

Instructions For Preparation of Alabama Business Privilege Tax Financial Institution Group Computation Schedule

General Information

The Alabama Schedule G, Financial Institution Group Computation Schedule, is used to compute the Alabama business privilege tax liability for financial institution groups, as defined by Section 40-14A-22(f), *Code of Alabama 1975*.

See the Alabama Department of Revenue's web site (www.revenue.alabama.gov) for the Alabama Business Privilege Tax law, regulations, forms, and form preparation instructions.

Available in the last section of this document are definitions of certain terms, the text of Section 40-14A-22(d), *Code of Alabama 1975*, Maximum Taxes, and the text of Section 40-14A-22(f), *Code of Alabama 1975*, Minimum Taxes for Financial Institution Groups.

Which Taxpayers Must File an Alabama Schedule G?

Alabama Schedule G must be filed only by:

1. **Financial institution groups** (as defined in Section 40-14A-22(f), *Code of Alabama 1975*), if a consolidated filing election is made by the parent, in accordance with Section 40-14A-22(f), *Code of Alabama 1975*, or

2. **Each member of the financial institution group** must file an Alabama Form CPT, accompanied by a properly completed Alabama Schedule G, if the parent of the financial institution group does not elect to file a consolidated business privilege tax return.
No other taxpayer should file an Alabama Schedule G.

Maximum Business Privilege Tax for Financial Institution Groups. Section 40-14A-22(d), *Code of Alabama 1975*, establishes a maximum Alabama business privilege tax for a financial institution group of \$3,000,000, per taxable year.

Minimum Business Privilege Tax for Financial Institution Groups. Section 40-14A-22(f)(5), *Code of Alabama 1975*, establishes a minimum Alabama business privilege tax for a taxable year, which is based on the amount of deposits the financial institution group has in Alabama, as reported by the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), or the National Credit Union Share Insurance Fund (NCUSIF). The minimum tax is computed by applying a tax rate (stated in terms of dollars per \$1,000 of FDIC, OTS, or NCUSIF deposits in Alabama) to the Alabama deposits, as follows:

| Deposits in Alabama | Rate per \$1,000 of Deposits |
|---------------------------------------|------------------------------|
| Less than \$1 billion | \$.125 per \$1,000 |
| \$1 billion or more up to \$6 billion | \$.17 per \$1,000 |
| More than \$6 billion | \$.225 per \$1,000 |

Financial Institution Group Members. A financial institution group can have as members, corporations and limited liability entities. Individual financial institution group members can file separate Alabama business privilege tax returns, but they must file Form CPT only, regardless of the type of entity they may be. The minimum and maximum business privilege tax amounts still apply to the financial institution group.

Financial Institution Group Consolidated Filing Election. A financial institution group can make an annual election to file a single consolidated business privilege tax return. The consolidat-

ed filing election is made on Alabama Schedule G, Financial Institution Group Computation Schedule. A financial institution group must file the consolidated return using the Alabama Form CPT, accompanied by a properly completed Alabama Schedule G.

Preparation Instructions

Consolidated Filing Election – Area on Top of Schedule G

Indicate, by checking the appropriate box, if the financial institution group is making the election to file a consolidated Alabama business privilege tax return, in accordance with Section 40-14A-22(f), *Code of Alabama 1975*.

If a member of the financial institution group is filing separately, the appropriate box should be checked, and the FEIN of the common parent of the affiliated group (as defined by Section 40-14A-22(f), *Code of Alabama 1975*) must be provided.

Tax Computation If Electing to File a Consolidated Return

If the financial institution group chooses to make the Consolidated Filing Election, lines 1 through 5 should be completed.

Consolidated Election – Line 1. Total Deposits Inside Alabama for the Entire Financial Institution Group. This amount should be obtained from the, FDIC, OTS, or NCUSIF, whichever is the appropriate federal regulator, as of June 30th of the determination period for the financial institution group.

Consolidated Election – Line 2. Appropriate Rate from Deposit Rate Schedule.

