Returns made on the basis of calendar year shall be filed on or before the 15th day of March following the close of the fiscal year. For tax years beginning on or after January 1, 2016, returns made on the basis of fiscal year shall be filed on or before the 15th day of the third month following the close of the fiscal year.

Compliance and Payment Requirements for Partnerships. Generally, 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.

Requests for relief of composite payment requirements will be considered on a case-by-case basis when properly submitted. To request relief, Form PTE-R must be completed and received at least 30 days before the original due date of the composite return. Form PTE-R and instructions for requesting relief are available at www.revenue.alabama.gov.

Qualified Investment Partnerships. §40-18-24.2, Code of Alabama 1975, generally defines a Qualified Investment Partnership (QIP). 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. Nonresident members of the QIP that receive exempt income from the QIP should receive an Alabama Schedule K-1 with the QIP indicator properly marked and with the total amount of Alabama exempt income reported on Line J.

Schedule PC. The Alabama Department of Revenue requires the use of Schedule PC, Pass Through Credits, when claiming tax credits. The schedule allows the taxpayer to compute the total amount of tax credits allowable. The amounts entered on the Schedule PC will carry over to the Form 65, Schedule K, Line 22. See instructions for Schedule PC for additional information.

Nexus. Act 2015-505 establishes a factor presence nexus standard for nonresident business activity. Substantial nexus in Alabama is established if any of the following thresholds are exceeded during the tax period: $54,000 of property, $54,000 of payroll, $538,000 of sales, or 25% of total property, total payroll or total sales.

Schedule NRC-Exempt. Schedule NRC-Exempt is to be completed by a nonresident member to certify exemption from AL Code §40-18-24.2. This form should be attached to the Form 65 and Form PTE-C each year. Failure to attach form NRC-Exempt to the return shall cause the pass through entity to remit payment due as originally required.

The following members may be exempt from the composite payment requirement by filing Form NRC-Exempt:
1. Real Estate Investment Trusts that are not captive REITs as defined by Ala. Code Section 40-18-1(5) and that has no Alabama sourced income as a result of the dividends paid deduction.
2. Exempt organizations whose share of taxable income sourced to Alabama does not result in unrelated business taxable income.
3. Insurance companies that are subject to the Alabama premiums tax and are exempt from income tax as outlined in Ala. Code Section 40-18-32(5).
4. Pre-Approved Tiered Structures that wish to exempt a tier from withholding requirements for a direct owner in which the indirect owner agrees to be subject to the personal jurisdiction in this state for all income tax purposes together with related interest and penalties.

To request approval the pass through entity must submit a Form NRC-Exempt executed by the indirect owner along with Form PTE-R and Form NRA-R, completed by the direct owner, 30 days before the original due date (without extension) and documentation adequate to show the portion of the pass through entity’s income flowing through to the indirect owner.

A copy of the written approval must be attached each year to the pass through entity’s return.

5. Nonresidents whose only Alabama sourced income is derived from a capital credit project and the nonresident’s capital credit is expected to fully offset any potential tax liability pursuant to Ala. Admin. Code Section 810-2-7-.04(4)(f).
6. A C-Corporation that has been in a loss position for the three most recent tax years and expects to be in a loss position for the current year.

General Instructions

Alabama income tax computation and reporting requirements for partnerships and limited liability companies are based on the federal requirements. The term “partnership” includes a limited partnership as well as a general partnership, and a syndicate, group, pool, or joint venture which is not a corporation, estate, trust or sole proprietorship within the meaning of the Alabama income tax law.

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 Information. The check box provided above the signature line on page 2 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. The preparer 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 computer program. The preparer must provide the entity with a copy of the prepared return.

Instructions for Filing. Returns made on the basis of calendar year shall be filed on or before the 15th day of March 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 third 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.

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
**Additions to Federal Taxable Income:**

Line 1. Addback otherwise deductible related member interest or intangible expenses except to the extent the corporation establishes that the expense satisfies an exception in Section 40-18-24.2. (Schedule PAB must be attached.)

Line 2. Enter any gain attributable to property purchased and subject to the bonus depreciation or additional 179 expense as allowed by the 2008 Federal Economic Stimulus Act.

Line 3. Other items required to be added back to federal taxable income to arrive at Alabama taxable income should be entered on this line. Attach supporting documentation.

