foreign financial institutions. If you use a foreign institution you will be issued a paper check.

If the direct deposit is rejected, a check will be sent instead. The Department is not responsible if a financial institution rejects a direct deposit. If you are unsure of the routing number and/or account number, you should check with your financial institution to ensure they are correct. The Department is not responsible for a lost refund if you enter the wrong account information.

Instructions For Schedule AS

The information requested on this schedule is needed to identify each member of the AAG that is subject to the Alabama Corporation Income Tax and which may also be subject to the Alabama Business Privilege Tax.

If the AAG includes more members than the schedule can accommodate, make additional copies as needed and attach behind page 2 of Form 20C-C.

Attach a copy of Federal Form 851, Affiliations Schedule.

Complete Schedule AS, Alabama Affiliations Schedule, for each year a consolidated return is filed.

Column A – List all names of parent and subsidiary corporations included in the Alabama Consolidated Income Tax Return or the Alabama Affiliated Group members.

Column B – List the Federal Employer Identification Number (FEIN) for each corporation listed.

Column C – List the tax year end (MM/DD/YYYY) for each company included in Schedule AS.

Column D – Indicate whether the corporation listed filed a separate income tax return with Alabama in the prior tax period.

Column E – Indicate whether this corporation is new to the Federal Consolidated Group.

Column F – Indicate whether the corporation filed an Alabama Business Privilege Tax Return for the corresponding tax period.

Instruction for Schedule B

For taxable years beginning after December 31, 1984, a net operating loss (NOL) may be carried forward for a maximum of 15 years. There is no provision in Alabama tax law that allows corporations to carry a net operating loss back to

prior taxable years.

Schedule B must be completed in order to claim the NOL deduction. **Copies of the Alabama corporate income tax returns (page 1 only) for all applicable years more than six years old must be attached, including tax periods where the NOL's were utilized.**

See §40-18-39(h) which states, "If, in a taxable year before the corporation became a member of an Alabama affiliated group that has elected to file an Alabama consolidated return, the corporation incurred a NOL, the deductibility of the loss on the Alabama consolidated return shall be limited to only the amount necessary to reduce to zero the Alabama taxable income, calculated on a separate return basis, of the corporation that incurred the NOL. Except as provided in the preceding sentence, the separate return limitation year (SRLY) rules contained in 26 U.S.C. §1502 shall apply."

Note: *Please complete Form 20C-C, Schedule B, for the AAG Consolidated portion of the NOL only. The separate company Proforma Form 20C, Schedule B, should be used to compute the separate company NOL's.*

Note: *Please begin the net operating loss schedule with the oldest loss year first, ending with the most current loss year. Please list loss years only. Tax years that utilize net operating losses should not be listed. The utilized losses are shown in column 3.*

Column 1. Enter the tax year end (MM/DD/YYYY) in which the net operating loss was generated.

Column 2. Enter the amount of the net operating loss incurred by the corporation for the tax period in Column 1.

Column 3. Enter the amount of the net operating loss utilized in prior years for the loss listed in Column 2.

Column 4. Enter the amount of the net operating loss to be utilized in the current tax period, not to exceed the remaining balance for this loss period.

Column 5. Enter the remaining balance of the unused net operating loss for this loss period. (Column 2 – Column 3 – Column 4 = Column 5).

The Alabama net operating loss deduction is limited to net operating losses incurred by a corporation which did business in Alabama and filed Alabama corporate income tax returns in prior taxable years.