Based on the amount of deposits, as of June 30th of the Determination Period, determine the rate from the following Deposit Rate Schedule.

Deposit Rate Schedule:

| Deposits in Alabama | Rate per \$1,000 of Deposits |
|---------------------------------------|------------------------------|
| Less than \$1 billion | \$.125 per \$1,000 |
| \$1 billion or more up to \$6 billion | \$.17 per \$1,000 |
| More than \$6 billion | \$.225 per \$1,000 |

Consolidated Election – Line 3. Alternative Minimum Privilege Tax. Multiply line 1 (Total Deposits Inside Alabama for the Entire Financial Institution Group) by line 2 (Appropriate Rate from the Deposit Rate Schedule).

Consolidated Election – Line 4. Enter amount of Tax Liability from Consolidated Form CPT, page 2, Part B, line 20. If a consolidated filing election is made, Form CPT must be computed for the entire financial institution group, and the computation must disclose the information on a separate-member basis in accordance with §40-14A-22(f). If the election is made, Form CPT must be accompanied by a worksheet that lists Form CPT information (lines 1-20 of page 2) for each member included in the financial institution group. The sum of the Business Privilege Tax Due for the entire consolidated financial institution group as computed on this worksheet should be entered on line 4 of Schedule G and on Form CPT, page 2, Part B, line 20. When computing the business privilege tax liability for the entire finan-

cial institution group, the maximum tax referred to in Section 40-14A-22(d)(2) shall apply to the financial institution group as a whole.

In addition to the information provided on Schedule G, Page 2, a listing must be provided that discloses each member of the Financial Institution Group:

1. The entity type of the member.
2. The mailing address of the member.
3. The city, state, and zip code of the member.
4. The principal business activity shown on the federal tax return.
5. The ownership percentage at the beginning of the Determination Period.
6. The ownership percentage at the end of the Determination Period.
7. The Taxable Alabama Net Worth.
8. The Business Privilege Tax Due.
9. The Annual Report Fee Due.

The listing must provide totals for the Taxable Alabama Net Worth, the Business Privilege Tax Due, and the Annual Report Fee Due. A separate Alabama Schedule AL-CAR (Alabama Secretary of State Corporation Annual Report) must be filed for every group member that is a corporation.

Consolidated Election – Line 5. Amount Due. Enter the greater of line 3 (Alternate Minimum Privilege Tax – based on Alabama deposits) or line 4 (The amount on line 4 should equal Amount of Tax Liability from Consolidated institution group).

Tax Computation if Electing to File Separately

If a member of the financial institution group is filing separately, the appropriate box at the top of Schedule G should be checked, and the FEIN of the common parent of the affiliated group must be provided. Please complete lines 1 through 9 in the area labeled “Tax Computation if Electing to File Separately.”

Separate Member Filing – Line 1. Total Deposits Inside Alabama for the Entire Financial Institution Group. This amount should be obtained from the, FDIC, OTS, or NCUSIF, whichever is the appropriate federal regulator, as of June 30th of the Determination Period for the financial institution group.

Separate Member Filing – Line 2. Appropriate Rate from Deposit Rate Schedule.

Based on the amount of deposits, as of June 30th of the determination period, determine the rate from the following Deposit Rate Schedule.

Deposit Rate Schedule:

| Deposits in Alabama | Rate per \$1,000 of Deposits |
|---------------------------------------|------------------------------|
| Less than \$1 billion | \$.125 per \$1,000 |
| \$1 billion or more up to \$6 billion | \$.17 per \$1,000 |
| More than \$6 billion | \$.225 per \$1,000 |

Separate Member Filing – Line 3. Alternative Minimum Privilege Tax. Multiply line 1 (Total Deposits Inside Alabama for the Entire Financial Institution Group) by line 2 (Appropriate Rate from Deposit Rate Schedule).

