Part A – Capital Credit

Sections 40-18-190 through 40-18-203 provide for a tax credit against Alabama income tax with respect to income generated by or arising out of a qualifying project undertaken by certain existing businesses and certain new businesses to be located in the state. A statement of intent to invest in a qualifying project must be filed prior to the qualifying project being placed in service and must be approved by the Alabama Department of Revenue prior to the project entity taking the credit. The credit allowable is up to 5 percent of the qualifying project’s allowable capital costs for each of 20 years, limited to the tax liability generated by or arising out of the qualifying project, and is applied after all deductions, exemptions and other credits have been taken.

As the project entity, the corporation is required to complete and attach Form AR with the Form 20C return to receive the capital credit. If the C corporation is a member or partner of an investing company that has a qualifying project, the C corporation must complete and attach Form K-RCC with Form 20C. If a capital credit is claimed on Form 20C, the project number(s) should be entered in the space provided on Schedule BC, Part A, lines 1a-1g.

For further information regarding the capital credit and the necessary forms to claim the capital credit, visit the Alabama Department of Revenue’s Web site at www.revenue.alabama.gov under the Tax Incentives page, or contact the Department at PO. Box 327001, Montgomery, AL 36132-7001 or 334-242-1175.

LINES 1a – 1g. Enter the Project Number(s) assigned by the Alabama Department of Revenue.

LINE 2. Enter the name of the entity entitled to the Capital Credit.

LINE 3. Enter the tax due from Form 20C, page 1, line 15 or Form ET-1, page 1, line 32.

LINE 4. Enter the amount of the Capital Credit claimed from Schedule K-RCC, line 7 and on Form 20C, page 4, Schedule F, line 1 or Form ET-1, page 2, Schedule G, line 1.

Part B – Alabama New Markets Development Credit

Act Section 2012-483, passed by the Alabama Legislature during the 2012 Regular Session, establishes a tax credit to corporations/financial institutions that invest in businesses located in impoverished and low income communities. The credit allowance date is the date on which such investment is initially made and each of the six anniversary dates thereafter. The credit shall not exceed the amount of the taxpayer’s state tax liability for the tax year for which the tax credit is claimed. Tax credits claimed under this act are not saleable or transferable. Any amount of tax credit that the taxpayer is prohibited from claiming in a taxable year may be carried forward to any of the taxpayer’s subsequent taxable years.

Enter the amount of the New Markets Development Credit claimed from the Notice of Certification and on Form 20C, page 4, Schedule F, line 2 or Form ET-1, page 2, Schedule G, line 2.

Part C – Alabama Accountability Credit

The Alabama Legislature passed Act Number 2013-64 during the 2013 Regular Session. The act authorizes a tax credit for contributions to corporations that provide educational scholarships to qualifying schools. The credit is equal to 100% of the total contributions made to a scholarship granting organization for educational scholarships during the taxable year for which the credit is claimed up to 50% of the tax liability of the taxpayer. The credit may be carried forward for 3 years.

LINE 1. Enter the name of the scholarship granting organization.

LINE 2. Enter the full address of the scholarship granting organization.

LINE 3. Enter the amount of contribution made to the scholarship granting organization.

LINE 4. Enter the tax due from Form 20C, page 1, line 15.

LINE 5. Multiply line 4 by 50% (or .50).

LINE 6. Credit Allowable. Enter the lesser of line 3 or 5. Enter the amount on Form 20C, page 4, line 2.

LINE 7. If line 3 is greater (> ) than line 5, subtract line 5 from line 3, otherwise enter 0.

Part D – Alabama Enterprise Zone Credit

Certain tax incentives are available to qualifying businesses which locate or expand within a designated enterprise zone. These tax incentives are available under the provisions of Section 41-23-24. Business entities eligible for the tax credit must be approved by the Alabama Department of Economic and Community Affairs (ADECA) and must also receive certification annually from ADECA. Each corporation qualified for and receiving an Alabama Enterprise Zone Credit is required to complete and attach Schedule EZ and the certificate of Certification with the Form 20C return. If a C corporation is a member or partner of a pass-through entity that is eligible for the enterprise zone credit, the credit is distributed to each partner or member based on the percentage of ownership; Schedule EZ-K1 is required to be attached to the C corporation’s Form 20C return.

Business entities eligible for the tax exemption must have entered into a contract with the Governor of Alabama and ADECA and must also receive certification annually from ADECA. A taxpayer must compute their income tax exemption under the provisions of their specific contract. The certificate of Certification and computations must be attached to Form 20C to claim exemption.

For additional information on the Alabama Enterprise Zone Credit/Exemption, contact ADECA at Technical Assistance Section, 401 Adams Avenue, P.O. Box 5690, Montgomery, AL 36103-5690, 334-242-5370. Questions pertaining to the application of the tax credit should be addressed to Alabama Department of Revenue, P.O. Box 327001, Montgomery, AL 36132-7001, 334-242-1175.

Schedule EZ and certificates must be attached to claim the credit. Certificate and computations must be attached to claim exemption.

