

FORM  
**40** Alabama **2020**  
Individual Income Tax Return  
RESIDENTS & PART-YEAR RESIDENTS



For the year Jan. 1 - Dec. 31, 2020, or other tax year:

Beginning: Ending: ●

Your social security number

Spouse's SSN if joint return

● ☐ Check if primary is deceased  
Primary's deceased date  
(mm/dd/yy) ●

● ☐ Check if spouse is deceased  
Spouse's deceased date  
(mm/dd/yy) ●

Your first name

Initial

Last name

Spouse's first name

Initial

Last name

Present home address (number and street or P.O. Box number)

► CHECK BOX IF AMENDED RETURN ● ☐

City, town or post office

State

ZIP code

● ☐ Check if address is outside U.S. Foreign Country

**Filing Status/** 1 ● ☐ \$1,500 Single 3 ● ☐ \$1,500 Married filing separate. Complete Spouse SSN ●  
**Exemptions** 2 ● ☐ \$3,000 Married filing joint 4 ● ☐ \$3,000 Head of Family (with qualifying person). Complete Schedule HOF

**Income and Adjustments**

5a Alabama Income Tax Withheld (from Schedule W-2, line 18, column G) .....	A – Alabama tax withheld	B – Income
5b Wages, salaries, tips, etc. (from Schedule W-2, line 18, column I plus J): .....	5a ●	5b ●
6 Interest and dividend income (also attach Schedule B if over \$1,500) .....	6 ●	6 ●
7 Other income (from page 2, Part I, line 9) .....	7 ●	7 ●
8 <b>Total income.</b> Add amounts in the income column for line 5b through line 7 .....	8 ●	8 ●
9 Total adjustments to income (from page 2, Part II, line 15) .....	9 ●	9 ●
10 <b>Adjusted gross income.</b> Subtract line 9 from line 8 .....	10 ●	10 ●

**Deductions**

If claiming a deduction on line 12, you must attach page 1, 2 and Schedule 1 of your Federal Return, if applicable.

11 Box a or b <b>MUST</b> be checked. Check box a, if you <b>itemize deductions</b> , and enter amount from Schedule A, line 27. Check box b, if you <b>do not</b> itemize deductions, and enter <b>standard deduction</b> (see instructions) ● a <input type="checkbox"/> <b>Itemized Deductions</b> ● b <input type="checkbox"/> <b>Standard Deduction</b> .....	11 ●	
12 Federal tax deduction (see instructions) <b>DO NOT ENTER THE FEDERAL TAX WITHHELD FROM YOUR FORM W-2(S)</b> .....	12 ●	
13 Personal exemption (from line 1, 2, 3, or 4) .....	13 ●	
14 Dependent exemption (from page 2, Part III, line 2) .....	14 ●	
15 <b>Total deductions.</b> Add lines 11, 12, 13, and 14 .....	15 ●	

**Tax**

Staple Form(s) W-2, W-2G, and/or 1099 here. Attach Schedule W-2 to return.

16 <b>Taxable income.</b> Subtract line 15 from line 10 .....	16 ●	
17 <b>Income Tax due.</b> Enter amount from tax table or check if from ● <input type="checkbox"/> Form NOL-85A .....	17 ●	
18 <b>Net tax due Alabama.</b> Check box if computing tax using Schedule OC ● <input type="checkbox"/> , otherwise enter amount from line 17 .....	18 ●	
19 Consumer Use Tax (see instructions). If you certify that no use tax is due, check box ● <input type="checkbox"/> .....	19 ●	
20 <b>Alabama Election Campaign Fund.</b> You may make a voluntary contribution to the following: a Alabama Democratic Party <input type="checkbox"/> \$1 <input type="checkbox"/> \$2 <input type="checkbox"/> none .....	20a ●	
b Alabama Republican Party <input type="checkbox"/> \$1 <input type="checkbox"/> \$2 <input type="checkbox"/> none .....	20b ●	
21 <b>Total tax liability and voluntary contribution.</b> Add lines 18, 19, 20a, and 20b .....	21 ●	

**Payments**

22 <b>Alabama income tax withheld</b> (from column A, line 5a) .....	22 ●	
23 2020 estimated tax payments/Automatic Extension Payment .....	23 ●	
24 Amended Returns Only — Previous payments (see instructions) .....	24 ●	
25 <b>Refundable Credits.</b> Enter the amount from Schedule OC, Section F, line F4 .....	25 ●	
26 <b>Total payments.</b> Add lines 22, 23, 24, and 25 .....	26 ●	
27 Amended Returns Only — Previous refund (see instructions) .....	27 ●	
28 <b>Adjusted Total Payments.</b> Subtract line 27 from line 26 .....	28 ●	

**AMOUNT YOU OWE**

29 If line 21 is larger than line 28, subtract line 28 from line 21, and enter <b>AMOUNT YOU OWE.</b> Place payment, along with Form 40V, loose in the mailing envelope. ( <b>FORM 40V MUST ACCOMPANY PAYMENT.</b> ) .....	29 ●	
30 Estimated tax penalty. Also include on line 29 (see instructions page 11) .....	30 ●	

**OVERPAID**

31 If line 28 is larger than line 21, subtract line 21 from line 28, and enter amount <b>OVERPAID</b> .....	31 ●	
32 Amount of line 31 to be applied to your <b>2021 estimated tax</b> .....	32 ●	

**Donations**

33 <b>Total Donation Check-offs</b> from Schedule DC, line 2 .....	33 ●	
--	------	--

**REFUND**

34 <b>REFUNDED TO YOU. (CAUTION: You must sign this return on the reverse side.)</b> Subtract lines 32 and 33 from line 31. .... For Direct Deposit, check here ● <input type="checkbox"/> and complete Part V, Page 2.	34 ●	
---	------	--



<b>PART I</b>	1	Alimony received .....	1	●
	2	Business income or (loss) (attach Federal Schedule C or C-EZ) (see instructions) .....	2	●
	3	Gain or (loss) from sale of Real Estate, Stocks, Bonds, etc. (attach Schedule D) .....	3	●
	4a	Total IRA distributions <span style="float: right;">4b Taxable amount (see instructions) .....</span>	4a	●
	5a	Total pensions and annuities <span style="float: right;">5b Taxable amount (see instructions) .....</span>	5a	●
	6	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) .....	6	●
	7	Farm income or (loss) (attach Federal Schedule F) .....	7	●
	8	Other income (state nature and source — see instructions) .....	8	●
	9	<b>Total other income.</b> Add lines 1 through 8. Enter here and also on page 1, line 7. ....	9	●
<b>PART II</b>	1a	Your IRA deduction .....	1a	●
	b	Spouse's IRA deduction .....	1b	●
	2	Payments to a Keogh retirement plan and self-employment SEP deduction .....	2	●
	3	Penalty on early withdrawal of savings .....	3	●
	4	Alimony paid. Recipient's last name _____ SSN ● _____	4	●
	5	Adoption expenses .....	5	●
	6	Moving Expenses (Attach Federal Form 3903) to: City _____ State _____ ZIP _____	6	●
	7	Self-employed health insurance deduction .....	7	●
	8	Payments to Alabama College Counts 529 Fund or Alabama PACT Program .....	8	●
	9	Health insurance deduction for small employer employee (see instructions) .....	9	●
	10	Costs to retrofit or upgrade home to resist wind or flood damage .....	10	●
	11	Deposits to a catastrophe savings account .....	11	●
	12	Contributions to a health savings account .....	12	●
	13	Deposits to an Alabama First-Time and Second Chance Home Buyer Savings Account (see instructions) .....	13	●
	14	Firefighter's Insurance Premium .....	14	●
15	Total adjustments. Add lines 1 through 14. Enter here and also on page 1, line 9 .....	15	●	
<b>PART III</b>	1	Total number of dependents from Schedule DS, line 1b .....	1	●
	2	<b>Amount allowed.</b> (Multiply total number of dependents claimed on line 1 by the amount on the dependent chart on page 10 of Instructions.) Enter amount here and on page 1, line 14 .....	2	●
<b>PART IV</b>	1	<b>Residency</b> Check only one box <input type="checkbox"/> Full Year <input type="checkbox"/> Part Year From _____ 2020 through _____ 2020.		
	2	Did you file an Alabama income tax return for the year 2019? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, state reason _____		
	3	Give name and address of present employer(s). Yours _____ Your Spouse's _____		
<b>General Information</b>	4	Enter the Federal Adjusted Gross Income ● \$ _____ and Federal Taxable Income ● \$ _____ as reported on your 2020 Federal Individual Income Tax Return.		
	5	Do you have income which is reported on your Federal return, but not reported on your Alabama return (other than your state tax refund)? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, enter source(s) and amount(s) below: (other than state income tax refund)		
		Source ● _____ Amount ● _____ Source ● _____ Amount ● _____		
<b>PART V</b>	For Direct Deposit of your refund, complete 1, 2, 3, and 4 below. (See Page 17 of instructions to see if you qualify.)			
	1	Routing Number: _____	2	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
<b>Direct Deposit</b>	3	Account Number: _____		
	4	Is this refund going to or through an account that is located outside of the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>Drivers License Info</b>	DOB (mm/dd/yyyy) ● _____	Your state ● _____	DL# ● _____	Iss date (mm/dd/yyyy) ● _____
	DOB (mm/dd/yyyy) ● _____	Spouse state ● _____	DL# ● _____	Iss date (mm/dd/yyyy) ● _____
			Exp date (mm/dd/yyyy) ● _____	Exp date (mm/dd/yyyy) ● _____

● ☐ I authorize a representative of the Department of Revenue to discuss my return and attachments with my preparer.

**Under penalties of perjury**, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**Sign Here In Black Ink**  
Keep a copy of this return for your records.

Your Signature	Date	Daytime Telephone Number	Your Occupation
Spouse's Signature (if joint return, BOTH must sign)	Date	Daytime Telephone Number	Spouse's Occupation
Preparer's Signature	Date	Check if Self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's Name (or yours if self employed)		Daytime Telephone No.	E.I. Number
Address			ZIP Code

**Paid Preparer's Use Only**

**SCHEDULES**  
**A, B, & DC**  
**(FORM 40)**



Alabama Department of Revenue  
**Schedule A—Itemized Deductions**

**2020**

(Schedules B and DC are on back page)

**ATTACH TO FORM 40 — SEE INSTRUCTIONS FOR SCHEDULE A**

Name(s) as shown on Form 40	Your social security number
-----------------------------	-----------------------------

The itemized deductions you may claim for the year 2020 are similar to the itemized deductions claimed on your Federal return, however, the amounts may differ. Please see instructions before completing this schedule. **PART-YEAR RESIDENTS:** A resident of Alabama for only a part of the year should list below only those deductions actually paid while a resident of Alabama.

