

Instructions For Preparation of Alabama Partnership/Limited Liability Company Return of Income

2014

A Copy of the Federal Form 1065 must be attached to this return.

Issues Concerning the Preparation of the 2014 Alabama Partnership Return

Composite Payment and Return Requirements for Partnerships. The Entertainment Industry Incentive Act of 2009, Alabama Act Number 2009-144, also created composite payment and return requirements for partnerships. Under the law, a partnership, or other entity classified as a Subchapter K entity, is required to file a composite return and make composite payments on behalf of its nonresident owners or members if there are one or more nonresident owners or members at any time during the taxable year. The law generally exempts Alabama QIPs from the composite payment and return requirement. The instructions for TY 2014 Alabama Form PTE-C, Nonresident Composite Payment Return are available on the Department's website, along with additional information concerning the composite payment and return requirements for partnerships.

Qualified Investment Partnerships. §40-18-24.2, *Code of Alabama 1975*, generally defines a Qualified Investment Partnership (QIP) as a partnership or other entity classified as a subchapter K entity, or a business trust as defined in §40-18-1, *Code of Alabama 1975*, that for a tax period meets the gross income and asset requirements for a QIP as required by §40-18-24.2; and, for which an authorized officer, partner, member or manager of the entity has certified for the tax period that the entity meets the gross income and asset requirements. Proper certification of a QIP requires the completion of Alabama Schedule QIP-C, Qualified Investment Partnership Certification, which must be filed by the due date of the Alabama partnership income tax return for the entity.

Alabama Form 65 and Schedule K-1 for Alabama Form 65 have been revised to accommodate the QIP income tax return requirements. An Alabama partnership return filed by a QIP must be indicated by completing the QIP indicator on page one of the Form 65 and on each K-1 accompanying the return. Non-resident members of the QIP that receive exempt income from the QIP would receive an Alabama Schedule K-1 with the QIP indicator properly marked and with the total amount of Alabama exempt income reported on Line Q with the box checked as QIP Exempt Income. Regulations to implement the law are on the Department's Web site at www.revenue.alabama.gov.

General Instructions

REQUIRED ATTACHMENTS. To be considered a complete return and not subject to treatment as a delinquent return due to improper preparation the following must be attached:

1. A complete copy of federal Form 1065 including all federal K-1s, statements, and attachments. Voluminous schedules may be omitted; however, a list of all omitted schedules must be attached and provided if requested.
2. Completed Alabama Schedule K-1 for each person or tax entity that was a partner/owner at any time during the taxable year.

PAID PREPARER AUTHORIZATION. The check box provided above the signature line on page 1 is used to authorize the Department to discuss the Form 65 with the paid preparer. Checking this box can facilitate the process of resolving a problem with the return.

PAID PREPARER INFORMATION. Paid preparers must sign and provide the information requested in the Paid Preparer's section of the form. The signature can be made by hand, by rubber stamp, by mechanical device, or a com-

puter program. The preparer must provide the entity with a copy of the prepared return.

TIME AND PLACE FOR FILING. Returns made on the basis of calendar year shall be filed on or before the 15th day of April following the close of the calendar year. Returns made on the basis of fiscal year shall be filed on or before the 15th day of the fourth month following the close of the fiscal year. If the 15th falls on Saturday or Sunday, the following Monday shall be the last day for filing this return.

EXTENSIONS. A five month extension of time for filing Form 65 is granted automatically.

Mail the completed Alabama Form 65 to:
Alabama Department of Revenue
Individual and Corporate Tax Division
Pass Through Entity Unit
P.O. Box 327441
Montgomery, AL 36132-7441

CAUTION: Do not attach the Form PTE-C, the Form PTE-C payment, or any other completed tax form to the Form 65.

Specific Instructions

SCHEDULE A – Computation of Separately Stated and Nonseparately Stated Income

Line 1. Enter the ordinary business income (loss) from page 1 of the federal Form 1065, U.S. Return of Partnership Income. Attach a copy of the complete federal Form 1065.

Reconciliation to Alabama Basis – Lines 2 through 10

Line 2. Enter the net amount of short-term and long-term capital gains (losses).