Line 4. Total the amounts reported on lines 1 through 3.

**Deductions from Federal Taxable Income:**

Line 5. Enter expenses not deductible on the federal income tax return due to an election to claim a federal tax credit, i.e., jobs credit, etc.

Line 6. Enter any difference in the Federal recapitulate amount (reported on line 35, Part IV, Form 4797) and the Alabama recapitulate amount due to the basis difference resulting from Alabama’s decoupling from the provisions of the 2008 Federal Economic Stimulus Act or the additional Section 179 expense deduction having been taken as allowed by the 2008 Federal Economic Stimulus Act. Identify the items of property on an attachment to the return.

Line 7. Other items required to be added back to federal taxable income to arrive at Alabama taxable income should be entered on this line. Attach supporting documentation.

Line 8. Sum the deductions reported on lines 5 through 7.

Line 9. Subtract line 8 from line 4 and enter the result on line 9. If line 8 is larger than line 4 enclose the amount on line 9 in parentheses. Carry the amount on line 9 to page 1, line 23.

**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 expense 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 on page 1, line 25. Please note that when an amount is entered in page 1, line 25, 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 on page 1, line 29.

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) en-
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.

7. Enter in Column B, line 1h, the sum of the amounts entered in Column B on line 1e, line 11, and line 1g. The amount entered in Column B, line 1h is also entered on Schedule K, Line 12.

8. Enter on Column D, line 1h, the sum of the amounts entered in Column D on line 1e, line 1f, and line 1g. The amount entered in Column D, line 1h is also entered on Schedule K, Line 18.

9. 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).

10. 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.

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### 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-.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-.09 generally explains the Alabama apportionment factor. Regulations 810-27-1-.10 through .12 generally explain the Alabama property factor. Regulations 810-27-1-.13 and .14 generally explain the Alabama payroll factor, and Regulations 810-27-1-.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.

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### Property Factor

In the appropriate columns, enter the amounts (at cost, unless stated otherwise) 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-.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.

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### 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.

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### 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-.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-.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-.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 page 1, Line 26.

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.

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### Schedule D. Disregarded Entity Schedule

List all disregarded entities in which the Subchapter K entity holds full ownership interest of 100%. For each entity, provide the name, FEIN, income/ (loss) from all sources, and Alabama source income/ (loss). Attach additional schedules as necessary.

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### Schedule E — Other Information

All partnerships and limited liability companies must provide the information required for Schedule E.

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### Schedule K — Partner’s Distributive Share Items

Multistate entities should not use Schedule K to allocate separately stated business income. See instructions for Schedule B.

**Line 1.** Alabama Ordinary income. Enter on the Apportioned Amount column the Alabama Ordinary income from page T, line 31.
Lines 2-21 (except lines 12 and 18). Enter the federal amount of the items described below as adjusted for Alabama income tax law in Column A, and the apportionment factor from Schedule C, line 27 in Column B. Column C is the income apportioned to Alabama. It is calculated by multiplying the amount in Column A by the amount in Column B. An attachment should be included to explain any adjustments made. See suggested format at the end of this section.

**Line 2.** Net rental real estate income (loss). The net rental real estate income (loss) from the Federal Form 1065, Schedule K as adjusted to Alabama basis. Attach Federal Form 8825.

**Line 3a.** Other gross rental income (loss). Other gross rental income (loss). Other gross rental income (loss) from the Federal Form 1065, Schedule K as adjusted to Alabama basis.

**Line 3b.** Expenses from other rental activities. Enter Expenses from other rental activities the Federal Form 1065, Schedule K.

**Line 3c.** Other Net Rental Income (loss). Subtract Line 3b from line 3a.

**Line 4.** Guanteed Payments. The total amount of guaranteed payments to partners from the Federal Form 1065, Schedule K.

**Line 5.** Interest Income. The total amount of interest from the Federal Form 1065, Schedule K.

**Line 6.** Dividends. The total amount of dividends from the Federal Form 1065, Schedule K.

**Line 7.** Royalties. The total amount of Royalties from the Federal Form 1065, Schedule K.

**Line 8a.** Short-term capital gain(loss). Enter the total amount of the Net short-term and Net long-term capital gain(loss from the Federal Form 1065, Schedule K.)