<b>CAUTION:</b> Do not include expenses reimbursed or paid by others.					
<b>Medical and Dental Expenses</b>	1 Medical and dental expenses.....	1		00	4 ● 00
	2 Enter amount from Form 40, line 10.....	2		00	
	3 Multiply the amount on line 2 by 4% (.04). Enter the result.....	3		00	
	4 Subtract line 3 from line 1. Enter the result. If zero or less, enter -0-.....				
<b>Taxes You Paid</b>	5 Real estate taxes.....	5		00	9 ● 00
	6 FICA Tax (Social Security and Medicare) and Federal Self-Employment Tax.....	6		00	
	7 Railroad Retirement (Tier 1 only).....	7		00	
	8 Other taxes. (List – include personal property taxes.) ►	8		00	
	9 Add the amounts on lines 5 through 8. Enter the total here.....				
<b>Interest You Paid</b>	10a Home mortgage interest and points reported to you on Federal Form 1098.....	10a		00	14 ● 00
	b Home mortgage interest not reported to you on Federal Form 1098. (If paid to an individual, show that person's name and address.) ►				
		10b		00	
	11 Qualified mortgage insurance premiums.....	11		00	
	12 Points not reported to you on Form 1098.....	12		00	
	13 Investment interest. (Attach Form 4952A.).....	13		00	
	14 Add the amounts on lines 10a through 13. Enter the total here.....				
<b>Gifts to Charity</b>	<b>CAUTION:</b> If you made a charitable contribution and received a benefit in return, see page 19.				18 ● 00
	15 Contributions by cash or check.....	15		00	
	16 Other than cash or check. (You <b>MUST</b> attach Federal Form 8283 if over \$500.).....	16		00	
	17 Carryover from prior year.....	17		00	
18 Add the amounts on lines 15 through 17. Enter the total here.....					
<b>Casualty and Theft Loss</b> (Attach Form 4684)	19a Enter the loss from Federal Form 4684, either <b>A</b> <input type="checkbox"/> line 15, or <b>B</b> <input type="checkbox"/> line 16.....	19a		00	19c ● 00
	b Enter 10% of your Adjusted Gross Income (Form 40, line 10) if box B is checked, otherwise enter zero.....	19b		00	
	c Subtract line 19b from line 19a. If zero or less, enter -0-.....				
<b>Job Expenses and Most Other Miscellaneous Deductions</b>	20 Unreimbursed employee expenses — job travel, union dues, job education, etc. (You <b>MUST</b> attach Federal Form 2106 if required. See instructions.) ►	20		00	24 ● 00
	21 Other expenses (investment, tax preparation, safe deposit box, etc.). List type and amount. ►	21		00	
	22 Add the amounts on lines 20 and 21. Enter the total.....	22		00	
	23 Multiply the amount on Form 40, line 10 by 2% (.02). Enter the result here.....	23		00	
	24 Subtract line 23 from line 22. Enter the result. If zero or less, enter -0-.....				
<b>Other Miscellaneous Deductions</b>	25 Other (from list on page 20 of instructions). List type and amount. ►				25 ● 00
<b>Qualified Long-Term Care Ins. Premiums</b>	<b>CAUTION:</b> Do not include medical premiums.				26 ● 00
26 Enter amount here.....					
<b>Total Itemized Deductions</b>	27 Add the amounts on lines 4, 9, 14, 18, 19c, 24, 25, and 26. Enter the total here. Then enter on Form 40, page 1, line 11 and check 11a, Itemized Deductions.....	27			● 00



Name(s) as shown on Form 40 (Do not enter name and social security number if shown on other side)

Your social security number

**SCHEDULE B – Interest And Dividend Income**

If you received more than \$1500 of interest and dividend income, you must complete Schedule B. See instructions on page 21.

List Payers and Amounts			A Exempt Interest		B Taxable Interest and Dividends
1 I N T E R E S T			00	1	00
			00		00
			00		00
			00		00
			00		00
			00		00
			00		00
			00		00
			00		00
			00		00
2 D I V I D E N D S				2	00
					00
					00
					00
					00
					00
					00
					00
					00
					00
3	TOTAL TAXABLE INTEREST AND DIVIDENDS Enter here and on Form 40, page 1, line 6.			3	00

**SCHEDULE DC – Donation Check-Offs**

1 You may donate all or part of your overpayment. (Enter the amount in the appropriate boxes.)

a Senior Services Trust Fund	1a ●	00	j Alabama Firefighters Annuity and Benefit Fund	1j ●	00
b Alabama Arts Development Fund	1b ●	00	k Alabama Breast & Cervical Cancer Program	1k ●	00
c Alabama Nongame Wildlife Fund	1c ●	00	l Victims of Violence Assistance	1l ●	00
d Child Abuse Trust Fund	1d ●	00	m Alabama Military Support Foundation	1m ●	00
e Alabama Veterans Program	1e ●	00	n Alabama Veterinary Medical Foundation Spay-Neuter Program	1n ●	00
f Alabama State Historic Preservation Fund	1f ●	00	o Cancer Research Institute	1o ●	00
g Alabama State Veterans Cemetery at Spanish Fort Foundation, Inc.	1g ●	00	p Alabama Association of Rescue Squads	1p ●	00
h Foster Care Trust Fund	1h ●	00	q USS Alabama Battleship Commission	1q ●	00
i Mental Health	1i ●	00	r Children First Trust Fund	1r ●	00

2 Total Donations. Add lines 1a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, and r. Enter here and on Form 40, page 1, line 33

2 ● 00



SCHEDULE  
**DS & HOF 2020**  
( Form 40 or 40NR )



Alabama Department of Revenue  
**Dependents Schedule**

NAME(S) AS SHOWN ON TAX RETURN

PRIMARY SOCIAL SECURITY NUMBER

SPOUSE SOCIAL SECURITY NUMBER

**Schedule DS – Dependents Schedule**

See instructions for definition of a dependent. **NOTE:** If you checked filing status 3 (Married filing separate return), you may claim **only** the dependent(s) for whom you **separately** furnished over 50% of the total support.

**1a Dependents.** Do not include yourself or your spouse. (See Instructions)

First Name	Last Name	Dependent's Social Security Number	Dependent's Relationship to you	Did you provide more than one-half dependent's support?
		•		
		•		
		•		
		•		
		•		
		•		
		•		
		•		
		•		
		•		
		•		
		•		

**1b** Total number of dependents claimed above. Enter total here and on

Form 40, Page 2, Part III, line 1 or Form 40NR, Page 2, Part V, line 1 .....

**1b•**



**SCHEDULE**  
**DS & HOF 2020**  
( Form 40 or 40NR )



**PAGE 2**

NAME(S) as shown on tax return (Do not enter name and social security number if shown on other side)

PRIMARY SOCIAL SECURITY NUMBER

SPOUSE SOCIAL SECURITY NUMBER

**Schedule HOF – Head of Family Schedule**

**Complete the following information:**

Enter the dependent/qualifying person's name here: \_\_\_\_\_

Dependents/qualifying person's Social Security Number: \_\_\_\_\_

What is the dependent's/qualifying person's relationship to you: \_\_\_\_\_

Do you rent or own the home maintained for the dependent/qualifying person? ..... ☐ Rent ☐ Own

Are you married, divorced or legally separated? ..... ☐ Yes ☐ No

*If you answered yes, please provide the following information:*

Date of Marriage? \_\_\_\_\_

Date of Divorce? \_\_\_\_\_

Date of Legal Separation? \_\_\_\_\_

Did the dependent(s)/ qualifying person(s) reside with you in your home? ..... ☐ Yes ☐ No

Did you pay more than 50% of the dependent(s)/ qualifying person(s) support? ..... ☐ Yes ☐ No

**ADOR**



Alabama Department of Revenue  
Credit For Taxes Paid To Other States

NAME(S) AS SHOWN ON THE TAX RETURN

SOCIAL SECURITY NUMBER

Complete one part for each state that you are claiming credit. If there is not enough space, additional forms may be completed as needed.

PART 1

1	2020 Taxable Income as shown on the (name of state) state return	1	•	
2	Portion of Alabama Adjusted Gross Income Attributable to this State	2	•	
3	Tax due the other state using Alabama tax rates	3	•	
4	Tax due the other state as shown on that state's return or Form W-2G	4	•	
5	Enter the smaller of lines 3 and 4 above	5	•	

PART 2

6	2020 Taxable Income as shown on the (name of state) state return	6	•	
7	Portion of Alabama Adjusted Gross Income Attributable to this State	7	•	
8	Tax due the other state using Alabama tax rates	8	•	
9	Tax due the other state as shown on that state's return or Form W-2G	9	•	
10	Enter the smaller of lines 8 and 9 above	10	•	

PART 3

11	2020 Taxable Income as shown on the (name of state) state return	11	•	
12	Portion of Alabama Adjusted Gross Income Attributable to this State	12	•	
13	Tax due the other state using Alabama tax rates	13	•	
14	Tax due the other state as shown on that state's return or Form W-2G	14	•	
15	Enter the smaller of lines 13 and 14 above	15	•	

PART 4

16	2020 Taxable Income as shown on the (name of state) state return	16	•	
17	Portion of Alabama Adjusted Gross Income Attributable to this State	17	•	
18	Tax due the other state using Alabama tax rates	18	•	
19	Tax due the other state as shown on that state's return or Form W-2G	19	•	
20	Enter the smaller of lines 18 and 19 above	20	•	

PART 5

21	2020 Taxable Income as shown on the (name of state) state return	21	•	
22	Portion of Alabama Adjusted Gross Income Attributable to this State	22	•	
23	Tax due the other state using Alabama tax rates	23	•	
24	Tax due the other state as shown on that state's return or Form W-2G	24	•	
25	Enter the smaller of lines 23 and 24 above	25	•	

Schedule OC, Section B, part A should not be completed until a schedule has been completed for each state that you are claiming a credit.

PART 6

26	Sum of Alabama Adjusted Gross Income Attributable to all other States (Add lines 2, 7, 12, 17, and 22 from Parts 1, 2, 3, 4 and 5) Enter here and on Schedule OC, Section B, Part A, line A1	26	•	
27	Enter the Sum of lines 5, 10, 15, 20 and 25 from Parts 1, 2, 3, 4, and 5, here and on Schedule OC, Section B, Part A, line A5	27	•	



SCHEDULE  
**OC 2020**  
(FORM 40 OR 40NR)



Alabama Department of Revenue  
**Other Available Credits**  
ATTACH TO FORM 40 OR 40NR

\* Individual Credits must be submitted through My Alabama Taxes (MAT)  
before completion of the Schedule OC. See instructions for submission details.

Name(s) as shown on Form 40 or 40NR

Your social security number

**SECTION A** **Current Tax Period Liability.** Enter tax amount from Form 40, page 1, line 17 or Form 40NR, page 1, line 19 ..... ●

**SECTION B** **Current Year Credits**

**PART A – Credit for Taxes Paid to Other States (Form 40 Only)**

A1. Sum of Alabama Adjusted Gross Income Attributable to all other States from Schedule CR, line 26 .....	A1		
A2. Alabama Adjusted Gross Income from Form 40, page 1, line 10 .....	A2		
A3. Total Other States' % of Alabama AGI (Divide line A1 by line A2) .....	A3	●	
A4. Multiply the current tax liability (Section A) by line A3 .....	A4	●	
A5. Enter line 27 from Schedule CR .....	A5		
A6. Credit Allowable (Enter smaller of lines A4 or A5). Enter here and on Section C, Part A, Column 2 .....	A6	●	

**PART B – Alabama Enterprise Zone Credit or Exemption**

B1. Enter amount from Schedule EZK1, Part II, page 2, line 13, or Schedule EZ, Part IV, page 2, line 13. Enter here and on Section C, Part B, Column 2 . B1 ●

**PART C – Basic Skills Education Credit**

Attach this schedule to your Alabama return along with a copy of your approved certification notice issued by the Alabama Department of Education.

