shall be 12 percent of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect to the property. Such amounts shall not exceed 50 percent of the net income of the taxpayer, computed without allowance for depletion, from the property, except that in no case shall the depletion allowance be less than the amount allowable under federal income tax law.

Cost Depletion Natural Resources Other than Gas and Oil. Alabama law has no provision for percentage depletion of natural resources other than gas and oil, as currently allowed under federal law. For Alabama purposes, the depletion allowance shall be computed using the cost depletion method.

Depreciation. Alabama law allows IRC Section 179 Expense for all taxable years beginning after December 31, 1989. Adjustments may be necessary if assets were acquired and placed in service prior to tax years beginning January 1, 1990.

Targeted “Jobs Credit.” You may have been allowed to take a portion of your payroll expense as a “Targeted Jobs Credit” on your federal return. This is an allowable expense for Alabama income tax purposes.

Passive Activity Losses. Alabama law has no provision, similar to current federal law, which limits the deduction of passive trade or business activity losses.

If you have adjustments involving any of the previously described expenses, attach an explanation and show the adjustment as “Other Expenses” on Federal Schedule C or F.

The net profit or (loss) from business, as shown on Federal Schedule C-EZ or C after above adjustments (if applicable), should be entered on Part I, line 4. The net profit or (loss) from all operations within and without Alabama, as shown on Federal Schedule C, after above adjustments (if applicable), should be entered on Part I, line 4, Column B. The net profit or (loss) from operations in Alabama should be entered in Column C.

Line 5
Gain or (Loss) from Sale of Real Estate, Stocks, Bonds, Etc.

If you sold real estate, stocks, bonds, or other assets in 2018 the net gain or (loss) should be entered in column B. The net gain or (loss) from the sale of property located in Alabama should also be entered in Column C.

If you sold your personal residence, any gain realized is taxable to the same extent as reported on your federal return.

Please see the instructions for Schedule D for further information.

Line 6
Rents, Royalties, Partnerships, Estates, Trusts, S Corporations

You must complete and attach Schedule E if you received income in 2018 from any of these sources. The instructions for completing Schedule E are on page 21 of this booklet.

Line 7
Farm Income or (Loss)

If you operated a farm during the year, you must attach Federal Schedule F to your return.

Alabama law differs from Federal law in the treatment of some of the expenses shown on Federal Schedule F. These differences are discussed in the instructions for line 4, Part I. If any of these adjustments apply to your return, you should show the additional amounts as “Other Expenses” on Federal Schedule F.

The net profit or (loss) from farm operations, within and without Alabama, should be entered on line 7, Column B. The net profit or (loss) from farm operations in Alabama should also be entered in Column C.

Line 8
Other Income

Enter on line 8 any other income you cannot find a place for on your return or on another schedule. State the nature and source in the space provided, or attach a separate explanation.

The total other income from all sources should be entered in Column B, and only the other income earned in Alabama should be entered in Column C.

If you are entitled to a foreign income exclusion, please attach a copy of your Federal Form 2555 to your return and report the amount of your exclusion as a credit in parenthesis (Example: (30,000)) on line 8 Other Income on page 2 of your return. All foreign income must be reported on your return, in order to receive any foreign income exclusion.

Note: Net operating losses are not allowed as a deduction on line 8 (Other Income). Net operating losses can only be claimed on Form NOL-85A.

Federal Income Tax Deduction Worksheet

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enter the tax as shown on line 13 on Form 1040 or line 53 on Form 1040NR.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Enter amount from line 17, Form 8960.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Add lines 1 and 2.</td>
<td></td>
</tr>
<tr>
<td>4a</td>
<td>Earned Income Credit (EIC). Enter the amount from line 17a of Form 1040.</td>
<td></td>
</tr>
<tr>
<td>4b</td>
<td>Additional Child Tax Credit. Enter the amount from line 17b of Form 1040, or line 64 of Form 1040NR.</td>
<td></td>
</tr>
<tr>
<td>4c</td>
<td>American Opportunity Credit. Enter the amount from line 17c of Form 1040.</td>
<td></td>
</tr>
<tr>
<td>4d</td>
<td>Credits from Forms 2439. Enter the amount from Schedule 5, line 74 of Form 1040 if 74a is checked, or line 69 of Form 1040NR if 69a is checked.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Add lines 4a, b, c and d.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Subtract line 5 from line 3 and enter amount on line 12 of Form 40, line 9 of Form 40A or page 2, Part IV, line 4 of Form 40NR. If amount is negative enter zero.</td>
<td></td>
</tr>
</tbody>
</table>