which is the average amount invested in nonbusiness assets at cost and the denominator of which is the average amount invested in total assets at cost. Investments originally acquired by means of stock for stock swaps may be eliminated from both the numerator and the denominator of the nonbusiness interest expense proration factor.

Subtract Column C from Column A, and enter the remainder in Column E. Subtract Column D from Column B, and enter the remainder in Column F.

Add the amounts in Columns E and F, and enter the totals on line 2. Carry the total of Column E to page 1, line 5. Carry the total of Column F to page 1, line 9.

**Instructions For Schedule D-1**

**ENTER ALL SCHEDULE D-1 AMOUNTS AS POSITIVE (+) VALUES.**

The corporation’s business activity in Alabama is represented by the apportionment percentage. Except for special cases provided for in Rule 810-27-1-4-.18, the apportionment factor consists of the average of three factors: property, payroll, and sales. See Rule 810-27-1-4-.09 through Rule 810-27-1-4-.18 for detailed instructions regarding the items to be included in the numerator and the denominator of each of these factors.

**Property Factor:**

In the appropriate columns, enter the amounts (at cost, unless stated otherwise) of property available for use in the production of business (apporportionable) income.

- **LINE 1.** Inventories.
- **LINE 2.** Land.
- **LINE 3.** Furniture and fixtures.
- **LINE 4.** Machinery and equipment.
- **LINE 5.** Buildings and leasehold improvements.
- **LINE 6.** Property financed through industrial development boards or by industrial revenue bonds issued by municipalities. All Industrial Development Board property utilized by the taxpayer will be included at its original cost.

**NOTE:** All Industrial Development Board property must be listed separately on Schedule D-1 and not included in the regular property listed elsewhere. If the property is not listed separately here, it will be assumed that it was not listed and your corporation will be billed for additional amounts due including tax, penalties and interest due.

- **LINE 7.** Government Property. All government property (whether local, state, or federal), when made available for use by the taxpayer, will be reported at its current fair market value.
- **LINE 8.** Any other real or tangible personal property not listed above used in production of business income.
- **LINE 9.** Less Construction in progress (if included in the amounts on lines 1 through 8).
- **LINE 10.** Enter the totals of lines 1 through 9.
- **LINE 11.** Enter the average (beginning of year plus end of year values divided by 2) value of property in Alabama and Everywhere. See Rule 810-27-1-4-.12 for rules regarding computations other than beginning and end of year values.
- **LINE 12.** In the Beginning of Year columns, enter the amount of expense for the rental of real or tangible personal property used in the production of business income in Alabama and Everywhere. Annualize for short-period returns. Multiply the annual rent expense by 8, and enter the result in the End of Year column. This is the capitalized rental value.
- **LINE 13a.** Add the amounts on lines 11 and 12 in the End of Year column for Alabama.
- **LINE 13b.** Add the amounts on lines 11 and 12 in the End of Year column for Everywhere.
- **LINE 14.** Divide the amount on line 13a by the amount on line 13b, and enter the percentage on line 14. This is the ALABAMA PROPERTY FACTOR.

**Payroll Factor:**

- **LINE 15a.** Enter the amount of wages and other compensation paid to employees for the production of business income in Alabama.
- **LINE 15b.** Enter the amount of wages and other compensation paid to employees for the production of business income Everywhere. (Include officers’ salaries.)
- **LINE 15c.** Divide the amount on line 15a by the amount on line 15b, and enter the percentage on line 15c. This is the ALABAMA PAYROLL FACTOR.

**Sales Factor:**

- **LINE 16.** Enter gross receipts from Alabama destination sales except sales to the U.S. government. This includes total gross receipts from sales of tangible property shipped to Alabama from locations both within and without Alabama.
- **LINE 17.** Enter the amount of sales shipped from an Alabama origin to any state or foreign country where this corporation is not taxable. Also enter total sales to the U.S. government shipped from Alabama.
- **LINE 18.** In the Alabama column, enter the total of lines 16 and 17. In the Everywhere column enter total sales for everywhere. If this amount does not correspond with line 1 of Federal Form 1120, attach an explanation and reconciliation.
- **LINE 19.** Enter in the appropriate columns the gross business dividends, if any. (Note that any dividends entered here will be included in apportionable income on page 1.)
- **LINE 20.** Enter in the appropriate columns the gross business interest income.
- **LINE 21.** Enter in the appropriate columns the gross business income from rents.
- **LINE 22.** Enter in the appropriate columns the gross business income from royalties.
- **LINE 23.** Enter in the appropriate columns the gross receipts from the sale or disposition of assets used in the business. See Reg. 810-27-1-4-.15 for exclusion of amounts which would distort the factor.
- **LINE 24.** Enter in the appropriate columns the amounts of other business gross receipts, and identify the nature of such receipts and their location in the federal return.
- **LINE 25a.** Total the Alabama column for lines 18 through 24.
- **LINE 25b.** Total the Everywhere columns for lines 18 through 24.
- **LINE 25c.** Divide the amount on line 25a by the amount on line 25b, and enter the percentage on line 25c. This is the ALABAMA SALES FACTOR.
- **LINE 26.** Add lines 14, 15c, and 25c. Divide by 3. This is the ALABAMA AP-PORTIONMENT PERCENTAGE. Enter here and on line 7, page 1. (If any factor is not utilized in the production of income, it shall be eliminated and the denominator reduced accordingly.)

**Instructions for Schedule D-2**

This schedule should be used only by taxpayers whose only activity in Alabama consists of sales and does not include owning or renting real estate or tangible personal property, and whose gross Alabama sales does not exceed $100,000.00.

The tax liability is based on a percentage, 25%, of Alabama gross sales. See §40-18-23 for further information.

- **LINE 1.** Enter gross receipts from Alabama destination sales except sales to the U.S. government. This includes total gross receipts from sales of tangible property shipped to Alabama from locations within and without Alabama.
- **LINE 2.** Enter the amount of sales shipped from an Alabama origin to any state or foreign country where this corporation is not taxable. Also enter total sales to the U.S. government shipped from Alabama.
- **LINE 3.** In the Alabama column, enter the total of lines 1 and 2. In the Everywhere column, enter total sales for everywhere. If this amount does not correspond with line 1 of Federal Form 1120, attach an explanation and reconciliation.

**Instructions for Schedule E**

This schedule should be used to compute the amount of the corporation’s federal income tax deduction allowed for Alabama corporate income tax purposes.

Corporations filing a consolidated federal return must complete lines 1-12 of this schedule. Corporations filing separate company federal returns should complete lines 6-12 of this schedule only. Lines 1-5 are used to compute the amount of the consolidated federal tax liability attributable to the company filing Form 20C.