C1. Enter your assigned Department of Education Certification Number .....			
C2. Name of employer/firm sponsoring the education program .....			
C3. Name of approved provider .....	Location		
C4. Were all participants for whom you are claiming a tax credit continuously employed by you for at least 16 weeks? <input type="checkbox"/> Yes <input type="checkbox"/> No			
C5. If the answer to line C4 is yes, did employee(s) work at least 24 hours each week? <input type="checkbox"/> Yes <input type="checkbox"/> No			
C6. If the answer to lines C4 and C5 above is yes, enter the total expenses available for credit (see instructions) .....	C6		
C7. CREDIT ALLOWABLE. Multiply line C6 by 20% (.20). Enter here and on Section C, Part C, Column 2 .....	C7	●	

**PART D – Rural Physician Credit**

D1. Name of hospital and community where you live and provide medical services .....			
D2. Maximum Rural Physician Credit. Qualifying Physicians, enter \$5,000. If Married Filing Jointly (MFJ) and both spouses qualify for Rural Physician Credit, enter \$10,000 .....	D2	●	
D3. CREDIT ALLOWABLE. Enter the amount from line D2. Enter here and on Section C, Part D, Column 2 .....	D3	●	

**PART E – Coal Credit\***

E1. CREDIT ALLOWABLE. Enter here and on Section C, Part E, Column 2 ..... E1 ●

**PART F – Full Employment Act of 2011 Credit.\*** Owners of qualified employers that are entities taxed under subchapters S or K of the Internal Revenue Code will report their pro rata share of credit on line F6 below.

Were you in business with 50 or fewer full and/or part-time employees on June 9, 2011? ☐ Yes ☐ No If "No", you do not qualify for this credit.

F1. Number of full time employees on 12-31-2019 .....	F1		
F2. Number of full time employees on 12-31-2018 .....	F2		
F3. Subtract line F2 from line F1. If less than or equal to zero, STOP! You do not qualify for credit. ....	F3		
F4. Number of qualifying new employees from line F3 that completed their first 12 months service in 2020 .....	F4		
F5. Multiply line F4 by \$1,000.00 .....	F5		
F6. Pro rata share of credit from Schedule K-1 .....	F6		
FEIN of entity .....			
F7. CREDIT ALLOWABLE. Add line F5 and line F6. Enter here and on Section C, Part F, Column 2 .....	F7	●	

**PART G – Veterans Employment Act - Employer's Credit.\*** For owners of qualified employers that are entities taxed under subchapters S or K of the Internal Revenue Code skip Lines G1 and G2 and report your pro rata share of credit on line G3 below.

<b>EMPLOYER CREDIT</b>			
G1. Number of unemployed veterans included in Part F, line F4. ....	G1		
G2. Multiply line G1 by \$2,000.00 .....	G2		
G3. Pro rata share of credit from Schedule K-1 .....	G3		
FEIN of entity .....			
G4. CREDIT ALLOWABLE. Add line G2 and line G3. Enter here and on Section C, Part G, Column 2 .....	G4	●	





Name(s) as shown on Form 40 or 40NR

Your social security number

**PART H – Veterans Employment Act - Business Startup Expense Credit.\*** For owners of qualified employers that are entities taxed under subchapters S or K of the Internal Revenue Code skip Lines H1 through H4 and report your pro rata share of credit on line H5 below.Did this business start up after April 2, 2012? ☐ Yes ☐ No If "No", you do not qualify for this credit.**BUSINESS START-UP EXPENSES CREDIT**

H1 Name and business ID number			
H2 Enter total amount of business start-up expenses	H2		
H3 Maximum credit	H3	\$2,000	
H4 Enter the lesser of line H2 or line H3			H4
H5 Pro rata share of credit from Schedule K-1 FEIN of entity (If credit from more than one entity, attach schedule.)			H5
H6 CREDIT ALLOWABLE. Add line H4 and line H5. Enter here and on Section C, Part H, Column 2.			H6

**PART I – Credit for Taxes paid to a Foreign Country (For Form 40 Only) Note:** All dollar figures must be in U.S. dollars.

I1 S Corporation/Partnership/Estate/Trust Name			
I2 FEIN			
I3 Name of country income earned in			
I4 Your pro rata share in entity	I4		
I5 Pro rata share of income from foreign operations	I5		
I6 Alabama tax imposed on pro rata share of income from foreign operations (line I5)	I6		
I7 Pro rata share of tax due the foreign country as shown on that country's tax return	I7		
I8 Multiply I7 by 50% (.50)	I8		
I9 CREDIT ALLOWABLE. Enter the lesser of line I6 or line I8. Enter here and on Section C, Part I, Column 2			I9

**PART J – Qualified Irrigation System/Reservoir System Tax Credit\*** (Any unused Qualified Irrigation System/Reservoir System Tax Credit may be carried forward for a maximum of 5 years.)

Type of Credit:

Select either the purchase or conversion of irrigation system checkbox or the construction of reservoir checkbox. You cannot select both.

However, the pro-rata share of credit checkbox can be selected in addition to either.

- ☐ Purchase or conversion of irrigation system. Complete lines J1 through J6 and J11 through J13 below. Skip lines J7 through J10.
- ☐ Construction of reservoir. Skip lines J1 through J6 and complete lines J7 through J13 below.
- ☐ Pro-rata share of credit from Subchapter S or K. Complete lines J12 through J13 below.

J1 Purchase cost and installation costs of irrigation system	J1		
J2 Conversion costs to convert from fuel to electricity	J2		
J3 Add lines J1 and J2	J3		
J4 Multiply line J3 by 20% (.20) not to exceed \$10,000	J4		
J5 Multiply line J3 by 10% (.10) not to exceed \$50,000	J5		
J6 Enter the greater of line J4 or line J5	J6		
J7 Cost of qualified reservoir construction	J7		
J8 Multiply line J7 by 20% (.20) not to exceed \$10,000	J8		
J9 Multiply line J7 by 10% (.10) not to exceed \$50,000	J9		
J10 Enter the greater of line J8 or line J9	J10		
J11 Enter the amount from either line J6 or line J10, but not both	J11		
J12 Pro rata share of credit from Schedule K-1 FEIN of entity	J12		
J13 Maximum credit allowable. Add line J11 and line J12. Enter here and on Section C, Part J, Column 2			J13

**PART K – Alabama Accountability Tax Credit – School Transfer Credit**

K1 Enter total cost of attending nonfailing public school or nonpublic school from Schedule AATC, Line 37. Enter here and on Section C, Part K, Column 2	K1	
--	----	--

**PART L – Alabama Accountability Act Credit - Scholarship Granting Organization (SGO) portion** (Any unused Alabama Accountability Act Credit - Scholarship Granting Organization (SGO) portion may be carried forward for a maximum of 3 years.)

L1 Name of Scholarship Granting Organization:			
L2 Address of Scholarship Granting Organization:			
L3 Enter amount contributed for scholarship(s)	L3		
L4 Pro rata share of credit from Schedule K-1 FEIN of entity	L4		
L5 CREDIT AVAILABLE. Add L3 and L4	L5		
L6 Multiply the current tax liability (Section A) by 50% (.50)	L6		
L7 Maximum credit allowable for current year contribution	L7	\$50,000	
L8 CREDIT ALLOWABLE. Enter the lesser of line L5, L6 or line L7. Enter here and on Section C, Part L, Column 2			L8



Name(s) as shown on Form 40 or 40NR

Your social security number

**PART M – Alabama Adoption Tax Credit**

<b>M1</b> Enter total number of children adopted from Schedule AAC, Part II, line 1 .....	<b>M1</b>	●	
<b>M2</b> Allowable credit per child .....	<b>M2</b>		\$1,000
<b>M3 CREDIT ALLOWABLE.</b> Multiply line M1 by line M2. Enter here and on Section C, Part M, Column 2 .....	<b>M3</b>	●	

**PART N – 2013 Alabama Historic Rehabilitation Tax Credit\*** – For project numbers prior to 2018. (Any unused 2013 Alabama Historic Rehabilitation Tax Credit may be carried forward for a maximum of 10 years.)**N1** Amount of tax credit certificate issued by the Historic Tax Commission for any project placed in service this year

	Project Number	Date Placed In Service	Credit Amount
<b>N1a</b>	●	●	●
<b>N1b</b>	●	●	●
<b>N1c</b>	●	●	●

<b>N2</b> Total Credit - Add lines N1a, N1b and N1c .....	<b>N2</b>	●	
<b>N3</b> Pro rata share of credit from Schedule K-1 .....	<b>N3</b>	●	
FEIN of entity ● .....			
<b>N4 CREDIT ALLOWABLE.</b> Add line N2 and line N3. Enter here and on Section C, Part N, Column 2 .....	<b>N4</b>	●	

**PART O – Career – Technical Dual Enrollment Credit** (Any unused Career – Technical Dual Enrollment Credit may be carried forward for a maximum of 3 years.)

<b>O1</b> Amount Contributed this year (Department of Post-Secondary Education Tax Credit Certificate) .....	<b>O1</b>	●	
<b>O2</b> Amount of Current Credit — Multiply line O1 by .50. ....	<b>O2</b>	●	
<b>O3</b> Multiply the current tax liability (Section A) by 50% (.50) .....	<b>O3</b>	●	
<b>O4</b> Maximum Credit .....	<b>O4</b>		\$500,000
<b>O5</b> Enter the lesser of O2, O3 or line O4. ....	<b>O5</b>	●	
<b>O6</b> Pro rata share of credit from Schedule K-1 .....	<b>O6</b>	●	
FEIN of entity ● .....			
<b>O7 CREDIT ALLOWABLE.</b> Add line O5 and line O6. Enter here and on Section C, Part O, Column 2 .....	<b>O7</b>	●	

**PART P – Investment Credit – Alabama Jobs Act** (Any unused Investment Credits – Alabama Jobs Act may be carried forward for a maximum of 5 years.)

Approved Company Name ● .....			
FEIN or SSN of Approved Company ● .....			
Project Number ● .....			
Enter Tax Year Annual Investment Tax Credit Certificate was granted ● .....			
<b>P1</b> Investment Credit amount from Annual Investment Tax Credit Certificate .....	<b>P1</b>	●	
<b>P2</b> Allocated share of credit from Schedule K-1 .....	<b>P2</b>	●	
FEIN of entity ● .....			
<b>P3 CREDIT ALLOWABLE.</b> Add line P1 and line P2. Enter here and on Section C, Part P, Column 2 .....	<b>P3</b>	●	

**PART Q – Port Credit – Alabama Renewal Act Credit** (Unused Port Credit – Alabama Renewal Act may be carried forward for a maximum of 5 years.)

In order to receive credit, please attach a copy of your Certification of Port Credit from the Alabama Department of Commerce.

