

ALABAMA DEPARTMENT OF REVENUE
Federal Income Tax Deduction Worksheet
IRC Section 965

20 _____

NAME(S) AS SHOWN ON FORM 20C

FEDERAL EMPLOYER IDENTIFICATION NUMBER

If a taxpayer, or a federal consolidated group in which a taxpayer is a member, paid a transition tax pursuant to IRC 965 (a "Transition Tax"), the taxpayer must remove any Transition Tax paid from the standard calculation of the federal income tax deduction. To claim any portion of Transition Tax paid or accrued as a federal income tax deduction, the taxpayer must complete this worksheet and attach it to the taxpayer's 2017 tax year return.

In completing Form 20C, Alabama's standard method of allocating federal taxes paid among members of a federal consolidated group relies on the federal taxable income reported on IRS Form 1120. However, IRC 965 income is excluded from the calculation of federal taxable income on Form 1120. Therefore, the allocation of Transition Taxes paid by the taxpayer must be reported separately. Furthermore, a taxpayer may not deduct federal taxes paid that are associated with income excluded from the Alabama tax base. See Section 40-18-35(d), Code of Alabama 1975.

PART A – Determining eligibility for additional federal income tax deduction related to IRC Section 965 Income Inclusion

1. IRC 965 Income (from line 9, Schedule A, Form 20C)		00
2. IRC 965 Income excluded from AL Income (from line 18, Schedule A, Form 20C)		00
3. IRC 965 Income excluded as Nonbusiness (from Schedule C, Form 20C)		00
Note: For lines 1, 2, & 3, ONLY INCLUDE the portion of the referenced lines related to IRC 965 income.		
4. Total deductions from Alabama tax base related to IRC 965 transactions (add lines 2 and 3)		00
5. IRC 965 Income included in AL Taxable Income (line 1 less line 4)		00
If Line 5 equals zero, no federal income tax deduction is allowed for IRC 965 Income.		
If Line 5 is greater than zero, continue to Part B, line 6, you may be entitled to deduct additional federal income tax paid/accrued on IRC 965 Income.		

Part B – Determining additional federal income tax deduction related to IRC Section 965 Income Inclusion

6. Total 2017 Section 965(a) inclusion, Federal Consolidated, include pass-throughs (See federal guidance) . . .		00
7. Total 2017 Section 965(c) deduction, Federal Consolidated, include pass-throughs (See federal guidance) ..		00
8. Section 965(a) inclusion less 965(c) deduction (line 6 less line 7)		00
9. Preapportionment allocation percentage to AL taxpayer (divide line 5 from Part A by line 8 from Part B)		%
10. Net tax liability under Section 965, Federal Consolidated, include pass-throughs (See federal guidance)		00
Line 10 is the net tax liability under Section 965 required to be included in Total Tax on the Consolidated Federal Form 1120, line 11, Schedule J, Part I. Line 10 should be computed without regard to any deferral allowed by Section 965(h).		
11. Section 965 net tax liability to be apportioned to taxpayer (multiply line 9 by line 10, enter result here)		00

Part C – Determining federal income tax to be apportioned (Line 6, Schedule E, Form 20C)

12. Section 965 net tax liability to be apportioned to taxpayer (enter amount from line 11, Part B)		00
13. Enter amount from line 5, Schedule E, Form 20C, if applicable		00
Note: If taxpayer does not file as part of a federal consolidated return, enter the amount of federal tax liability from Federal Form 1120, Schedule J less any Section 965 tax liability.		
14. Federal income tax to be apportioned (add lines 12 and 13 and enter result here and on line 6, Schedule E, Form 20C)		00