If the corporation receives distributions from Schedule K-1 income generated from a Pass-Through Entity, and the taxpayer has a credit that may be claimed on the Form 20C from the Pass-Through Entity, the taxpayer should enter the allocable amount of the credit from the Schedule K-1 into the appropriate field on the Schedule BC and attach the Schedule K-1 to the return.

**New Credits for 2018**


**Qualified Irrigation/Reservoir System Credit.** Act 2017-352 amends Section 40-18-342 to allow any agricultural trade or business an increased cap on the amount of income tax credit. See Part I for more information.

**Rehabilitation, Preservation and Development of Historic Structures Credit of 2017.** Act 2017-380 provides a refundable income tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures. See Part R for more information.

**Section A – CURRENT YEAR TAX LIABILITY**

Enter tax due from Form 20C, page 1, line 15 here and on Section C, Part A, Column 4.

**Section B – CURRENT YEAR CREDITS**

**Part A – Alabama Enterprise Zone Credit**

Certain tax incentives are available to qualifying businesses that 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). 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 its income tax exemption under the provisions of its specific contract. For additional information on the Alabama Enterprise Zone Credit/Exemption, contact ADECA Community and Economic Development Division, 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. The Certificate of Certification and computations must be attached to Form 20C to claim the exemption.

A1. Enter the amount of the Alabama Enterprise Zone Credit Available.

**Part B – 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 employees 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 and employee employment period) computing the credit should be provided. For further information, contact the Alabama Community College System, Adult Education Program, Workplace Education Tax Credit, 135 South Union Street, Montgomery, AL 36104, Attn: David Walters or the Alabama Department of Revenue, P.O. Box 327430, Montgomery, AL 36132-7430, at (334) 242-1200.

B1. Enter the Certification Number assigned by the Department of Education.

B2 Enter the name of the employer/firm sponsoring the education program.

B3 Enter the name of the approved provider.

B4 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.

B5. 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.

B6. If the box on line 4 and 5 is marked “yes”, enter the total expenses available for credit.

B7. Multiply line B6 by 20% (.20). CREDIT ALLOWABLE

**Part C – 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.

C1. Enter the amount paid pursuant to the financing agreement, corresponding to debt service on the project obligations. CREDIT ALLOWABLE.

**Part D – 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, the corporation in calendar year 1994. In the event a corporation did not produce Alabama coal during calendar year 1994, the 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.)

D1. Enter the number of tons of coal produced in 2018.
D2. Enter the number of tons of coal produced in calendar year 1994 or base year chosen.
D3. Subtract line D2 from line D1.
D4. Multiply line D3 by $1, if greater than zero. CREDIT ALLOWABLE.

Part E – 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 and cannot be taken in conjunction with the Alabama Small Business and Agribusiness Jobs Credit.

E1. Enter the number of full time employees on 12-31-2017.
E2. Enter the number of full time employees on 12-31-2016.
E4. Enter the number of qualifying employees included in the number on E3 that completed their first 12 months of service in 2018.
E5. Multiply line E4 by 1,000. Enter the amount.

Part F – Alabama New Markets Development Credit

Act Number 2012-483, passed by the Alabama Legislature during the 2012 Regular Session, establishes a tax credit to corporations 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 which the 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.

F1. Enter the amount of the New Markets Development Credit claimed from the Notice of Certification.

Part G – Veterans Employment Act - Employee Credit

Act 2018-194 amend Sections 40-18-320 and 40-18-321 for all tax years beginning on or after January 1, 2018 to rename the Heroes for Hire Tax Credit Act of 2012 as the Veterans Employment Act. The act authorizes a tax credit for contributions to corporations 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 which the credit is claimed. 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.

G1. Enter the number of unemployed veterans included in Part E, line E4 – Full Employment Credit or included in Part P, line P7 – Alabama Small Business and Agribusiness Jobs Credit.
G2. Multiply line G1 by 1,000. Enter the amount.

Part H – Veterans Employment Act - Business Start-Up Expense Credit

Section 40-18-323 allows for a nonrefundable credit against the income tax liability to 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.

H1. Enter the name of the Business.
H2. Enter the business ID number.
H3. Enter the total amount of business start-up expenses.
H5. Enter the lesser of line H3 or line H4. CREDIT ALLOWABLE.