Company Name .....			
Company Address .....			
FEIN or SSN of Qualified Project .....			
<b>Q1</b> Port Credit amount certified .....	<b>Q1</b>	●	
<b>Q2</b> Pro rata share of credit from Schedule K-1 .....	<b>Q2</b>	●	
FEIN of entity ● ..... (If credit from more than one entity, attach schedule.)			
<b>Q3 CREDIT ALLOWABLE.</b> Add line Q1 and line Q2. Enter here and on Section C, Part Q, Column 2 .....	<b>Q3</b>	●	

**PART R – Alabama Renewal Act – Growing Alabama Credit** (Any unused Alabama Renewal Act – Growing Alabama Credit may be carried forward for a maximum of 5 years.)

Name of Economic Development Organization ● .....			
Address of Economic Development Organization ● .....			
<b>R1</b> Amount(s) contributed to above organization this year .....	<b>R1</b>	●	
<b>R2</b> Multiply the current tax liability (Section A) by 50%. ....	<b>R2</b>	●	
<b>R3 CREDIT ALLOWABLE.</b> Enter the lesser of line R1 and line R2. Enter here and on Section C, Part R, Column 2 .....	<b>R3</b>	●	



Name(s) as shown on Form 40 or 40NR

Your social security number

**PART S – Apprenticeship Tax Credit\***

If business entity is a sole proprietor, a copy of the Alabama Apprenticeship Tax Credit Certificate must be attached to this return, otherwise, no credit will be allowed. If business is a Subchapter S or K, skip Part I and indicate your pro-rata share of credit on Part II, line S2.

**Part I**

Apprenticeship Employer Name • \_\_\_\_\_

Apprenticeship Employer Address • \_\_\_\_\_

Apprenticeship Employer FEIN or SSN • \_\_\_\_\_

Rapids Sponsor ID • \_\_\_\_\_

**Part II**

S1 Credit from Alabama Apprenticeship Tax Credit Certificate .....

S1 •

S2 Pro rata share of credit from Schedule K-1 if applicable .....

S2 •

FEIN of entity • \_\_\_\_\_ (If credit from more than one entity, attach schedule.)

S3 CREDIT ALLOWABLE. Add line S1 and line S2. Enter here and on Section C, Part S, Column 2 .....

S3 •

**PART T – 2017 Alabama Historic Rehabilitation Tax Credit\*** – For project numbers beginning with 2018 and forward.T1a • ☐ Received Historic Tax Commission Tax Credit CertificateT1b • ☐ Received Transfer Credit Certificate (Refundable credit is not allowed.)

T2 Amount of tax credit certificate issued by the Historic Tax Commission or Transfer Credit Certificate issued by the Department of Revenue for any project placed in service this year

	Project Number	Date Placed In Service	Credit Amount
T2a •	•	•	•
T2b •	•	•	•
T2c •	•	•	•

T3 CREDIT ALLOWABLE. Add line T2a, T2b and line T2c. Enter here and on Section C, Part T, Column 2 .....

T3 •

**PART U – Railroad Modernization Act of 2019\***

U1 Enter the amount of credit as reported on your Transfer Credit Certificate issued by the Department of Revenue.

Enter here and on Section C, Part U, Column 2 .....

U1 •

**PART V – Income Tax Capital Credit** - You must attach Form KRCC and Schedule KRCC-I to your Alabama return.

V1 Enter Capital Credit allowable from Schedule KRCC-I, Part III, line 5. Enter here and on Section C, Part V, Column 2 .....

V1 •



Name(s) as shown on Form 40 or 40NR

Your social security number

**SECTION C Current Credit Summary**

Enter the tax liability from page 1, Section A of this form into Column 3 of the first row. In Column 2, enter applicable Credits if any from Section B of form. Repeat the steps that follow for each row. Subtract the Current Credit Allowable from the Tax Due to be Offset. If the Current Credit Allowable is greater than the Tax Due to be Offset, enter the amount from Column 3 in Column 4 and the excess amount of the Credit Allowable in Column 6. If the Tax Due to be Offset is greater than Column 2, enter the Current Credit Allowable (Column 2) in Column 4 and enter the difference of Column 3 and Column 4 in Column 5 and proceed to the next available credit. For the remaining rows, use the preceding Balance of Tax Due from Column 5 as the Tax Due to be Offset in Column 3.

Enter amount from Column 6 into Column 7 for any credit which has carryforward.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
Type of Credit	Current Credit Allowable	Tax Due to be Offset	Current Credit Applied	Balance of Tax Due (Col. 3 - Col. 4)	Excess Credit Allowable (Col. 2 - Col. 4)	Credit Carryforward
Part A • Credit for Taxes Paid to Other State	•	•	•	•	•	
Part B • Alabama Enterprise Zone	•	•	•	•	•	
Part C • Basic Skills Education Credit	•	•	•	•	•	
Part D • Rural Physician Credit	•	•	•	•	•	
Part E • Coal Credit	•	•	•	•	•	
Part F • Full Employment Act of 2011	•	•	•	•	•	
Part G • Veterans Employment Act – Employer Credit	•	•	•	•	•	
Part H • Veterans Employment Act – Business Start-up Expense Credit	•	•	•	•	•	
Part I • Credit for Taxes paid to Foreign Country	•	•	•	•	•	
Part J • Qualified Irrigation System/Reservoir System Tax Credit	•	•	•	•	•	•
Part K • Alabama Accountability Tax Credit – School Transfer Credit	•	•	•	•	•	
Part L • Alabama Accountability Tax Credit – Scholarship Granting Organization (SGO) portion	•	•	•	•	•	•
Part M • Alabama Adoption Tax Credit	•	•	•	•	•	
Part N • 2013 Alabama Historic Rehabilitation Tax Credit	•	•	•	•	•	•
Part O • Career - Technical Dual Enrollment Credit	•	•	•	•	•	•
Part P • Investment Credit – Alabama Jobs Act	•	•	•	•	•	•
Part Q • Port Credit – Alabama Renewal Act	•	•	•	•	•	•
Part R • Growing Alabama Credit	•	•	•	•	•	•
Part S • Apprenticeship Tax Credit	•	•	•	•	•	
Part T • 2017 Alabama Historic Rehabilitation Tax Credit	•	•	•	•	•	
Part U • Railroad Modernization Act of 2019 Credit	•	•	•	•	•	
Part V • Income Tax Capital Credit	•	•	•	•	•	
1. Total Current Credits. Total Section C, Column 4, Part A through V. . . . .		•				



Name(s) as shown on Form 40 or 40NR

Your social security number

**SECTION D Credit Carryforward Prior Years**

In Column C list any prior year credit carryforwards for application. In Column D enter the Balance of Tax Due from Section C, Column 5. If no Credits were taken in Section C, enter the tax liability from Section A of this form into the first row of Column D. Repeat the steps that follow for each carryforward: Subtract Column D from Column C. If the Column D is less than or equal to Column C, enter Column D in Column E and compute Column F (Column C – Column E) and Column G (Column D – Column E). If the Column D is greater than Column C, enter Column C in Column E and enter the difference of Column D and Column E in Column G. For the remaining rows, use the preceding Remaining Tax to be Offset from Column G as the Balance of Tax Due in Column D. (See instructions for more details)

	Column A Type of Credit Carryforward	Column B Year Carryforward Generated (YYYY)	Column C Balance of Unused Carryforward Amount	Column D Balance of Tax Due	Column E Amount Used This Period	Column F Remaining Unused Carryforward (Col. C - Col. E)	Column G Remaining Tax to be Offset (Col. D - Col. E)
1.	●	●	●	●	●	●	●
2.	●	●	●	●	●	●	●
3.	●	●	●	●	●	●	●
4.	●	●	●	●	●	●	●
5.	●	●	●	●	●	●	●
6.	●	●	●	●	●	●	●
7.	●	●	●	●	●	●	●
8.	●	●	●	●	●	●	●
9.	●	●	●	●	●	●	●
10.	●	●	●	●	●	●	●
11.	●	●	●	●	●	●	●
12.	●	●	●	●	●	●	●
13.	●	●	●	●	●	●	●
14.	●	●	●	●	●	●	●
15.	●	●	●	●	●	●	●
16.	●	●	●	●	●	●	●
17.	●	●	●	●	●	●	●
18.	●	●	●	●	●	●	●
19.	●	●	●	●	●	●	●
20.	●	●	●	●	●	●	●
21.	Total Prior Year Credit Carryforward. Total Section D, Column E, lines 1 through 20				●		

**SECTION E Net Tax Due Computation**

E1 Current Year Tax Liability. Enter amount from Section A of this form	E1	●
E2 Total Current Year Credits Applied. Enter amount from Section C, line 1	E2	●
E3 Prior Year Credit Carryforwards applied. Enter amount from Section D, line 21	E3	●
E4 Total Credits Utilized This Year. Add lines E2 and E3	E4	●
E5 Net Tax Due. Subtract E4 from E1. Enter the results here and on Form 40, Page 1, line 18 or Form 40NR, Page 1, line 20	E5	●

**SECTION F Total Refundable Credits**

F1 Alabama Accountability Tax Credit – School Transfer Credit. Enter amount from Section C, Part K, Column 6	F1	●
F2 Alabama Adoption Tax Credit. Enter amount from Section C, Part M, Column 6	F2	●
F3 2017 Alabama Historic Rehabilitation Tax Credit. Enter amount from Section C, Part T, Column 6	F3	●
F4 Total Refundable Credits. Add lines F1, F2 and F3. Enter the results here and on Page 1, line 25 of your return (Form 40 or Form 40NR)	F4	●



SCHEDULE  
**AATC 2020**



Alabama Department of Revenue  
**Alabama Accountability Tax Credit**

NAME(S) AS SHOWN ON TAX RETURN

PRIMARY SOCIAL SECURITY NO. SPOUSE SOCIAL SECURITY NO.

**PART I**

ALABAMA DEPARTMENT OF REVENUE

**Credit for Transferring from Failing Public School to Nonfailing Public School or Nonpublic School**

- 1 Name of student: ●  
2 Social security number of student: ●  
3 Name of failing school attended or zoned for: ●  
4 Name of school transferred to: ●  
5 Grade level at time of transfer: ●  
6 Date of enrollment at nonfailing public school or nonpublic school: ●  
7 80% of the average annual cost of attendance for an Alabama public K-12 student .....  
8 Actual cost of attending nonfailing public school or nonpublic school .....  
9 Enter the lesser of line 7 or line 8 .....

7		4,324	00
8	●		
9	●		

- 10 Name of student: ●  
11 Social security number of student: ●  
12 Name of failing school attended or zoned for: ●  
13 Name of school transferred to: ●  
14 Grade level at time of transfer: ●  
15 Date of enrollment at nonfailing public school or nonpublic school: ●  
16 80% of the average annual cost of attendance for an Alabama public K-12 student .....  
17 Actual cost of attending nonfailing public school or nonpublic school .....  
18 Enter the lesser of line 16 or line 17 .....

16		4,324	00
17	●		
18	●		

- 19 Name of student: ●  
20 Social security number of student: ●  
21 Name of failing school attended or zoned for: ●  
22 Name of school transferred to: ●  
23 Grade level at time of transfer: ●  
24 Date of enrollment at nonfailing public school or nonpublic school: ●  
25 80% of the average annual cost of attendance for an Alabama public K-12 student .....  
26 Actual cost of attending nonfailing public school or nonpublic school .....  
27 Enter the lesser of line 25 or line 26 .....