Separate Member Filing – Line 4. This Taxpayer’s Tax Liability from Form CPT, page 2, Part B, line 20. Each member of the financial institution group must complete Form CPT in order to compute the amount of business privilege tax due. This amount must be entered on Schedule G, Line 4, in the area for taxpayers electing to file separately.

Separate Member Filing – Line 5. Sum of All Group Mem-

bers’ Tax Liabilities. Enter the sum of the Privilege Tax Due (Form CPT, page 2, Part B, line 20) for each separate member of the financial institution group. When computing the business privilege tax liability for a financial institution group, the maximum tax referred to in Section 40-14A-22(d)(2) shall apply to the financial institution group as a whole.

Separate Member Filing – Line 6. If Line 5 Is Greater Than Line 3. If line 5 (Sum of All Group Members’ Tax Liabilities) exceeds line 3 (Alternate Minimum Privilege Tax for the financial institution group) enter the amount from line 4 (This Taxpayer’s Tax Liability from Form CPT, page 2, Part B, line 20) on line 6 and line 9. Enter zeroes on line 7 and line 8.

Separate Member Filing – Line 7. If Line 5 Is Less Than Line 3. If line 5 (Sum of All Group Members Tax Liabilities) is less than line 3 (Alternate Minimum Privilege Tax) divide the amount from line 4 (This Taxpayer’s Tax Liability from Form CPT, page 2, Part B, line 20) by the amount on line 5 (Sum of All Group Members’ Tax Liabilities) and enter the percentage on line 7.

Separate Member Filing – Line 8. Multiply Line 7 by Line 3. Multiply the percentage on line 7 by the amount entered on line 3 (Alternate Minimum Privilege Tax).

Separate Member Filing – Line 9. Amount Due. Enter the greater of line 6 or line 8. Also enter the amount computed for line 9 on line 8 page 1, of the Form CPT filed by the separate member.

Schedule G – DEFINITIONS

Definition of Financial Institution Group. The Alabama business privilege tax law, in Section 40-14A-22(f), **Code of Alabama 1975**, defines the term Financial Institution Group as:

“...all taxpayers in an affiliated group where at least one member of the group is a financial institution that is subject to the provisions of Chapter 16...”

A financial institution that is not a member of an affiliated group is still a financial institution group. Section 40-14A-22(f) further states:

“...In the event, a financial institution taxpayer is not a member of an affiliated group, that financial institution shall be treated as a financial institution group...”

Definition of Financial Institution. Chapter 16 of Title 40, **Code of Alabama 1975**, is the Alabama Financial Institutions Excise Tax law. Section 40-16-1(1), **Code of Alabama 1975**, defines the term financial institution as follows:

“(1) *Financial institution.* Any person, firm, corporation and any legal entity whatsoever doing business in this state as a national banking association, bank, banking association, trust company, industrial or other loan company or building and loan association, and such term shall likewise include any other institution or person employing moneyed capital coming into competition with the business of national banks, and shall apply to such person or institution regardless of what business form and whether or not incorporated, whether of issue or not, and by whatsoever authority existing. The common parent corporation of a controlled group of corporations eligible to elect to file a consolidated excise tax return, in accordance with Section 40-16-3, shall be considered a financial institution if such parent corporation is a registered bank holding company as defined by the Bank Holding Company Act of 1956, as amended. As a financial institution, the common parent corporation will be governed by Sections 40-16-1 through 40-16-8 and exempt from all income taxes under Sections 40-18-1 through 40-18-85, with the exception that the credit for licenses

or taxes as provided by Section 40-16-8 and the regulations issued or promulgated pursuant thereto by the Department of Revenue will not apply to amounts of excise tax on financial institutions imposed hereby and paid by such parent corporation. Financial institution shall not mean or include individual citizens and fiduciaries acting in a representative capacity for individual citizens, not engaged in a banking, loan, investment or similar business, but merely making personal investments of personal or fiduciary funds in bonds, notes or other evidences of indebtedness and not made in competition with the business of national banks, nor shall such term apply to insurance companies or insurance associations merely making investments of reserves in bonds, notes or other evidences of indebtedness and not made in competition with the business of national banks.”