Part I – Qualified Irrigation System/ Reservoir System Credit

Act 2017-352 amends Section 40-18-342 to allow all tax years beginning after December 31, 2011 until tax year ending December 31, 2017 to authorize an agricultural trade or business to be eligible for an increased cap on the amount of a credit based on a lower percent of the costs of a project. The credit is equal to 20 percent of the accrued cost not to exceed $10,000 or 10 percent of the accrued cost not to exceed $50,000, whichever is greater. 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 the income tax liability in any year and 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.

I1. Enter the Alabama Department of Agriculture and Industries Certificate Number.
I2. Enter the purchase and installation costs of the irrigation system.
I3. Enter the conversion costs to convert from fuel to electricity.
I4. Add lines I2 and I3.
I5. Multiply line I4 by 20% (.20) not to exceed $10,000.
I6. Multiply line I4 by 10% (.10) not to exceed $50,000.
I7. Enter the greater of line I5 or I6.
I8. Enter the total of the construction reservoir.
I9. Multiply line I8 by 20% (.20) not to exceed $10,000.
I10. Multiply line I8 by 10% (.10) not to exceed $50,000.
I11. Enter the greater of line I9 or I10.
I12. Enter the amount from either line I7 or I11. CREDIT ALLOWABLE.

Part J – 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.

J1. Enter the name of the Scholarship Granting Organization.
J2. Enter the full address of the Scholarship Granting Organization.
J3. CREDIT AVAILABLE. Enter the amount of contribution made to the Scholarship Granting Organization.
J4. Multiply the current tax liability (Section A) by 50% (.50).
J5. Enter the lesser of line J3 or line J4. CREDIT ALLOWABLE.

Part K – Rehabilitation, Preservation and Development of Historic Structures Credit of 2013

Act 2014-452 amends Act 2013-241. The act provides an income tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures. The credit is
equal to 25% of the qualified rehabilitation expenditures for certified historic structures. The act also provides a tax credit equal to 10% of the qualified rehabilitation expenditures for qualified pre-1936 non-historic structures. No tax credit claimed for any certified rehabilitation may exceed $5,000,000 for all allowable property types except a certified historic residential structure and $50,000 for a certified historic residential structure. The entire credit may be claimed by the taxpayer in the taxable year in which the certified rehabilitation is placed in service. This credit is not refundable, but any unused portion of the credit may be carried forward for up to 10 additional tax years.

K1. Enter the amount of the Rehabilitation, Preservation and Development of Historic Structures Credit from the Alabama Historical Commission Tax Credit Certificate. CREDIT ALLOWABLE.

Part L – Dual Enrollment Credit

Act 2014-147 passed the Alabama Legislature during the 2014 Regular Session. The act provides a state income tax credit to businesses that make contributions for qualifying educational expenses directly associated with the Career-Technical Dual Enrollment Program. The tax credit may be claimed by the taxpayer in an amount equal to 50 percent (50%) of the total contribution or contributions made to the Department of Postsecondary Education during the taxable year for which the credit is claimed, but such credit is not to exceed an amount greater than 50 percent (50%) of the taxpayer’s total Alabama income tax liability, and in no case more than five hundred thousand dollars ($500,000) for any given tax year. A taxpayer may carry forward all or part of a tax credit granted under this act for up to three (3) years.

L1. Enter amount from the Department of Postsecondary Education Tax Certificate.

L2. Multiply line L1 by 50% (.50).

L3. Multiply the current tax liability (Section A) by 50% (.50).

L4. Maximum Credit.

L4a. CREDIT AVAILABLE. Enter the lesser of line L2 or L3 here and on Section C, Part L, Column 2.

L5. Enter the lesser of line L2, L3 or line L4. CREDIT ALLOWABLE.

Part M – Alabama Jobs Act (Investment Credit)

Act Number 2015-27 and Section 40-18-376 provide for an investment credit to certain businesses for approved projects that create new jobs in Alabama. The credit is an amount of 1.5 percent of a qualified capital investment annually, for a period of 10 years to be applied against the income tax, estimated income taxes, the financial institution excise tax, or the insurance premium tax, with additional offsets of utility gross receipts and utility service use taxes. The investment credit, provided for by the Alabama Jobs Act, may be claimed as a credit against taxes paid with a carryforward for earned but unused amounts to the extent allowed in the project agreement. Any unused portion of this credit may be carried forward for up to five years.