Enter the amount of the Alabama Enterprise Zone Credit claimed from Schedule EZK1, Part II, page 2, line 13, or Schedule EZ, Part IV, page 2, line 13.

Part E – Basic Skills Education Credit

Sections 40-18-135 through 40-18-139 provide a tax credit to employers who provide approved basic skills education programs to Alabama resident employees. To qualify for the credit, (1) the program must have written approval from the Alabama Department of Education, (2) the employers shall have been continuously employed for at least 16 weeks for at least 24 hours per week, and (3) the employer cannot receive or require reimbursement or any form of remuneration for any cost of education. The credit is 20 percent of the actual costs limited to the employer’s income tax liability.

A copy of the document of approval along with a detailed schedule (including actual costs incurred, employee employment period) computing the credit should be provided. For further information, contact the Alabama Department of Postsecondary Education, Adult Education Program, Workplace Education Tax Credit, 401 Adams Avenue, Suite 170, P.O. Box 302130, Montgomery, AL 36130-2130, Attn: Joe Macaluso or the Alabama Department of Revenue, P.O. Box 327430, Montgomery, AL 36132-7430, at (334) 242-1200.

To help induce industrial and research facilities to locate in Alabama, Act 93-851 allows the Industrial Development Authority to grant certain tax incentives to companies proposing to construct approved projects in this state. See credits on lines 3 and 4.

LINE 1. Enter the Certification Number assigned by the Department of Education.

LINE 2. Enter the name of the employer/firm sponsoring the education program.

LINE 3. Enter the name of the approved provider.

LINE 4. Mark the appropriate box to indicate whether all participants for whom you are claiming a tax credit, were continuously employed by you for at least 16 weeks.

LINE 5. If the box on line 4 is marked “yes”, mark the appropriate box to indicate if employee(s) for whom you are claiming a tax credit work at least 24 hours each week.

LINE 6. If the box on line 4 and 5 is marked “yes” enter the total expenses available for credit.
LINE 7. Multiply line 6 by 20% (.20)
LINE 8. Enter the tax due from Form 20C, page 1, line 15 or Form ET-1, page 1, line 32.
LINE 9. Enter the lesser of line 7 or line 8.

Part F – Income Tax Credit

Section 40-18-35 provides a credit for the income tax owed on the income generated by or arising out of the project. The credit cannot exceed the lesser of (1) tax due, or (2) the amount paid pursuant to the financing agreement in the year for which tax is due, corresponding to debt service on the project obligations. This incentive may be reduced or suspended by the Industrial Development Authority if the company fails to achieve the anticipated level of capital investment or employment. Attachments to support credit should include certificate/document of approval, computation of income generated from project, support for amount paid, and computation of credit.

Enter the lesser of the tax due per Form 20C, page 1, line 15 or the amount paid pursuant to the financing agreement, corresponding to debt service on the project obligations.

Part G – Tax Increment Fund Payment Credit

A credit is allowed for any payments into the fund with respect to corporate income tax due, for the year, on income generated by or arising from the project. Such credit cannot exceed the lesser of the amount of income tax due or the amount (exclusive of job development fees) paid into the tax increment funds. See §40-18-35.

The document of approval along with proof of payment(s) into the fund relative to corporate income tax and a detailed schedule computing income generated from the project is required.

For further information relating to credits, contact the Alabama Development Office, 401 Adams Avenue, Montgomery, AL 36130 at (334) 242-0400, or the Alabama Department of Revenue, P.O. Box 327430, Montgomery, AL 36132-7430 at (334) 242-1200.

Enter the lesser of the tax due per Form 20C, page 1, line 15 or the amount (exclusive of job development fees) paid into the tax increment funds.

Part H – Coal Credit

For the tax years beginning on and after January 1, 1995, every corporation, whether a “subchapter S” corporation, as defined by the 1995 Internal Revenue Code, or not, foreign or domestic, that is doing business in Alabama, as a producer of coal mined in Alabama, shall be allowed a credit against the tax imposed by Section 40-18-2, in the amount of one dollar ($1) per ton of increased production of coal over the previous year’s production of coal as set out herein below. Such tax credit shall be based on coal produced after January 1, 1995, provided the coal was mined in Alabama as certified by the producer of the coal. The amount of the total credit in any one year shall be based on the number of tons of Alabama coal produced by the corporation in the year which exceeds the number of tons of Alabama coal produced by the corporation in calendar year 1994. In the event a corporation did not produce Alabama coal during calendar year 1994, such corporation must establish a base year by producing Alabama coal for 12 consecutive months. Thereafter, such corporation shall be eligible for the tax credit as specified herein above over the base year production. (Acts 1995, No. 95-239, p. 403, §1.)

Enter the amount of the Coal Credit claimed.