25		4,324	00
26	●		
27	●		

- 28 Name of student: ●  
29 Social security number of student: ●  
30 Name of failing school attended or zoned for: ●  
31 Name of school transferred to: ●  
32 Grade level at time of transfer: ●  
33 Date of enrollment at nonfailing public school or nonpublic school: ●  
34 80% of the average annual cost of attendance for an Alabama public K-12 student .....  
35 Actual cost of attending nonfailing public school or nonpublic school .....  
36 Enter the lesser of line 34 or line 35 .....

34		4,324	00
35	●		
36	●		

- 37 Add the amounts from line 9, line 18, line 27, and line 36. Enter the amount here and on Schedule OC, Section B, Part K, line K1. ....

37	●		
----	---	--	--

ADOR



SCHEDULE

AAC 2020

Alabama Department of Revenue  
Alabama Adoption Tax Credit

NAME(S) AS SHOWN ON TAX RETURN

PRIMARY SOCIAL SECURITY NO. SPOUSE SOCIAL SECURITY NO.

**PART I** – Information about your eligible “child/children”

- 1 Name of Child • \_\_\_\_\_
- 2 Social Security Number of Child • \_\_\_\_\_
- 3 Address of Child • \_\_\_\_\_
- 4 Name of Birth Mother • \_\_\_\_\_
- 5 Address of Birth Mother • \_\_\_\_\_
- 6 Name of Adoption Agency • \_\_\_\_\_
- 7 Address of Adoption Agency • \_\_\_\_\_
  
- 8 Name of Child • \_\_\_\_\_
- 9 Social Security Number of Child • \_\_\_\_\_
- 10 Address of Child • \_\_\_\_\_
- 11 Name of Birth Mother • \_\_\_\_\_
- 12 Address of Birth Mother • \_\_\_\_\_
- 13 Name of Adoption Agency • \_\_\_\_\_
- 14 Address of Adoption Agency • \_\_\_\_\_
  
- 15 Name of Child • \_\_\_\_\_
- 16 Social Security Number of Child • \_\_\_\_\_
- 17 Address of Child • \_\_\_\_\_
- 18 Name of Birth Mother • \_\_\_\_\_
- 19 Address of Birth Mother • \_\_\_\_\_
- 20 Name of Adoption Agency • \_\_\_\_\_
- 21 Address of Adoption Agency • \_\_\_\_\_
  
- 22 Name of Child • \_\_\_\_\_
- 23 Social Security Number of Child • \_\_\_\_\_
- 24 Address of Child • \_\_\_\_\_
- 25 Name of Birth Mother • \_\_\_\_\_
- 26 Address of Birth Mother • \_\_\_\_\_
- 27 Name of Adoption Agency • \_\_\_\_\_
- 28 Address of Adoption Agency • \_\_\_\_\_

**PART II** – Adoption Credit

- 1 Enter total number of children adopted from Part 1 here and on Schedule OC, Section B,  
Part M, line M1 .....

1	•
---	---

ADOR



SCHEDULE  
**KRCC-I**



Alabama Department of Revenue  
**Recipient's Share Of Capital Credit For  
Individual Taxpayers**

For tax year beginning • \_\_\_\_\_, 20\_\_\_\_\_, and ending • \_\_\_\_\_, 20\_\_\_\_\_.

**PART I - RECIPIENT INFORMATION**

Recipient's Name: • \_\_\_\_\_ Social Security Number: • \_\_\_\_\_

**PART II - PROJECT INFORMATION**

	Project 1	Project 2	Project 3
Project Number . . . . .	•	•	•
Project's Placed in Service Date. . .	•	•	•
Project Entity Name . . . . .	•	•	•
Distributing Entity Name. . . . .	•	•	•
Distributing Entity FEIN . . . . .	•	•	•

**PART III - CAPITAL CREDIT CALCULATION**

	Project 1	Project 2	Project 3
1. Recipient's share of project income in Alabama (Form K-RCC, Part III, line 3) . . . . .	1 •	•	•
2. Recipient's Alabama tax liability generated by project income (See Part IV below for allocation method). . . . .	2 •	•	•
3. Recipient's share of capital credit available for this tax year (Form K-RCC, Part III, line 5). . . . .	3 •	•	•
4. Capital credit eligible to be applied to recipient's tax liability (enter lesser of line 2 and line 3) . . . . .	4 •	•	•
5. Total Capital credit eligible to be applied to recipient's tax liability. Total line 4 for all projects. Enter this amount here and on Schedule OC line V1 . . . . .	5 •		

**PART IV - ALLOCATION METHOD SCHEDULE - COMPLETE ONLY IF ALLOCATION METHOD IS USED**

	Project 1	Project 2	Project 3
1. Recipient's share of project income in Alabama (from Part III, line 1 above) . . . . .	1		
2. Recipient's adjusted gross income (from recipient's Alabama income tax return). . . . .	2 •	•	•
3. Allocation percentage (divide line 1 by line 2) If line 1 is greater than line 2, enter 100% . . . . .	3 • %	• %	• %
4. Recipient's tax liability (from recipient's Alabama income tax return) . . . . .	4 •	•	•
5. Tax liability generated by project income (multiply line 4 by line 3) Enter this amount on Part III, line 2 above . . . . .	5 •	•	•

**INSTRUCTIONS**

This schedule is used to calculate the recipient's tax liability generated from the qualifying project. Schedule KRCC-I and a copy of Form K-RCC (as received from the distributing entity) for each project must be attached to the income tax return. If recipient is using the allocation method to determine the Alabama tax liability generated by project income, complete Part IV. If using the with/without method, see instructions below.

**Step 1** – If the with/without method is chosen, you must complete two federal income tax returns through the tax liability line. The return to be filed with the Internal Revenue Service should include the income from the project operations. A second return must be completed through the tax liability line but should not include the project income in Alabama. Any deductions limited by the amount of adjusted gross income must also be adjusted in the second return before computing the tax liability. The federal income tax deduction related to the project income in Alabama is the difference in the amount shown on the return to be filed and the second return.

**Step 2** – Once you have completed the federal returns, you must complete two Alabama income tax returns through the tax liability line. The return to be filed with the Alabama Department of Revenue should include the income from the project operations. A second return must be completed through the tax liability line but should not include the project income in Alabama. Any deductions limited by the amount of adjusted gross income must also be adjusted in the second return before computing the tax liability. The applicable federal income tax deduction should be indicated from the federal returns completed in Step 1. The Alabama tax liability generated by the project income in Alabama is the difference in the amount shown on the return to be filed and the second return. The second returns should be maintained for audit purposes and are not to be filed with the first return.





SCHEDULE  
**KRCC-I**



Alabama Department of Revenue  
**Recipient's Share Of Capital Credit For  
Individual Taxpayers**

For tax year beginning • \_\_\_\_\_, 20\_\_\_\_\_, and ending • \_\_\_\_\_, 20\_\_\_\_\_.

**PART I - RECIPIENT INFORMATION**

Recipient's Name: • \_\_\_\_\_ Social Security Number: • \_\_\_\_\_

**PART II - PROJECT INFORMATION**

	Project 1	Project 2	Project 3
Project Number . . . . .	•	•	•
Project's Placed in Service Date. . .	•	•	•
Project Entity Name . . . . .	•	•	•
Distributing Entity Name. . . . .	•	•	•
Distributing Entity FEIN . . . . .	•	•	•

**PART III - CAPITAL CREDIT CALCULATION**

	Project 1	Project 2	Project 3
1. Recipient's share of project income in Alabama (Form K-RCC, Part III, line 3) . . . . .	1 •	•	•
2. Recipient's Alabama tax liability generated by project income (See Part IV below for allocation method). . . . .	2 •	•	•
3. Recipient's share of capital credit available for this tax year (Form K-RCC, Part III, line 5). . . . .	3 •	•	•
4. Capital credit eligible to be applied to recipient's tax liability (enter lesser of line 2 and line 3) . . . . .	4 •	•	•
5. Total Capital credit eligible to be applied to recipient's tax liability. Total line 4 for all projects. Enter this amount here and on Schedule OC line V1 . . . . .	5 •		

**PART IV - ALLOCATION METHOD SCHEDULE - COMPLETE ONLY IF ALLOCATION METHOD IS USED**

	Project 1	Project 2	Project 3
1. Recipient's share of project income in Alabama (from Part III, line 1 above) . . . . .	1		
2. Recipient's adjusted gross income (from recipient's Alabama income tax return). . . . .	2 •	•	•
3. Allocation percentage (divide line 1 by line 2) If line 1 is greater than line 2, enter 100% . . . . .	3 •	% •	% •
4. Recipient's tax liability (from recipient's Alabama income tax return) . . . . .	4 •	•	•
5. Tax liability generated by project income (multiply line 4 by line 3) Enter this amount on Part III, line 2 above . . . . .	5 •	•	•

**INSTRUCTIONS**

This schedule is used to calculate the recipient's tax liability generated from the qualifying project. Schedule KRCC-I and a copy of Form K-RCC (as received from the distributing entity) for each project must be attached to the income tax return. If recipient is using the allocation method to determine the Alabama tax liability generated by project income, complete Part IV. If using the with/without method, see instructions below.

**Step 1** – If the with/without method is chosen, you must complete two federal income tax returns through the tax liability line. The return to be filed with the Internal Revenue Service should include the income from the project operations. A second return must be completed through the tax liability line but should not include the project income in Alabama. Any deductions limited by the amount of adjusted gross income must also be adjusted in the second return before computing the tax liability. The federal income tax deduction related to the project income in Alabama is the difference in the amount shown on the return to be filed and the second return.

**Step 2** – Once you have completed the federal returns, you must complete two Alabama income tax returns through the tax liability line. The return to be filed with the Alabama Department of Revenue should include the income from the project operations. A second return must be completed through the tax liability line but should not include the project income in Alabama. Any deductions limited by the amount of adjusted gross income must also be adjusted in the second return before computing the tax liability. The applicable federal income tax deduction should be indicated from the federal returns completed in Step 1. The Alabama tax liability generated by the project income in Alabama is the difference in the amount shown on the return to be filed and the second return. The second returns should be maintained for audit purposes and are not to be filed with the first return.



FORM  
**NOL-85**  
Rev. 5/19



Loss Year Ending

Alabama Department of Revenue • \_\_\_\_\_, \_\_\_\_\_

## Computation of Net Operating Loss

Name(s) as shown on Form 40, or 40NR

Your Social Security Number

**PURPOSE OF SCHEDULE.** Form NOL-85 is designed to determine the actual **net operating loss** sustained in the loss year that may be carried back or carried forward. Before preparing this form, the loss year return **must** first be completed through the taxable income line. See instructions on the reverse side for further information.