M1a-M1c. Enter the Project Name(s) and the amount of the credit claimed from the certification issued by the Alabama Department of Commerce.

M2. Enter the sum of all project credits.

M3. Enter the amount of investment credit used to offset utility taxes.

M4. Subtract line M3 from line M2. CREDIT ALLOWABLE.

Part N – Port Credit

Act Number 2016-102 and Section 40-18-403 establish a tax credit for corporations that utilize Alabama’s port facilities. The port credit allowable is an amount equal to $50 per TEU, $3 per net ton, or $0.04 per kilogram for air freight, multiplied by the port user’s cargo volume in the 12 month period (for which the Renewal of Alabama Commission has granted approval for the port user to claim the credit) minus the port user’s base cargo volume. To qualify, the port user must ship more than 10 TEUs, more than 75 net tons, or more than 15,000 kilograms for air cargo. Also, the port user must ship more than 105 percent of its cargo volume in the 12 month period preceding the submission of the port credit application to the commission. This credit is nonrefundable, but any unused portion of the credit may be carried forward for up to five years.

N1. Enter the amount of the Port Credit approved by the Alabama Renewal Commission.

Part O – Growing Alabama Credit

Act Number 2016-102 and Section 40-18-413 authorize a tax credit to corporations that make cash contributions to local economic development organizations approved by the Renewal of Alabama Commission. The credit is the amount of the cash contribution made not to exceed 50% of the corporation’s income tax liability for the current year. The corporation’s cash contribution cannot exceed the amounts approved by the commission. This credit is nontransferable and may be carried forward for up to five years.

O1. Enter the name of the Local Economic Development Organization Approved by the Alabama Renewal Commission.

O2. Enter the address of the Local Economic Development Organization.

O3. CREDIT AVAILABLE. Enter the total amount contributed for development. Enter here and on Section C, Part O, Column 2.

O4. Multiply the current tax liability (Section A) by 50% (.50).

O5. Enter the lesser of line O3 and line O4. CREDIT ALLOWABLE.

Part P – Alabama Small Business and Agribusiness Jobs Credit

Act Number 2016-188 passed the Alabama Legislature during the 2016 Regular Session. This act provides for a tax credit to Alabama small business employers that create new jobs and hire employees under certain conditions. The tax credit allowable is a one-time credit to $1,500 for each qualified new employee and is only applicable to a tax year in which the new employee has completed 12 months of consecutive full-time employment with the employer. In order to qualify for the credit, the business must have 75 or fewer full time and part time employees and must show a “Net Employee Growth” as defined in the act. This credit is nontransferable and nonrefundable, but any unused portion of the credit may be carried forward for up to three years. This credit cannot be taken in conjunction with the Full Employment Credit.

P1. Mark the appropriate box to indicate whether your business had 75 or fewer full-time and part-time employees during the current tax year.

P2. Enter the number of full time employees on 12-31-2018.

P3. Enter the number of full time employees on 07-24-2016.

P4. Subtract line P3 from line P2 to determine the Net Employee Growth for the current year.

P5. Enter the number of qualifying new employees for whom you have previously claimed a credit in prior tax year(s).


P7. Enter the number of qualifying new employees from line P6 that completed their first 12 consecutive months of service in 2018.

P8. Multiply line P7 by $1,500. Enter the amount. CREDIT ALLOWABLE.

Part Q – Apprenticeship Tax Credit

Act Number 2016-314 passed the Alabama Legislature during the 2016 Regular Session. This act provides for a tax credit for employers that employ an apprentice. Eligible employers that employ an apprentice for at least seven full months of the prior taxable year are allowed a credit equal up to $1,000 for each apprentice employed, not
to exceed five apprentices employed. This credit is nontransferable, nonrefundable, and not available for an individual apprentice for more than four taxable years.

Q1. Enter the amount from the Apprenticeship Tax Credit Certificate issued by the Workforce Development Division of the Department of Commerce.