Part I – Capital Docks Credit

Sections 40-18-240 through 40-18-250 provide for a tax credit against Alabama income tax liability with respect to income generated by or arising out of a qualifying project undertaken by certain existing businesses and certain new businesses to be located in the state. Written approval by the Governor, Finance Director, and Alabama State Port Authority is required, and a written statement of intent must be filed with the Alabama Department of Revenue prior to the project being placed in service. For further information regarding the capital docks credit, contact the Alabama Department of Revenue at P.O. Box 327001, Montgomery, AL 36132-7001 or 334-242-1175.

Forms AR and K-RCC, if applicable, should be attached to claim the credit. If a credit is claimed, the project number(s) should be entered in the space provided on Schedule BC, Part I, lines 1a-1g.
LINE 1a – 1g. Enter the Project Number(s) assigned by the Alabama Department of Revenue.
LINE 2. Enter the name of entity entitled to the Capital Docks Credit.

LINE 3. Enter the tax due from Form 20C, page 1, line 15.
LINE 4. Enter the amount of the Capital Docks Credit claimed from Schedule K-RCC, line 7.


Qualified Production Companies are entitled to a rebate for Production Expenditures. The rebate is equal to 25 percent (25%) of the State-Certified Production Expenditures See §41-7A-43.

Enter the amount of the Entertainment Industry Incentive Credit claimed.

Part K – Full Employment Act of 2011 Credit

Sections 40-18-290 through 40-18-293 provide for a tax credit against Alabama income tax for small businesses which employ 50 or fewer employees and create new jobs paying more than ten dollars ($10) per hour. Employers will receive an income tax credit equal to one thousand dollars ($1,000) and shall be available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full time employees in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama as of the last day of the tax year immediately preceding the first employment year. The income tax credit may be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer’s state tax liability for which the credit is claimed. This credit is not refundable or transferable.

LINE 1. Enter the number full time employees on 12-31-2012.
LINE 2. Enter the number full time employees on 12-31-2011.
LINE 3. Subtract line 2 from line 1.
LINE 4. Enter the number qualifying employees you are claiming the credit.
LINE 5. Multiply line 4 by 1,000. Enter the amount.

Part L – Heroes for Hire Tax Credit Act of 2012 Employee Credit

Sections 40-18-321 and 40-18-322 provides qualified employers an additional credit against the Alabama income tax liability in the amount of $1,000 for hiring full time recently deployed and now discharged unemployed veterans. The new hire must be 1) a resident of Alabama at the time of entry into military service or mobilized to active, federal military service while a member of the Alabama National Guard or other reserve unit located in Alabama; 2) received an honorable or general discharge from active, federal military service within the two-year period preceding the date of hire; and 3) has certification by the Department of Labor at the time of hire by either collecting or being eligible to collect unemployment benefits or having exhausted his or her unemployment benefits.

LINE 1. Enter the number recently deployed unemployed veterans included in line 4.
LINE 2. Enter the business ID number.
LINE 3. Enter the total amount of business start-up expenses.
LINE 4. Enter the lesser of line 3 or line 4.

Part M – Heroes for Hire Tax Credit Act of 2012 Business Start-Up Expense Credit

Section 40-18-323 allows a nonrefundable credit against the income tax liability recently deployed unemployed veterans in an amount up to $2,000 for expenses associated with one start-up business in which the veteran holds at least 50% ownership interest. The credit is only applicable for businesses started after April 2, 2012, located within Alabama, and showing a net profit of at least $3,000 for the year in which the credit is taken.

LINE 1. Enter the name of the Business.
LINE 2. Enter the business ID number.
LINE 3. Enter the total amount of business start-up expenses.
LINE 4. Enter the lesser of line 3 or line 4.

Part N – Qualified Irrigation System/Reservoir System Credit

Sections 40-18-341 provides an income tax credit to any agricultural trade or business for the cost associated with the purchase, installation or conversion related to irrigation systems or the development of irrigation reservoirs and water wells. The credit is equal to 20 percent of the cost of the purchase and installation of any qualified irrigation equipment and any conversion costs related to the conversion of irrigation equipment from fuel to electricity or qualified reservoirs. This credit is limited to only one purchase and installation of qualified irrigation equipment or one qualified...
The credit shall not exceed $10,000 and shall not exceed the income tax liability in any year. Such credit shall be taken in the year in which the qualified irrigation equipment or the qualified reservoir is placed in service. The credit may be carried forward for 5 years.

LINE 1. Enter the purchase and installation costs of the irrigation system.
LINE 2. Enter the cost of conversion from fuel to electricity.
LINE 3. Add lines 1 and 2.
LINE 4. Multiply line 3 by 20% (.20).
LINE 5. Enter the cost of irrigation equipment.
LINE 6. Enter the cost of construction reservoir.
LINE 7. Add lines 5 and 6.
LINE 8. Multiply line 7 by 20% (.20).
LINE 9. Enter the lesser of line 4 or line 8.
LINE 11. Enter the lesser of line 9 or line 10.

Part O – Summary Other Credits


*The total of all credits claimed cannot exceed the tax due per Form 20C, page 1, line 15 or Form ET-1, page 1, line 32. However, the Entertainment Industry Incentive Act of 2009 rebate may exceed the tax and is refundable.