Line 3. Enter as a negative amount the amount that salaries and wages were reduced on the federal return as a result of taking any of the different federal employment credits claimed on the federal return.

Line 4. Enter the net amount of income or (loss) from rental real estate activities.

Line 5. Enter the net amount of income or (loss) from other rental activities.

Line 6. Enter the net amount of Internal Revenue Code Section 1231 gain or (loss), but do not include any amount for casualty losses.

Line 7. Enter net adjustments due to the federal Economic Stimulus Act. Schedule of adjustments must be attached to receive deductions.

Line 8. If a partnership makes interest/intangible payments to a related member, Schedule PAB should be completed and attached to the partnership's return. Enter the net amount from Line 12 and 13 of Schedule PAB on Line 8. Enter the total amount of other items required to reconcile the federal ordinary business income (loss) to income on an Alabama basis (attach Schedule/Statement).

Line 9. Net Reconciling Items. Enter the sum of lines 2 through 8.

Line 10. Net Alabama Nonseparately Stated Income or (Loss). Enter the sum of line 1 and line 9. This amount is carried to line 1, Schedule D, Apportionment and Allocation of Income to Alabama.

Separately Stated Items (Related to Business Income)

Line 11. Contributions. Enter as a negative amount the amount of contri-

butions. Enter the same amount on line 2, Schedule K, in the Federal Amount column.

Line 12. Oil and Gas Depletion. Enter as a negative amount the amount of oil and gas depletion. Enter the same amount on line 3, Schedule K, in the Federal Amount column. The amount of oil and gas depletion claimed must be computed in accordance with Section 40-18-16(b).

Line 13. IRC §179 Expense Deduction. Enter as a negative amount the amount of Internal Revenue Code Section 179 expense deduction. Enter the same amount on line 4, Schedule K, in the Federal Amount column.

Line 14. Casualty Losses. Enter as a negative amount the amount of casualty losses. Enter the same amount on line 5, Schedule K, in the Federal Amount column.

Line 15. Portfolio Income or (Loss) Less Expenses. Enter the net amount of income or (loss) resulting from reducing portfolio income by interest expense and other related expenses. Complete Schedule K by entering the gross amount of portfolio income on line 6 (in the Federal Amount column), the interest expense related to the portfolio income on line 7 (in the Federal Amount column), and the remaining expenses related to the portfolio income on line 8 (in the Federal Amount column). Please provide an explanation of the nature and amounts for the total amount entered on Schedule K, line 8.

Line 16. Other Separately Stated Items. Enter the net amount of other separately stated business items. Attach a statement providing the type and amount of each different separately stated item. Also enter the amount from line 16 on line 9, Schedule K, in the Federal Amount column.

Do not report Small Business Health Insurance Premiums.

Line 17. Net Separately Stated Items. Enter the sum of line 11 through line 16.

Line 18. Total Separately Stated and Nonseparately Stated Items. Enter the sum of line 10 and line 17.

Line 19. Enter the Alabama apportionment factor from Schedule D, line 4. The factor must be entered as percentage, with four decimal places.

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 multistate 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 ex-

pense 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 27.

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 sales factor at double weight.

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 other-

wise) 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 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 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. Enter amount from line 25c.

Line 27. Add lines 14, 15c, 25c and 26. Divide by 4 (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. If the entity only has a sales factor then divide by 2.

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 27.

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 (Apportioned 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.

SCHEDULE K – Distributive Share Items

Line 1. Alabama Nonseparately Stated Income. Enter on the Apportioned 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 27. Enter

in the Apportioned 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 27. Enter in the Apportioned 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. Enter in the Federal Amount column (as a positive amount) the IRC §179 expense deduction entered on Schedule A, line 13. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Alabama Amount column the amount that results from multiplying the apportionment factor by the amount of IRC §179 expense deduction entered in the Federal Amount column.

Line 5. Casualty Losses. Enter in the Federal Amount column (as a positive amount) the casualty losses entered on Schedule A, line 14. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of casualty losses entered in the Federal Amount column.

Line 6. Portfolio Income. Enter in the Federal Amount column the gross amount of portfolio income related to the net amount entered on Schedule A, line 15. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of portfolio income entered in the Federal Amount column.