Definition of Affiliated Group. The Alabama business privilege tax law, in Section 40-14A-22(f)(1)a, **Code of Alabama 1975**, defines the term Affiliated Group as:

“a. Affiliated Group. (i) One or more chains of corporations or limited liability entities connected through the ownership of stock or ownership interests with a common parent which is a corporation or limited liability entity, but only if the common parent owns directly stock or ownership interests meeting the requirements of item (ii) in at least one of the other corporations or limited liability entities, and only if stock or ownership interests meeting the requirements of item (ii) in each of the corporations or limited liability entities (except the common parent) is owned directly by one or more of the other corporations or limited liability entities. (iii) The ownership of stock or ownership interests of any corporation or limited liability entity meets the requirements of this paragraph if it possesses at least 80 percent of the total voting power or capital and profits interest of the corporation or limited liability entity.”

Section 40-14A-22(d), **Code of Alabama 1975**, Maximum Tax, states:

“...(d) Maximum tax.

(1) Except as provided in subdivision (2), the privilege tax levied by this article shall not exceed \$15,250 for any taxpayer for the taxable year beginning January 1, 2000. For each taxable year thereafter, the maximum tax shall not exceed \$15,000 for any taxpayer, except as provided in subdivision (2).

(2) With respect to any (i) financial institution groups as defined in subsection (f) (1); ...the privilege tax levied by this article shall not exceed \$3,000,000, for any taxpayer or, for a financial institution group, for the financial institution group as a whole each year...”

Section 40-14A-22(f), **Code of Alabama 1975**, Minimum Taxes for Financial Institution Groups, states:

“...(f) Minimum taxes for financial institution groups.

(1) For purposes of this subsection, the following terms shall mean:

a. Affiliated Group. (i) One or more chains of corporations or limited liability entities connected through the ownership of stock or ownership interests with a common parent which is a corporation or limited liability entity, but only if the common parent owns directly stock or ownership interests meeting the requirements of item (ii) in at least one of the other corporations or limited liability entities, and only if stock or ownership interests meeting the requirements of item (ii) in each of the corporations or limited liability entities (except the common parent) is owned directly

by one or more of the other corporations or limited liability entities. (ii) The ownership of stock or ownership interests of any corporation or limited liability entity meets the requirements of this paragraph if it possesses at least 80 percent of the total voting power or capital and profits interest of the corporation or limited liability entity.

b. Financial Institution. The meaning given in Section 40-16-1.

c. Financial Institution Group. All taxpayers in an affiliated group where at least one member of the group is a financial institution that is subject to the provisions of Chapter 16. In the event a financial institution taxpayer is not a member of an affiliated group, that financial institution shall be treated as a financial institution group.

(2) To the extent that the members of a financial institution group have different taxable years, the group shall be deemed, for purposes of the business privilege tax and corporate shares tax levied by Articles 2 and 3, to have a calendar taxable year.

(3) Taxpayers who are members of a financial institution group shall complete their corporate shares tax and business privilege tax returns without regard to this subsection. Those taxpayers shall submit their returns together, and the minimum tax amount provided in subdivision (5) shall apply to the aggregate business privilege tax and corporate shares tax liability of the group. To the extent that the minimum amount provided in subdivision (5) applies to determine the liability of the group, each taxpayer which is a member of the group shall be liable for that portion of the group liability which is equal to the amount multiplied by the ratio of the taxpayer’s liability without regard to this subsection over the liability of the group without regard to this subsection. Upon the annual election of the common parent, a financial institution group may file a single return, executed by the common parent of that financial institution group. The return shall be completed as if the financial institution group were a single taxpayer. Each member of the financial institution group shall be jointly and severally liable for the group’s business privilege tax and corporate shares tax liabilities.