### PART I – Excess of Nonbusiness Deductions Over Nonbusiness Income

#### NONBUSINESS DEDUCTIONS:

1(a)	Federal income tax claimed as a deduction on the loss year return. . . . .	1a		
(b)	Loss on sale of nonbusiness assets. . . . .	1b		
(c)	Payments to Individual Retirement Arrangement (IRA), Keogh retirement plan, or SEP plan . . . . .	1c		
(d)	Penalty on early withdrawal of savings (Form 40 only) . . . . .	1d		
(e)	Alimony paid . . . . .	1e		
(f)	Adoption expenses . . . . .	1f		
(g)	Self employed health insurance deduction from Page 2, Part II of Form 40 or 40NR . . . . .	1g		
(h)	Other (explain) _____	1h		
2(a)	Enter the <b>Standard Deduction</b> claimed on return. (Skip lines 2b, 3a-b, 4, and 5) . . . . .	2a	•	
(b)	Enter the <b>Total Itemized Deductions</b> claimed on Schedule A. . . . .	2b	•	
<b>LESS BUSINESS DEDUCTIONS:</b>				
3(a)	Casualty or theft loss claimed on Schedule A . . . . .	3a		
(b)	Other miscellaneous business deductions . . . . .	3b		
4	Total Adjustments to Schedule A. Add lines 3a and 3b. . . . .	4		
5	<b>TOTAL NONBUSINESS ITEMIZED DEDUCTIONS.</b> Subtract line 4 from line 2b . . . . .	5		
6	<b>TOTAL NONBUSINESS DEDUCTIONS.</b> Add lines 1a through 2a and 5 . . . . . ▶	6		

#### NONBUSINESS INCOME:

7(a)	Interest and Dividend Income (Form 40 only) . . . . .	7a		
(b)	Gain on sale of nonbusiness assets . . . . .	7b		
(c)	Federal income tax refunds reported on loss year return (Form 40 only) . . . . .	7c		
(d)	Taxable distributions from pensions, annuities, IRAs or other retirement plans (Form 40 only) . . . . .	7d		
(e)	Alimony received (Form 40 only) . . . . .	7e		
(f)	Trust and/or Estate income from Schedule E . . . . .	7f		
(g)	Other (explain) _____ On line 7(g) include items such as director's fees, royalty income, gambling income, prizes, awards, etc. . . . .	7g		
8	<b>TOTAL NONBUSINESS INCOME.</b> Add lines 7a through 7g. . . . . ▶	8		
9	<b>EXCESS NONBUSINESS DEDUCTIONS OVER NONBUSINESS INCOME.</b> If line 6 exceeds line 8, subtract line 8 from line 6. Enter the result here and on line 5, Part II below. If line 8 exceeds line 6, enter -0- here and also on line 5, Part II below. . . . . ▶	9		

**PART II – Computation of Net Operating Loss**

<b>1</b>	Enter the <b>Taxable Income</b> from Form 40 or Form 40NR .....	▶	<b>1</b>	• (		)
<b>Modifications –</b> (enter all amounts on lines 2 through 6 below as positive amounts)						
<b>2</b>	Net Operating Loss claimed on the loss year return (if any) .....		<b>2</b>			
<b>3</b>	Personal exemption claimed on the loss year return .....		<b>3</b>	•		
<b>4</b>	Dependent exemption claimed on the loss year return .....		<b>4</b>	•		
<b>5</b>	Enter the Excess Nonbusiness Deductions Over Nonbusiness Income from line 9, Part I above .....		<b>5</b>			
<b>6</b>	<b>TOTAL MODIFICATIONS.</b> Add lines 2, 3, 4, and 5. ....		<b>6</b>			
<b>7</b>	<b>NET-OPERATING LOSS ALLOWABLE.</b> Combine lines 1 and 6. If the result is a negative figure, enter here. If zero or a positive figure – <b>STOP – DO NOT FILE THIS FORM.</b> You <b>DO NOT</b> have a net operating loss .....	▶	<b>7</b>	•		

**PART III – Election to Forfeit Carryback Provision (CAUTION – Do Not Complete Part III If You Are Carrying Loss Back)**

If the amount on line 7, Part II above is a negative figure, you may elect to carry this loss forward or it must be carried back 2 years (3 years prior to January 1, 1998) and any unused portion may then be carried forward to succeeding years (see instructions). See Part III instructions for election to forfeit carryback provision.

By checking the box, I hereby elect to forfeit the carryback provision and instead elect to carryforward any allowable net operating loss for this taxable year. .... • ☐



Alabama Department of Revenue

For Year Ending

APPLICATION OF  
**Net Operating Loss**  
**Carryback or Carryforward**

• \_\_\_\_\_,  
(Enter year to which loss is being carried)

Name(s) as shown on Form 40, 40NR, or 40X

Your Social Security Number

**PURPOSE OF SCHEDULE.** Form NOL-85A is designed to apply a net operating loss to the tax year to which the loss is being carried. Before Form NOL-85A can be completed, you **must** first complete Form NOL-85 to determine the amount of net operating loss that may be carried back or forward. See instructions on the reverse side for further information.

- 1(a) Enter the tax year during which the net operating loss was incurred. Beginning • \_\_\_\_\_, Ending • \_\_\_\_\_
- (b) Did you elect on Form NOL-85 to forfeit the election to carry this loss back? ☐ Yes ☐ No
- (c) Did you timely file the subsequent year's return and claim the net operating loss thereon? ☐ Yes ☐ No

**PART I – Computation**

2	Enter the net operating loss as shown on line 7, Part II, Form NOL-85, or as shown on line 7, Form NOL-85A. (See instructions) ▶	2	•	
3	Enter the taxable income as shown on Form 40, Form 40NR, or Form 40X for the tax year to which the loss is being carried	3	•	
MODIFICATIONS				
4(a)	Personal Exemption. Enter the amount of personal exemption claimed on the return to which the loss is being carried	4a	•	
4(b)	Dependent Exemption. Enter the amount of dependent exemption claimed on the return to which the loss is being carried	4b	•	
5	TOTAL MODIFICATIONS. Add lines 4(a) and 4(b)	5		
6	MODIFIED TAXABLE INCOME. Add lines 3 and 5. If negative enter zero.	6		
7	UNUSED NET OPERATING LOSS. If line 2 exceeds line 6, subtract line 6 from line 2. Enter difference here and enter zero (0) on the tax due line of Form 40 or Form 40NR. <b>DO NOT</b> complete Part II below. The amount on line 7 may be carried forward to the next applicable year (Form NOL-85A, line 2). If line 6 exceeds line 2, enter zero here and complete Part II below. ▶	7	•	

If the Net Operating Loss Deduction on line 2 above is:

- a. Less than the taxable income reported on line 3 above, complete lines 8 through 14 below.
- b. Equal to or greater than the taxable income reported on line 3 above, check here ☐ and  
SKIP lines 8 through 13, and enter zero on line 14.

**PART II – Application**

<b>8</b>	Enter the Adjusted Gross Income as shown on the return (or prior adjustment or prior NOL-85A) for the year to which the loss is being carried . . . . .	<b>8</b>	●	
<b>9</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount from line 2, Part I above. . . . .	<b>9</b>	●	
<b>10</b>	<b>MODIFIED ADJUSTED GROSS INCOME.</b> Subtract line 9 from line 8 and enter the result here. (If you filed Form 40NR, complete Part III before completing lines 11 through 14.) . . . . . ▶	<b>10</b>	●	
<b>DEDUCTIONS</b>				
<b>11(a)</b>	<b>Standard Deduction.</b> If you claimed the Standard Deduction on the return to which the loss is being carried, recompute the Standard Deduction based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11a</b>	●	
<b>(b)</b>	<b>Itemized Deductions.</b> If you claimed Itemized Deductions on the return to which the loss is being carried, recompute the itemized deductions based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11b</b>	●	
<b>(c)</b>	<b>Federal Income Tax.</b> Enter the federal income tax as last determined and claimed as a deduction on the return to which the loss is being carried . . . . .	<b>11c</b>	●	
<b>(d)</b>	<b>Personal Exemption.</b> Enter the personal exemption as claimed on the return to which the loss is being carried. . . . .	<b>11d</b>	●	
<b>(e)</b>	<b>Dependent Exemption.</b> Enter the dependent exemption as last determined and claimed on the return, recompute the dependent exemption based on the Modified Adjusted Gross Income shown on line 10, to which the loss is being carried. . . . .	<b>11e</b>	●	
<b>12</b>	<b>TOTAL DEDUCTIONS.</b> Add lines 11a through 11e . . . . .	<b>12</b>		
<b>13</b>	<b>TAXABLE INCOME AS ADJUSTED.</b> Subtract line 12 from line 10 and enter result here . . . . . ▶	<b>13</b>	●	
<b>14</b>	<b>TAX DUE AFTER APPLICATION OF NET OPERATING LOSS.</b> Compute the tax due using the tax tables for the year to which the loss is being carried. Enter the result here and also on the TAX DUE line of Form 40X, Form 40, or Form 40NR. . . ▶	<b>14</b>		

**PART III – Modified Adjusted Gross Income Percentage** (This section to be completed by nonresidents only)

<b>15</b>	<b>Adjusted Gross Income From All Sources.</b> Enter the adjusted gross income from all sources as shown on the return to which the loss is being applied . . . . .	<b>15</b>	●	
<b>16</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount shown on line 9, Part II. . . . .	<b>16</b>	●	
<b>17</b>	<b>Modified Adjusted Gross Income From All Sources.</b> Subtract line 16 from line 15 . . . . . ▶	<b>17</b>	●	
<b>18</b>	<b>Modified Adjusted Gross Income From Alabama Sources.</b> Enter the amount from line 10, Part II. . . . .	<b>18</b>	●	
<b>19</b>	<b>Percentage of Alabama Adjusted Gross Income to Total Adjusted Gross Income From All Sources After Modifications.</b> Divide the amount on line 18 by the amount on line 17 and enter percentage here (but not over 100%) . . . ▶	<b>19</b>	●	

The percentage on line 19 should be used to recompute the Standard Deduction or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption, and Dependent Exemption on lines 11a through 11e, Part II. **NOTE:** If you are married and filed separate Alabama returns and a joint Federal return, **DO NOT** use the percentage on line 19 to recompute the federal income tax deduction. See Special Instructions for Nonresidents.



Alabama Department of Revenue

For Year Ending

APPLICATION OF  
**Net Operating Loss**  
**Carryback or Carryforward**

• \_\_\_\_\_,  
(Enter year to which loss is being carried)

Name(s) as shown on Form 40, 40NR, or 40X

Your Social Security Number

**PURPOSE OF SCHEDULE.** Form NOL-85A is designed to apply a net operating loss to the tax year to which the loss is being carried. Before Form NOL-85A can be completed, you **must** first complete Form NOL-85 to determine the amount of net operating loss that may be carried back or forward. See instructions on the reverse side for further information.