**Line 8b.** Act 2019-392 created Section 40-18-6.1 which provides that the provisions in 26 U.S.C. Section 1400Z-2 would be applicable to an investment in an approved opportunity fund as approved by ADECA. If the project does not meet the qualifications of approved opportunity fund, any deferred gain should be added back to determine Alabama taxable income. Schedule OZ must be completed if a taxpayer has gains invested in Qualified Opportunity Funds. Enter the taxable gain from Schedule OZ, line 4 on line 8b.

**Line 8c.** Act 2019-392 provides that a qualified investment fund's gain shall not be recognized upon the disposition of the fund's ownership interest in a qualified entity. A qualified investment fund is any company which meets all the following: a. The fund made its investment in the qualified entity after August 5, 2019 and b. For a period of five years after the disposition date, the fund invests the moneys resulting from the disposition in another qualified entity. Enter the Section 40-18-8.1 gain exclusion.

**Line 8d.** Enter the total of Lines 8a, 8b, and 8c.

**Line 9.** Net Section 1231 gain (loss). The total amount of Net Section 1231 gain (loss) from the Federal Form 1065, Schedule K as adjusted to Alabama basis. Attach Federal Form 4797.

**Line 10.** Other Income. The total amount of Other Income from the Federal Form 1065, Schedule K as adjusted to Alabama basis.

**Line 11.** Nonbusiness Items. Enter in the Apportioned Amount column the amount entered on Schedule B, Column B, line 1h. Attach a statement identifying the nature and amounts of the separately stated nonbusiness items.

**Line 12.** Section 179 Deduction. As a positive amount, enter the IRC §179 expense deduction entered on Federal Form 1065, Schedule K.

**Line 13a.** Contributions. As a positive amount, enter the contributions entered on Federal Form 1065, Schedule K.

**Line 13b.** Investment interest expense. The investment interest expense from Federal Form 1065, Schedule K.

**Line 14.** Other deductions. Other deductions from Federal Form 1065, Schedule K.

**Line 15.** Oil and Gas Depletion. As a positive amount, enter the oil and gas depletion entered on Federal Form 1065, Schedule K.

**Line 16.** Casualty Losses. As a positive amount, enter the casualty losses entered on Federal Form 1065, Schedule K.

**Line 17.** Nonbusiness Items. Enter in the Apportioned Amount column the amount entered on Schedule B, Column D, line 1h. Attach a statement identifying the nature and amounts of the separately stated nonbusiness items.

**Line 18a.** Tax-exempt interest income. The total amount of tax exempt interest income from the Federal Form 1065, Schedule K.

**Line 18b.** Other tax-exempt income. The total amount of other tax exempt interest income from the Federal Form 1065, Schedule K.

**Line 18c.** Nondeductible Expenses. The total amount of Nondeductible Expenses from the Federal Form 1065, Schedule K.

**Line 19a.** Distributions of cash and marketable securities. The amount of cash and marketable securities distributed to owners.

**Line 19b.** Distributions of other property. The amount of other property distributed to owners.

**Line 20a.** Investment income. The total amount of Investment Income from the Federal Form 1065, Schedule K.

**Line 20b.** Investment expenses. The total amount of Investment expense from the Federal Form 1065, Schedule K.

**Line 20c.** Other items and amounts. The total amount of other items and amounts from the Federal Form 1065, Schedule K. Attach supporting documentation.

**Line 21.** Total Credits. Enter nothing in the Federal Amount column and the Apportionment Factor column. Enter in the Apportioned Amount column total credits from Schedule PC, Part S, Line 7. Attach Schedule PC.

**Line 22.** 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.

Any adjustments made to lines 2, 3a, 8, 9, 10 or 11 of Schedule K should have an accompanying explanation. A suggested format is shown below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Federal amount</th>
<th>Adjustment</th>
<th>AL amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net short term capital loss</td>
<td>(3,000.00)</td>
<td>(2,000.00)</td>
<td>(5,000.00)</td>
</tr>
</tbody>
</table>

Explanation: total amount claimed in year of loss for AL

**Schedule P — Partnerships, Estates, and Trusts**

Use Schedule P to report income received from partnerships, estates, and trusts. Show the name, address, and FEIN of each partnership, estate, and trust. Report the total income received from these sources in Column D and only the income earned from Alabama sources in Column E.