Line 7. Interest Expense Related to Portfolio Income. Enter in the Federal Amount column the interest expense related to the portfolio income entered on line 6. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of interest expense entered in the Federal Amount column.

Line 8. Other Expenses Related to Portfolio Income. Enter in the Federal Amount column the expenses (other than interest expense) related to the portfolio income entered on line 6 – attach a statement identifying the nature and amounts of the other expenses. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of other expenses entered in the Federal Amount column.

Line 9. Other Separately Stated Business Items. Enter in the Federal Amount column the amount entered on Schedule A, line 16. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of other separately stated business items entered in the Federal Amount column.

Line 10. Small Business Health Insurance Premiums. Enter nothing in the Federal Amount column. Enter nothing in the Apportionment Factor column. Enter in the Apportioned Amount column 100% of the health insurance premiums paid during the taxable year that qualify, under Act Number 2011-155, as health insurance premiums on qualifying employees in connection with an employer-provided health insurance plan. Attach a computation of the amount entered on Line 10 as an attachment to the return.

Line 11. Separately Stated Nonbusiness Items. Enter in the Federal Amount column the amount entered on Schedule B, Column E, line 1h. Enter nothing in the Apportionment Factor column. Enter in the Apportioned Amount column the amount entered on Schedule B, Column F, line 1h. Attach a statement identifying the nature and amounts of the separately stated nonbusiness items.

Line 12. Composite Payment Made on Behalf of Owner. Enter nothing in the Federal Amount column and the Apportionment Factor column. Enter in the Apportioned Amount column the amount of total composite payments made on

behalf of the owners.

Line 13. U.S. Taxes Paid. Enter the amount of U.S. income taxes paid, if any, in the Federal Amount column. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of U.S. income taxes paid entered in the Federal Amount column.

Line 14. Alabama Exempt Income. Enter the total amount of Alabama exempt income in the Federal Amount column. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of Alabama exempt income entered in the Federal Amount column.

Line 15. Property Distributions to Owners. Enter in the Federal Amount column the amount of property distributed to owners. Enter in the Apportionment Factor column the apportionment factor used to calculate the property distribution. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of property distributions entered in the Federal Amount column.

Line 16. Guaranteed Payments to Partners. Enter in the Federal Amount column the total amount of guaranteed payments to partners from the Federal Form 1065, Schedule K. Enter in the Apportionment Factor column the apportionment factor from Schedule C, line 27. Enter in the Apportioned Amount column the amount that results from multiplying the apportionment factor by the amount of guaranteed payments to partners entered in the Federal Amount column.

Form 65, Page 4. Required Entity Information. Please provide the requested information concerning the entity filing the Alabama partnership income tax return.

SCHEDULE CR. Credits allowed to qualifying entities

Line a. Credit for taxes paid to foreign country. A tax credit for taxes paid to a foreign country by the pass through entity. The amount of the credit allowable is 50 percent of the taxpayer's proportionate share of the income taxes paid or accrued to a foreign country by the entity; or the tax calculated at the Alabama tax rates on the taxpayer's proportionate share of the entity's income derived from the foreign country, whichever is less. A copy of the foreign tax return should be attached to Form 65 and a schedule should be completed for each partner detailing the amounts required for each partner to complete Schedule OC on the Form 40 return. This statement should include the country's name, the partner's pro rata share of the entity and of the foreign income, and the pro rata share of the foreign income tax allocated to that partner.

The amount of the deduction on Schedule K-1 should be 50% of the proportionate share of the income taxes paid or accrued to a foreign country by the entity so that the amounts on the K-1 will equal the maximum credit allowable on Form 65, Schedule CR.

Line b. Heroes for Hire Credit. Enter the amount of credit taken on the appropriate line. Attach a copy of the veteran's Form DD214, and certification by the Department of Industrial Relations that the veteran was collecting or eligible to collect unemployment benefits or has exhausted his or her unemployment benefits.

Line c. Full Employment Act of 2011. Enter the amount of credit taken on the appropriate line. Also, attach an itemized list of qualified employees. Include the employee name, social security number; number of hours worked per week; hourly wage; hire date and total months of employment. The credit is not refundable or transferable.

