

Line 20. Nonseparately Stated Income Allocated and Apportioned to Alabama. Enter the amount from Schedule D, line 7. See also the instructions for Schedule K, line 1 (Alabama Amount column).

SCHEDULE B – Allocation of Nonbusiness Income, Loss, and Expense

The purpose of Schedule B is to report nonbusiness income, nonbusiness losses, and nonbusiness expenses, as defined by Section 40-27-1, *Code of Alabama 1975*. Nonbusiness items can be both nonseparately stated items and separately stated items. Nonbusiness items are not subject to the multi-state apportionment requirements of Chapter 27, Title 40, *Code of Alabama 1975*, but are allocated directly to Alabama or another state, in accordance with the Multistate Tax Compact (Chapter 27, Title 40, *Code of Alabama 1975*).

Do not complete Schedule B if the entity operates exclusively in Alabama.

Enter under the Nonseparately Stated Items heading on line 1a, line 1b, and line 1c a description of the 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 D, line 2. Please note that when an amount is entered in Schedule D, 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 D, line 6.

Enter under the Separately Stated Items heading on line 1e, line 1f, and line 1g a description of the 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).

SCHEDULE C – Apportionment Factor Schedule

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

The Alabama business activity of a partnership or limited liability company is represented by its Alabama apportionment factor. With the exception of those special cases referred to in Alabama Department of Revenue Regulation 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 Revenue Regulation 810-27-1-14-.09 generally explains the Alabama apportionment factor. Regulations 810-27-1-14-.10 through .12 generally explain the Alabama property factor. Regulations 810-27-1-14-.13 and .14 generally explain the Alabama payroll factor, and Regulations 810-27-1-4-.15 through .17 generally explain the Alabama sales (gross receipts) factor.

The use of separate or direct accounting must be approved in writing by the Department.

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. List any other real or tangible personal property used in production of business income. If more than two items, attach a schedule and enter the totals on line 8.

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 Reg. 810-27-1-4-.12 for rules regarding com-

putations 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 four decimal places, for example, 12.3456%, and enter the percentage on line 14. The percentage entered on line 14 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 cannot 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 Alabama (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 1065, attach an explanation and reconciliation.

Line 19. Enter in the appropriate columns gross business income from 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 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 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 number 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 4, Schedule D.

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 and Allocation of Income to Alabama

Line 1. Enter the Net Alabama Nonseparately Stated Income or (Loss) from Schedule A, line 10.

Line 2. Enter the amount of Nonseparately Stated (Income) or Loss Treated as Nonbusiness Income from Schedule B, Column E, line 1d. Enter a loss amount as a positive amount and an income amount as a negative amount.

Line 3. Enter the sum of the amounts entered in line 1 and line 2.

Line 4. Enter the apportionment factor from Schedule C, line 26.

Line 5. Income or (Loss) Apportioned to Alabama. Multiply the amount in line 3 by the percentage in line 4.

Line 6. Nonseparately Stated Income or (Loss) Allocated to Alabama as Nonbusiness Income. Enter the amount from Schedule B, Column F, line 1d.

Line 7. Nonseparately Stated Income Allocated and Apportioned to Alabama. Enter the sum of the amounts entered in line 5 and line 6. The amount in line 7 should also be entered in Schedule A, line 20 and in Schedule K, line 1 (Alabama Amount column).

SCHEDULE E — Additional Information Required

All partnerships and limited liability companies must provide the information required for Schedule E, lines 1 through 9.

This schedule does not eliminate the Schedule K-1 filing requirement.

SCHEDULE K – Distributive Share Items

Line 1. Alabama Nonseparately Stated Income. Enter on the Alabama Amount column the Nonseparately Stated Income or (Loss) Allocated and Apportioned to Alabama from Schedule D, line 7.

Line 2. Contributions. Enter in the Federal Amount column (as a positive amount) the contributions entered on Schedule A, line 11. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 26. Enter in the Alabama Amount column the amount that results from multiplying the apportionment factor by the amount of contributions entered in the Federal Amount column.

Line 3. Oil and Gas Depletion. Enter in the Federal Amount column (as a positive amount) the oil and gas depletion entered on Schedule A, line 12. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 26. Enter in the Alabama Amount column the amount that results from multiplying the apportionment factor by the amount of oil and gas depletion entered in the Federal Amount column.

Line 4. IRC §179 Expense Deduction. Act Number 2008-549, passed by the Alabama Legislature during the first 2008 Special Session, decoupled Alabama income tax laws from the bonus depreciation and additional Section 179 provisions of the federal Economic Stimulus Act of 2008. Alabama income tax laws will continue to be tied to the federal depreciation rules without consideration of the changes implemented by the Economic Stimulus Act of 2008. For purposes of these instructions, Alabama-allowed depreciation means depreciation computed in accordance with the federal depreciation rules without consideration of the changes made to Section 168 by the federal Economic Stimulus Act of 2008. The amount of §179 expense deduction for Alabama income tax purposes is computed on Schedule K, lines 4a through 4c.