Part R — Rehabilitation, Preservation and Development of Historic Structures Credit of 2017

Act 2017-380 provides a refundable income tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures. The tax credits can only be claimed by taxpayers holding a Tax Credit Certificate or a Transfer Tax Credit Certificate. The credit is equal to 25% of the qualified rehabilitation expenditures for certified historic structures. No tax credit claimed for any certified rehabilitation may exceed $5,000,000 for all allowable property types except a certified historic residential structure, and $50,000 for a certified historic residential structure. The entire credit must be claimed by the taxpayer in the taxable year in which the certified rehabilitation is placed in service. This credit is refundable and transferable but cannot be carried forward.

R1. Enter the amount of the Rehabilitation, Preservation and Development of Historic Structures Credit of 2017 from the Alabama Historic Commission Tax Credit Certificate. CREDIT ALLOWABLE.

Part S — Capital Docks/Capital 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.

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 5 percent of the qualifying project's allowable capital costs for each year up to 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 C corporation is required to complete and attach Form AR and Form K-RCC with the Form 20C return to be eligible 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 by entered in the space provided on Schedule BC, Part S, lines S1a-S1g.

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 P.O. Box 327001, Montgomery, AL 36132-7001 or 334-242-1175.

S1a-S1g. Enter the Project Number(s) assigned by the Alabama Department of Revenue, the Project Name(s) and the amount of the Capital Credit claimed from Schedule K-RCC, line 7.

S2. Total Capital Credit. Enter the sum of all project credits. CREDIT ALLOWABLE.

Section C — Current Credit Summary

Part A through Part S. For each credit available for utilization, repeat the steps on each line by column until all available current year credits have been used or no tax remains to be offset.

Column 1. Type of Credit generated
Column 2. For applicable credits, enter the Credit Available from Section B.
Column 3. Enter the amount of credit allowable generated by the corporation from Section B.
Column 4. Enter the amount of the remaining tax to be offset.
Column 5. Enter the amount of the current credit utilized to offset the remaining tax due.
Column 6. Subtract Column 5 amount from Column 4 amount.
Column 7. Subtract Column 5 amount from Column 3 amount.
Column 8. For applicable credits, subtract Column 3 amount from Column 2 amount and add the difference to Column 7 amount.

Section D — Credit Carry Forward Prior Years

Lines 1 through 10. For each carryforward available for utilization, repeat the steps on each line by column until all available prior year credit carry forward credits have been used or no tax remains to be offset.

Begin Credit Carry Forward from Prior Years with the oldest year first and ending with the most current year. Tax years for which a credit was utilized should not be listed. The utilized credits are shown in column 4.

Column 1. Enter the Type of Credit generated
Column 2. Enter the tax year end (MM/DD/YYYY) in which the credit was generated.
Column 3. Enter the amount of the credit generated by the corporation for the tax period in Column 2.
Column 4. Enter the amount of the credit utilized in years prior for the Credit listed in Column 3.
Column 5. Subtract Column 4 amount from Column 3 amount. Enter the amount of the Credit available to be utilized in the current tax period, not to exceed the remaining tax to be offset.

Columns 6-8. Subtract the Remaining Tax to be Offset (Section C, Column 6) from the Amount Available to use this Period (Section D, Column 5). If the Remaining Tax to be Offset is less than or equal to the Amount Available to use this Period, enter the Remaining Tax to be Offset in Column 6 and enter the excess of the Amount Available to use this Period in Column 7. If the Remaining Tax to be Offset is greater than Section D, Column 5, enter the Amount Available to use this Period in Column 6 and enter the difference of the Remaining Tax to be Offset and the Amount used this Period in Column 8, then proceed to the next available prior year credit. For the remaining rows, the Amount used this Period in Column 6 is limited to the Remaining Tax to be Offset in Column 8 of the preceding row.

Section E — Total Nonrefundable Credits

Line 1. Enter the Total Current Credit from Section C, Column 5.
Line 2. Enter the Total Prior Year Credit Carryforward from Section D, Column 6.
Line 3. Add lines 1 and 2. Enter total here and on Form 20C, page 1, line 16.

Section F — Total Refundable Credit

Line 1. Enter the total refundable credit from Section C, Part R, Column 7 here and on Form 20C, page 1, line 19f.