Enter under the Nonseparately Stated Items heading on Line 1a, Line 1b, and Line 1c a description of each nonseparately stated item.

For each nonseparately stated item entered on Line 1a, Line 1b and Line 1c:
1. Enter on Column A the total gross income (from all states – everywhere) from the item.
2. Enter on Column B only the Alabama gross income from the item.
3. Enter on Column C the expenses related to the gross income (everywhere) entered in Column A.
4. Enter on Column D only the expenses related to the Alabama gross income entered in Column B.
5. Enter on Column E the amount resulting from subtracting the expense amount in Column C from the gross income (everywhere) amount in Column A.
6. Enter on Column F the amount resulting from subtracting the Alabama expense amount in Column D from the Alabama gross income amount in Column B.

Enter on Column E, Line 1d, the sum of the amounts entered in Column E on Line 1a, Line 1b, and Line 1c. The amount entered in Column E, Line 1d is the net amount of nonseparately stated nonbusiness income items for all states (everywhere). The amount entered in Column E, Line 1d is also entered in Schedule E, Line 2. Please note that when an amount is entered in Schedule E, Line 2, income is entered as a negative amount and losses are entered as a positive amount.

Enter on Column F, Line 1d, the sum of the amounts entered in Column F on Line 1a, Line 1b, and Line 1c. The amount entered in Column F, Line 1d is the net amount of nonseparately stated nonbusiness income items to be allocated only to Alabama. The amount entered in Column F, Line 1d is also entered in Schedule E, Line 6.

Enter under the Separately Stated Items heading on Line 1e, Line 1f, and Line 1g a description of each separately stated item.

For each separately stated item entered on Line 1e, Line 1f and Line 1g:
1. Enter on Column A the total gross income (from all states – everywhere) from the item.
2. Enter on Column B only the Alabama gross income from the item.
3. Enter on Column C the expenses related to the gross income (everywhere) entered in Column A.
4. Enter on Column D only the expenses related to the Alabama gross income entered in Column B.
5. Enter on Column E the amount resulting from subtracting the expense amount in Column C from the gross income (everywhere) amount in Column A.
6. Enter on Column F the amount resulting from subtracting the Alabama expense amount in Column D from the Alabama gross income amount in Column B.

Enter on Column E, Line 1h, the sum of the amounts entered in Column E on Line 1e, Line 1f, and Line 1g. The amount entered in Column E, Line 1h is the net amount of separately stated nonbusiness income items for all states (everywhere). The amount entered in Column E, Line 1h is also entered in Schedule K, Line 11 (Federal Amount column).

Enter on Column F, Line 1h, the sum of the amounts entered in Column F on Line 1e, Line 1f, and Line 1g. The amount entered in Column F, Line 1h is the net amount of separately stated nonbusiness income items to be allocated only to Alabama. The amount entered in Column F, Line 1h is also entered in Schedule K, Line 11 (Alabama Amount column). The amount entered in Column F, Line 1h is also entered on Schedule D, Line 4.

**SCHEDULE C — Apportionment Factor Schedule**

The Alabama business activity of a multi-state Alabama S corporation is represented by its Alabama apportionment factor. With the exception of those special cases referred to in Alabama Department of Revenue regulation number 810-27-1-4-.18, the Alabama apportionment factor generally consists of the average of: the Alabama property factor; the Alabama payroll factor; and, the Alabama gross receipts factor. If any factor is not utilized in the production of business income, it shall be eliminated and the denominator reduced accordingly.

Alabama Department of Revenue regulation number 810-27-1-14-.09 generally explains the Alabama apportionment factor. Regulation numbers 810-27-1-14-.10 through .12 generally explain the Alabama property factor. Regulation numbers 810-27-1-14-.13 and .14 generally explain the Alabama payroll factor, and regulation numbers 810-27-1-4-.15 through .17 generally explain the Alabama sales (gross receipts) factor.

Do not complete Schedule C if entity operates exclusively in Alabama. Enter 100% on Schedule C, Line 26.

**PROPERTY FACTOR**

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

**Line 7.** Government Property. All government property (whether local, state, or federal), when such property is 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 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 in each column the totals of Lines 1 through 9.

**Line 11.** Enter in the appropriate column the average value of property in Alabama and Everywhere. See Alabama Department of Revenue regulation number 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. Compute the percentage to at least 4 decimal places, for example, 12.3456%, and enter the percentage on Line 15. This percentage entered on Line 15 is the ALABAMA PROPERTY FACTOR.

**PAYROLL FACTOR**

**Line 15a.** Enter the amount of wages or other compensation paid to employees for the production of business income in Alabama. NOTE: Only amounts paid directly to employees are included in the payroll factor computations for Line 15a and Line 15b.

**Line 15b.** Enter the amount of wages or 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 number on Line 15c as a four decimal place percentage. The percentage entered on Line 15c is the ALABAMA PAYROLL FACTOR.

**SALES FACTOR**

Amounts entered in this schedule can not be negative.

**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 Ala-
bama (See Alabama Department of Revenue regulation number 810-27-1-4-.16).

Line 17. Enter the amount of sales shipped from an Alabama origin to any state or foreign country where this company is not taxable. Also enter total sales to the U.S. government shipped from Alabama (See Alabama Department of Revenue regulation number 810-27-1-4-.16).

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 1120S, attach an explanation and reconciliation.

Line 19. Enter in the appropriate columns gross business dividends.

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 Alabama Department of Revenue regulation number 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 on the federal return.

Line 25a. Total the Alabama column 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, as a four decimal place percentage. The percentage entered on Line 25c is the ALABAMA GROSS RECEIPTS FACTOR.

Line 26. Add Lines 14, 15c, and 25c. Divide by 3 (except as noted below). Enter here and on Line 3b, Schedule D and on Line 4, Schedule E.

Note: If any factor is not utilized in the production of income (there is a zero amount in both Alabama and Everywhere columns), it shall be eliminated and the denominator reduced accordingly.

**SCHEDULE D – Apportionment of Federal Income Tax**

Line 1. Enter the amount of federal income tax, if any, from the federal Form 1120S. Enter the same amount on Schedule K, Line 13 (Alabama Amount column).

If the corporation operated only in Alabama, completion of the remainder of Schedule D is not required and the amount from Line 1 should also be entered on Schedule K, Line 13 (Alabama Amount column).

Line 2. Enter the amount of Nonseparately Stated Income Allocated and Apportioned to Alabama from Schedule A, Line 7.

Line 3a. Enter the amount of Net Separately Stated Items from Schedule A, Line 18.

Line 3b. Enter the Alabama Apportionment Factor from Schedule C, Line 26.

Line 3c. Multiply the amount on Line 3a by the percentage on Line 3b, and enter on Line 3c.

Line 4. Enter the amount of Separately Stated Items Allocated to Alabama from Schedule B, Line 1h, Column F.

Line 5. Enter the total of Line 2, Line 3c, and Line 4.

Line 6. Adjusted Total Income. Add the Total Separately Stated and Nonseparately Stated Items (Schedule A, Line 19) to the Net Amount of Separately Stated Nonbusiness Income Items for All States (Schedule B, Column E, Line 1h), and enter the total on Line 6.

Line 7. Federal Income Tax Apportionment Factor. Divide the amount on Line 5 by the Adjusted Total Income on Line 6, and enter the resulting amount as a percentage on Line 7. Enter the amount from Line 7 on Schedule K, Line 13 (Apportionment Factor column).

Line 8. Federal Income Tax Apportioned to Alabama. Multiply the amount of federal income tax on Line 1 by the Federal Income Tax Apportionment Fac-