- 1(a) Enter the tax year during which the net operating loss was incurred. Beginning • \_\_\_\_\_, Ending • \_\_\_\_\_
- (b) Did you elect on Form NOL-85 to forfeit the election to carry this loss back? ☐ Yes ☐ No
- (c) Did you timely file the subsequent year's return and claim the net operating loss thereon? ☐ Yes ☐ No

**PART I – Computation**

2	Enter the net operating loss as shown on line 7, Part II, Form NOL-85, or as shown on line 7, Form NOL-85A. (See instructions) ▶	2	•	
3	Enter the taxable income as shown on Form 40, Form 40NR, or Form 40X for the tax year to which the loss is being carried	3	•	
MODIFICATIONS				
4(a)	Personal Exemption. Enter the amount of personal exemption claimed on the return to which the loss is being carried	4a	•	
4(b)	Dependent Exemption. Enter the amount of dependent exemption claimed on the return to which the loss is being carried	4b	•	
5	TOTAL MODIFICATIONS. Add lines 4(a) and 4(b)	5		
6	MODIFIED TAXABLE INCOME. Add lines 3 and 5. If negative enter zero.	6		
7	UNUSED NET OPERATING LOSS. If line 2 exceeds line 6, subtract line 6 from line 2. Enter difference here and enter zero (0) on the tax due line of Form 40 or Form 40NR. <b>DO NOT</b> complete Part II below. The amount on line 7 may be carried forward to the next applicable year (Form NOL-85A, line 2). If line 6 exceeds line 2, enter zero here and complete Part II below. ▶	7	•	

If the Net Operating Loss Deduction on line 2 above is:

- a. Less than the taxable income reported on line 3 above, complete lines 8 through 14 below.
- b. Equal to or greater than the taxable income reported on line 3 above, check here ☐ and  
SKIP lines 8 through 13, and enter zero on line 14.

**PART II – Application**

<b>8</b>	Enter the Adjusted Gross Income as shown on the return (or prior adjustment or prior NOL-85A) for the year to which the loss is being carried . . . . .	<b>8</b>	●	
<b>9</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount from line 2, Part I above. . . . .	<b>9</b>	●	
<b>10</b>	<b>MODIFIED ADJUSTED GROSS INCOME.</b> Subtract line 9 from line 8 and enter the result here. (If you filed Form 40NR, complete Part III before completing lines 11 through 14.) . . . . . ▶	<b>10</b>	●	
<b>DEDUCTIONS</b>				
<b>11(a)</b>	<b>Standard Deduction.</b> If you claimed the Standard Deduction on the return to which the loss is being carried, recompute the Standard Deduction based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11a</b>	●	
<b>(b)</b>	<b>Itemized Deductions.</b> If you claimed Itemized Deductions on the return to which the loss is being carried, recompute the itemized deductions based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11b</b>	●	
<b>(c)</b>	<b>Federal Income Tax.</b> Enter the federal income tax as last determined and claimed as a deduction on the return to which the loss is being carried . . . . .	<b>11c</b>	●	
<b>(d)</b>	<b>Personal Exemption.</b> Enter the personal exemption as claimed on the return to which the loss is being carried. . . . .	<b>11d</b>	●	
<b>(e)</b>	<b>Dependent Exemption.</b> Enter the dependent exemption as last determined and claimed on the return, recompute the dependent exemption based on the Modified Adjusted Gross Income shown on line 10, to which the loss is being carried. . . . .	<b>11e</b>	●	
<b>12</b>	<b>TOTAL DEDUCTIONS.</b> Add lines 11a through 11e . . . . .	<b>12</b>		
<b>13</b>	<b>TAXABLE INCOME AS ADJUSTED.</b> Subtract line 12 from line 10 and enter result here . . . . . ▶	<b>13</b>	●	
<b>14</b>	<b>TAX DUE AFTER APPLICATION OF NET OPERATING LOSS.</b> Compute the tax due using the tax tables for the year to which the loss is being carried. Enter the result here and also on the TAX DUE line of Form 40X, Form 40, or Form 40NR. . . ▶	<b>14</b>		

**PART III – Modified Adjusted Gross Income Percentage** (This section to be completed by nonresidents only)

<b>15</b>	<b>Adjusted Gross Income From All Sources.</b> Enter the adjusted gross income from all sources as shown on the return to which the loss is being applied . . . . .	<b>15</b>	●	
<b>16</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount shown on line 9, Part II. . . . .	<b>16</b>	●	
<b>17</b>	<b>Modified Adjusted Gross Income From All Sources.</b> Subtract line 16 from line 15 . . . . . ▶	<b>17</b>	●	
<b>18</b>	<b>Modified Adjusted Gross Income From Alabama Sources.</b> Enter the amount from line 10, Part II. . . . .	<b>18</b>	●	
<b>19</b>	<b>Percentage of Alabama Adjusted Gross Income to Total Adjusted Gross Income From All Sources After Modifications.</b> Divide the amount on line 18 by the amount on line 17 and enter percentage here (but not over 100%) . . . ▶	<b>19</b>	●	

The percentage on line 19 should be used to recompute the Standard Deduction or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption, and Dependent Exemption on lines 11a through 11e, Part II. **NOTE:** If you are married and filed separate Alabama returns and a joint Federal return, **DO NOT** use the percentage on line 19 to recompute the federal income tax deduction. See Special Instructions for Nonresidents.



Alabama Department of Revenue

For Year Ending

APPLICATION OF  
**Net Operating Loss**  
**Carryback or Carryforward**

• \_\_\_\_\_,  
(Enter year to which loss is being carried)

Name(s) as shown on Form 40, 40NR, or 40X

Your Social Security Number

**PURPOSE OF SCHEDULE.** Form NOL-85A is designed to apply a net operating loss to the tax year to which the loss is being carried. Before Form NOL-85A can be completed, you **must** first complete Form NOL-85 to determine the amount of net operating loss that may be carried back or forward. See instructions on the reverse side for further information.

- 1(a) Enter the tax year during which the net operating loss was incurred. Beginning • \_\_\_\_\_, Ending • \_\_\_\_\_
- (b) Did you elect on Form NOL-85 to forfeit the election to carry this loss back? ☐ Yes ☐ No
- (c) Did you timely file the subsequent year's return and claim the net operating loss thereon? ☐ Yes ☐ No

**PART I – Computation**

2	Enter the net operating loss as shown on line 7, Part II, Form NOL-85, or as shown on line 7, Form NOL-85A. (See instructions) ▶	2	•	
3	Enter the taxable income as shown on Form 40, Form 40NR, or Form 40X for the tax year to which the loss is being carried	3	•	
MODIFICATIONS				
4(a)	Personal Exemption. Enter the amount of personal exemption claimed on the return to which the loss is being carried	4a	•	
4(b)	Dependent Exemption. Enter the amount of dependent exemption claimed on the return to which the loss is being carried	4b	•	
5	TOTAL MODIFICATIONS. Add lines 4(a) and 4(b)	5		
6	MODIFIED TAXABLE INCOME. Add lines 3 and 5. If negative enter zero.	6		
7	UNUSED NET OPERATING LOSS. If line 2 exceeds line 6, subtract line 6 from line 2. Enter difference here and enter zero (0) on the tax due line of Form 40 or Form 40NR. <b>DO NOT</b> complete Part II below. The amount on line 7 may be carried forward to the next applicable year (Form NOL-85A, line 2). If line 6 exceeds line 2, enter zero here and complete Part II below. ▶	7	•	

If the Net Operating Loss Deduction on line 2 above is:

- a. Less than the taxable income reported on line 3 above, complete lines 8 through 14 below.
- b. Equal to or greater than the taxable income reported on line 3 above, check here ☐ and  
SKIP lines 8 through 13, and enter zero on line 14.



**PART II – Application**

<b>8</b>	Enter the Adjusted Gross Income as shown on the return (or prior adjustment or prior NOL-85A) for the year to which the loss is being carried . . . . .	<b>8</b>	●	
<b>9</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount from line 2, Part I above. . . . .	<b>9</b>	●	
<b>10</b>	<b>MODIFIED ADJUSTED GROSS INCOME.</b> Subtract line 9 from line 8 and enter the result here. (If you filed Form 40NR, complete Part III before completing lines 11 through 14.) . . . . . ▶	<b>10</b>	●	
<b>DEDUCTIONS</b>				
<b>11(a)</b>	<b>Standard Deduction.</b> If you claimed the Standard Deduction on the return to which the loss is being carried, recompute the Standard Deduction based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11a</b>	●	
<b>(b)</b>	<b>Itemized Deductions.</b> If you claimed Itemized Deductions on the return to which the loss is being carried, recompute the itemized deductions based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11b</b>	●	
<b>(c)</b>	<b>Federal Income Tax.</b> Enter the federal income tax as last determined and claimed as a deduction on the return to which the loss is being carried . . . . .	<b>11c</b>	●	
<b>(d)</b>	<b>Personal Exemption.</b> Enter the personal exemption as claimed on the return to which the loss is being carried. . . . .	<b>11d</b>	●	
<b>(e)</b>	<b>Dependent Exemption.</b> Enter the dependent exemption as last determined and claimed on the return, recompute the dependent exemption based on the Modified Adjusted Gross Income shown on line 10, to which the loss is being carried. . . . .	<b>11e</b>	●	
<b>12</b>	<b>TOTAL DEDUCTIONS.</b> Add lines 11a through 11e . . . . .	<b>12</b>		
<b>13</b>	<b>TAXABLE INCOME AS ADJUSTED.</b> Subtract line 12 from line 10 and enter result here . . . . . ▶	<b>13</b>	●	
<b>14</b>	<b>TAX DUE AFTER APPLICATION OF NET OPERATING LOSS.</b> Compute the tax due using the tax tables for the year to which the loss is being carried. Enter the result here and also on the TAX DUE line of Form 40X, Form 40, or Form 40NR. . . ▶	<b>14</b>		

**PART III – Modified Adjusted Gross Income Percentage** (This section to be completed by nonresidents only)

<b>15</b>	<b>Adjusted Gross Income From All Sources.</b> Enter the adjusted gross income from all sources as shown on the return to which the loss is being applied . . . . .	<b>15</b>	●	
<b>16</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount shown on line 9, Part II. . . . .	<b>16</b>	●	
<b>17</b>	<b>Modified Adjusted Gross Income From All Sources.</b> Subtract line 16 from line 15 . . . . . ▶	<b>17</b>	●	
<b>18</b>	<b>Modified Adjusted Gross Income From Alabama Sources.</b> Enter the amount from line 10, Part II. . . . .	<b>18</b>	●	
<b>19</b>	<b>Percentage of Alabama Adjusted Gross Income to Total Adjusted Gross Income From All Sources After Modifications.</b> Divide the amount on line 18 by the amount on line 17 and enter percentage here (but not over 100%) . . . ▶	<b>19</b>	●	

The percentage on line 19 should be used to recompute the Standard Deduction or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption, and Dependent Exemption on lines 11a through 11e, Part II. **NOTE:** If you are married and filed separate Alabama returns and a joint Federal return, **DO NOT** use the percentage on line 19 to recompute the federal income tax deduction. See Special Instructions for Nonresidents.



Alabama Department of Revenue

For Year Ending

APPLICATION OF  
**Net Operating Loss**  
**Carryback or Carryforward**

• \_\_\_\_\_,  
(Enter year to which loss is being carried)

Name(s) as shown on Form 40, 40NR, or 40X

Your Social Security Number

**PURPOSE OF SCHEDULE.** Form NOL-85A is designed to apply a net operating loss to the tax year to which the loss is being carried. Before Form NOL-85A can be completed, you **must** first complete Form NOL-85 to determine the amount of net operating loss that may be carried back or forward. See instructions on the reverse side for further information.