Line d. Capital Credit. Enter the amount of credit taken on the appropriate line.

The partnership/limited liability company is required to complete and attach Form AR with the Form 65 return in order for the partners/members to be eligible to receive the capital credit on their respective income tax returns. Form AR must include a list of all recipients and their distributive share of the qualifying

project. All partners/members of the investing company that are eligible for the capital credit must complete and attach Form K-RCC to their respective income tax returns to take the capital credit.

Line e. Alabama New Markets Development Credit. Enter the amount of credit taken on the appropriate line. 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. The credit is not refundable or transferable.

Line f. Alabama Enterprise Zone Credit – (See §41-23-24): a tax credit is available to qualifying businesses which locate or expand within the designated enterprise zones. Business entities must apply for and be approved by the Alabama Department of Economic and Community Affairs (ADECA) to participate in the Enterprise Zone Program. For additional information on the Alabama Enterprise Zone Credit, contact ADECA at the Technical Assistance Section, 401 Adams Avenue, P.O. Box 5690, Montgomery, AL 36103-5690, or call the office at (334) 242-5370. Questions pertaining to the application of the tax credit should be addressed to the Alabama Department of Revenue, P.O. Box 327001, Montgomery, AL 36132-7001, or call the office at (334) 242-1175.

Line g. Irrigation Credit. Enter the amount of credit taken on the appropriate line. The credit is equal to 20 percent of the cost not reimbursed 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 reservoir per taxpayer. 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. Any excess may not be refunded but may be carried forward for 5 years.

Line h. Historic Rehabilitation Credit – Sections 40-9F-1 through 40-9F-8 were amended by Act 2014-452 which allows for a tax credit against Alabama income tax. Prior to beginning any substantial rehabilitation work on a qualified structure, the owner shall submit an application and rehabilitation plan to the commission and an estimate of the qualified rehabilitation expenditures under the rehabilitation plan. The commission shall review the application and rehabilitation plan to determine that the information contained therein is complete. If the commission determines that the application and rehabilitation plan are complete,

the commission shall reserve for the benefit of the owner an allocation for a tax credit as provided in Section 40-9F-4 and the commission shall notify the owner in writing of the amount of the reservation. Attach a copy of the tax certificate issued by the commission. Please refer to Sections 40-9F-1 through 40-9F-8 and Act 2014-452 for complete details.

ALABAMA SCHEDULE K-1 – Owner's Share of Alabama Income, Deductions, Credits, etc.

Please note: The term "gross income," in the case of a resident individual, includes income from sources within and outside Alabama, and in the case of a nonresident individual, includes only income from property owned or business transacted in Alabama. The Alabama K-1 has two columns in some boxes of Part III. The first column of Part III is income allocated and apportioned to Alabama. This column should be completed for both residents and nonresident partners. The second column of Part III should be completed for resident partners only. This column should include the resident partner's share of income (loss) from all sources, including income (loss) earned from other states.

To be considered a complete return, the Alabama Form 65 must be accompanied by a properly completed Alabama Schedule K-1 for each person or tax entity that was a partner/owner of the partnership/limited liability company at any time during the taxable year. Indicate whether the partner is an individual, an S Corporation, a C corporation, an estate, a trust, a partnership, a disregarded entity, an exempt organization, a foreign government, or a nominee (custodian). If the entity is a limited liability company (LLC) and it is treated as other than a disregarded entity for federal income tax purposes, the partnership must enter the LLC's classification for federal income tax purposes (that is, a corporation or partnership). If the partner is a nominee, use one of the following codes after the word "nominee" to indicate the type of entity the nominee represents: I – Individual; C – Corporation; F – Estate or Trust; P – Partnership; DE – Disregarded Entity; E – Exempt Organization; IRA – Individual Retirement Arrangement; or FGOV – Foreign Government.

Visit the Alabama Department of Revenue's website (www.revenue.alabama.gov) to obtain a copy of the Alabama Schedule K-1 and the form preparation instructions for the Alabama Schedule K-1. **A COMPLETED ALABAMA SCHEDULE K-1 THAT CONTAINS ALL INFORMATION REQUESTED FOR EACH OWNER MUST BE ATTACHED TO FORM 65.**