(4) Financial institutions should remit the *expected* tax liability on or before the original due date of Form CPT. If a financial institution group elects to file a consolidated business privilege tax return, the parent corporation should pay the *expected* consolidated group’s liability. If a consolidated election is not made, each separate member of the financial institution group must remit payment for its separate *expected* tax liability. Any payments of \$750.00 or more must be remitted electronically in order to avoid additional penalties and interest. Please see our Web site at www.revenue.alabama.gov, and select the E Services option.

(5) For taxable years beginning on or after January 1, 2000, the minimum aggregate business privilege and corporate shares taxes levied by Articles 2 and 3 on all members of a financial institution group shall be:

a. For financial institutions with total deposits inside Alabama of less than one billion dollars (\$1,000,000,000) within that financial institution group, as reported to the FDIC, OTS, or the NCUSIF as of June 30 of the immediately preceding taxable year, the tax rate shall be \$.125 per one thousand dollars (\$1,000) of such deposits. For deposit rate purposes for all future periods, the deposits shall in no event be less than the deposits listed as of June 30, 1999.

b. For financial institutions with total deposits inside Alabama of one billion dollars (\$1,000,000,000) or greater up to and including six billion dollars (\$6,000,000,000) within that financial institution group, as reported to the FDIC, OTS, or the NCUSIF as of June 30 of the immediately preceding taxable year, the tax rate shall be \$.17 per one thousand dollars (\$1,000) of such deposits. For deposit rate purposes for all future periods, the deposits shall in no event be less than the deposits listed as of June 30, 1999.

c. For financial institutions with total deposits inside Alabama greater than six billion dollars (\$6,000,000,000) within that financial institution group, as reported to the FDIC, OTS, or the NCUSIF as of June 30 of the immediately preceding taxable year, the tax rate shall be \$.225 per one thousand dollars (\$1,000) of such deposits. For deposit rate purposes for all future periods, the deposits shall in no event be less than the deposits listed as of June 30, 1999.

d. Provided, however, that in the case of a financial institution group that, as of June 30, 1999, (i) had total deposits of less than one billion dollars (\$1,000,000,000) and (ii) derived at least a majority of its deposits, as reported to FDIC, OTS, or NCUSIF, that were booked to one or more branches or offices located within Alabama from account holders whose addresses of record on the books of the financial institution group were outside the State of Alabama, the phrase "total deposits in Alabama," for purposes of calculating the minimum aggregate business privilege and shares tax levied by Articles 2 and 3 for all taxable years beginning on and after January 1, 2000, shall only include deposits of account holders whose addresses of record on the books of the financial institution group are inside the State of Alabama.

e. In the event a financial institution group sells Alabama

deposits to another financial institution group that reports those deposits in Alabama for purposes of Act 2000-705, those deposits shall not be taxed more than once pursuant to the provisions of Act 2000-705 in the same taxable year. The liability for such taxes shall be the responsibility of the purchaser, and the tax base for the selling group shall be adjusted accordingly.

f. In the event an existing financial institution group reports deposits in any year less than 96.5 percent of the deposits reported as of June 30, 1999, the alternative minimum tax shall be based on the deposits reported as of June 30, 1999. In the event an existing financial institution group reports deposits in any year more than 96.5 percent of the deposits reported as of June 30, 1999, the alternative minimum tax shall be based on the deposits reported for that taxable year. For financial institutions coming into existence after June 30, 1999, the deposits upon which the alternative minimum tax is based shall not be less than the deposits reported the first full year that financial institution reported deposits to the FDIC, OTS, or NCUSIF..."

Schedule G, Page 2 Instructions

Column A – Enter the name of the Financial Institution Group Member.

Column B – Enter the Federal Employer Identification Number (FEIN), if applicable.

Column C – Check the box for Corporation if the member is a Corporate Entity subject to the annual report filing. Check the box for LLE if the member is a Limited Liability Entity not subject to the annual report filing.

Column D – Check yes if the member is a Disregarded Entity. Include the Federal Employer Identification Number (FEIN) of the Disregarded Entity's owner in the space provided.