- 1(a) Enter the tax year during which the net operating loss was incurred. Beginning • \_\_\_\_\_, Ending • \_\_\_\_\_
- (b) Did you elect on Form NOL-85 to forfeit the election to carry this loss back? ..... ☐ Yes ☐ No
- (c) Did you timely file the subsequent year's return and claim the net operating loss thereon? ..... ☐ Yes ☐ No

**PART I – Computation**

2	Enter the net operating loss as shown on line 7, Part II, Form NOL-85, or as shown on line 7, Form NOL-85A. (See instructions) ▶	2	•	
3	Enter the taxable income as shown on Form 40, Form 40NR, or Form 40X for the tax year to which the loss is being carried .....	3	•	
MODIFICATIONS				
4(a)	Personal Exemption. Enter the amount of personal exemption claimed on the return to which the loss is being carried .....	4a	•	
4(b)	Dependent Exemption. Enter the amount of dependent exemption claimed on the return to which the loss is being carried .....	4b	•	
5	TOTAL MODIFICATIONS. Add lines 4(a) and 4(b) .....	5		
6	MODIFIED TAXABLE INCOME. Add lines 3 and 5. If negative enter zero. ....	6		
7	UNUSED NET OPERATING LOSS. If line 2 exceeds line 6, subtract line 6 from line 2. Enter difference here and enter zero (0) on the tax due line of Form 40 or Form 40NR. <b>DO NOT</b> complete Part II below. The amount on line 7 may be carried forward to the next applicable year (Form NOL-85A, line 2). If line 6 exceeds line 2, enter zero here and complete Part II below. .... ▶	7	•	

If the Net Operating Loss Deduction on line 2 above is:

- a. Less than the taxable income reported on line 3 above, complete lines 8 through 14 below.
- b. Equal to or greater than the taxable income reported on line 3 above, check here ..... ☐ and  
SKIP lines 8 through 13, and enter zero on line 14.

**PART II – Application**

<b>8</b>	Enter the Adjusted Gross Income as shown on the return (or prior adjustment or prior NOL-85A) for the year to which the loss is being carried . . . . .	<b>8</b>	●	
<b>9</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount from line 2, Part I above. . . . .	<b>9</b>	●	
<b>10</b>	<b>MODIFIED ADJUSTED GROSS INCOME.</b> Subtract line 9 from line 8 and enter the result here. (If you filed Form 40NR, complete Part III before completing lines 11 through 14.) . . . . . ▶	<b>10</b>	●	
<b>DEDUCTIONS</b>				
<b>11(a)</b>	<b>Standard Deduction.</b> If you claimed the Standard Deduction on the return to which the loss is being carried, recompute the Standard Deduction based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11a</b>	●	
<b>(b)</b>	<b>Itemized Deductions.</b> If you claimed Itemized Deductions on the return to which the loss is being carried, recompute the itemized deductions based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11b</b>	●	
<b>(c)</b>	<b>Federal Income Tax.</b> Enter the federal income tax as last determined and claimed as a deduction on the return to which the loss is being carried . . . . .	<b>11c</b>	●	
<b>(d)</b>	<b>Personal Exemption.</b> Enter the personal exemption as claimed on the return to which the loss is being carried. . . . .	<b>11d</b>	●	
<b>(e)</b>	<b>Dependent Exemption.</b> Enter the dependent exemption as last determined and claimed on the return, recompute the dependent exemption based on the Modified Adjusted Gross Income shown on line 10, to which the loss is being carried. . . . .	<b>11e</b>	●	
<b>12</b>	<b>TOTAL DEDUCTIONS.</b> Add lines 11a through 11e . . . . .	<b>12</b>		
<b>13</b>	<b>TAXABLE INCOME AS ADJUSTED.</b> Subtract line 12 from line 10 and enter result here . . . . . ▶	<b>13</b>	●	
<b>14</b>	<b>TAX DUE AFTER APPLICATION OF NET OPERATING LOSS.</b> Compute the tax due using the tax tables for the year to which the loss is being carried. Enter the result here and also on the TAX DUE line of Form 40X, Form 40, or Form 40NR. . . ▶	<b>14</b>		

**PART III – Modified Adjusted Gross Income Percentage** (This section to be completed by nonresidents only)

<b>15</b>	<b>Adjusted Gross Income From All Sources.</b> Enter the adjusted gross income from all sources as shown on the return to which the loss is being applied . . . . .	<b>15</b>	●	
<b>16</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount shown on line 9, Part II. . . . .	<b>16</b>	●	
<b>17</b>	<b>Modified Adjusted Gross Income From All Sources.</b> Subtract line 16 from line 15 . . . . . ▶	<b>17</b>	●	
<b>18</b>	<b>Modified Adjusted Gross Income From Alabama Sources.</b> Enter the amount from line 10, Part II. . . . .	<b>18</b>	●	
<b>19</b>	<b>Percentage of Alabama Adjusted Gross Income to Total Adjusted Gross Income From All Sources After Modifications.</b> Divide the amount on line 18 by the amount on line 17 and enter percentage here (but not over 100%) . . . ▶	<b>19</b>	●	

The percentage on line 19 should be used to recompute the Standard Deduction or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption, and Dependent Exemption on lines 11a through 11e, Part II. **NOTE:** If you are married and filed separate Alabama returns and a joint Federal return, **DO NOT** use the percentage on line 19 to recompute the federal income tax deduction. See Special Instructions for Nonresidents.



Alabama Department of Revenue

For Year Ending

APPLICATION OF  
**Net Operating Loss**  
**Carryback or Carryforward**

• \_\_\_\_\_,  
(Enter year to which loss is being carried)

Name(s) as shown on Form 40, 40NR, or 40X

Your Social Security Number

**PURPOSE OF SCHEDULE.** Form NOL-85A is designed to apply a net operating loss to the tax year to which the loss is being carried. Before Form NOL-85A can be completed, you **must** first complete Form NOL-85 to determine the amount of net operating loss that may be carried back or forward. See instructions on the reverse side for further information.

- 1(a) Enter the tax year during which the net operating loss was incurred. Beginning • \_\_\_\_\_, Ending • \_\_\_\_\_
- (b) Did you elect on Form NOL-85 to forfeit the election to carry this loss back? . . . . . ☐ Yes ☐ No
- (c) Did you timely file the subsequent year's return and claim the net operating loss thereon? . . . . . ☐ Yes ☐ No

**PART I – Computation**

2	Enter the net operating loss as shown on line 7, Part II, Form NOL-85, or as shown on line 7, Form NOL-85A. (See instructions) . . . . . ▶	2	•	
3	Enter the taxable income as shown on Form 40, Form 40NR, or Form 40X for the tax year to which the loss is being carried . . . . .	3	•	
<b>MODIFICATIONS</b>				
4(a)	<b>Personal Exemption.</b> Enter the amount of personal exemption claimed on the return to which the loss is being carried . . . . .	4a	•	
4(b)	<b>Dependent Exemption.</b> Enter the amount of dependent exemption claimed on the return to which the loss is being carried . . . . .	4b	•	
5	<b>TOTAL MODIFICATIONS.</b> Add lines 4(a) and 4(b) . . . . .	5		
6	<b>MODIFIED TAXABLE INCOME.</b> Add lines 3 and 5. If negative enter zero. . . . .	6		
7	<b>UNUSED NET OPERATING LOSS.</b> If line 2 exceeds line 6, subtract line 6 from line 2. Enter difference here and enter zero (0) on the tax due line of Form 40 or Form 40NR. <b>DO NOT</b> complete Part II below. The amount on line 7 may be carried forward to the next applicable year (Form NOL-85A, line 2). If line 6 exceeds line 2, enter zero here and complete Part II below. . . . . ▶	7	•	

If the Net Operating Loss Deduction on line 2 above is:

- a. **Less** than the taxable income reported on line 3 above, complete lines 8 through 14 below.
- b. **Equal to or greater** than the taxable income reported on line 3 above, check here . . . . . ☐ and  
**SKIP** lines 8 through 13, and enter zero on line 14.

**PART II – Application**

<b>8</b>	Enter the Adjusted Gross Income as shown on the return (or prior adjustment or prior NOL-85A) for the year to which the loss is being carried . . . . .	<b>8</b>	●	
<b>9</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount from line 2, Part I above. . . . .	<b>9</b>	●	
<b>10</b>	<b>MODIFIED ADJUSTED GROSS INCOME.</b> Subtract line 9 from line 8 and enter the result here. (If you filed Form 40NR, complete Part III before completing lines 11 through 14.) . . . . . ▶	<b>10</b>	●	
<b>DEDUCTIONS</b>				
<b>11(a)</b>	<b>Standard Deduction.</b> If you claimed the Standard Deduction on the return to which the loss is being carried, recompute the Standard Deduction based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11a</b>	●	
<b>(b)</b>	<b>Itemized Deductions.</b> If you claimed Itemized Deductions on the return to which the loss is being carried, recompute the itemized deductions based on the Modified Adjusted Gross Income shown on line 10 . . . . .	<b>11b</b>	●	
<b>(c)</b>	<b>Federal Income Tax.</b> Enter the federal income tax as last determined and claimed as a deduction on the return to which the loss is being carried . . . . .	<b>11c</b>	●	
<b>(d)</b>	<b>Personal Exemption.</b> Enter the personal exemption as claimed on the return to which the loss is being carried. . . . .	<b>11d</b>	●	
<b>(e)</b>	<b>Dependent Exemption.</b> Enter the dependent exemption as last determined and claimed on the return, recompute the dependent exemption based on the Modified Adjusted Gross Income shown on line 10, to which the loss is being carried. . . . .	<b>11e</b>	●	
<b>12</b>	<b>TOTAL DEDUCTIONS.</b> Add lines 11a through 11e . . . . .	<b>12</b>		
<b>13</b>	<b>TAXABLE INCOME AS ADJUSTED.</b> Subtract line 12 from line 10 and enter result here . . . . . ▶	<b>13</b>	●	
<b>14</b>	<b>TAX DUE AFTER APPLICATION OF NET OPERATING LOSS.</b> Compute the tax due using the tax tables for the year to which the loss is being carried. Enter the result here and also on the TAX DUE line of Form 40X, Form 40, or Form 40NR. . . ▶	<b>14</b>		

**PART III – Modified Adjusted Gross Income Percentage** (This section to be completed by nonresidents only)

<b>15</b>	<b>Adjusted Gross Income From All Sources.</b> Enter the adjusted gross income from all sources as shown on the return to which the loss is being applied . . . . .	<b>15</b>	●	
<b>16</b>	<b>Net Operating Loss to be Applied.</b> Enter the amount shown on line 9, Part II. . . . .	<b>16</b>	●	
<b>17</b>	<b>Modified Adjusted Gross Income From All Sources.</b> Subtract line 16 from line 15 . . . . . ▶	<b>17</b>	●	
<b>18</b>	<b>Modified Adjusted Gross Income From Alabama Sources.</b> Enter the amount from line 10, Part II. . . . .	<b>18</b>	●	
<b>19</b>	<b>Percentage of Alabama Adjusted Gross Income to Total Adjusted Gross Income From All Sources After Modifications.</b> Divide the amount on line 18 by the amount on line 17 and enter percentage here (but not over 100%) . . . ▶	<b>19</b>	●	

The percentage on line 19 should be used to recompute the Standard Deduction or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption, and Dependent Exemption on lines 11a through 11e, Part II. **NOTE:** If you are married and filed separate Alabama returns and a joint Federal return, **DO NOT** use the percentage on line 19 to recompute the federal income tax deduction. See Special Instructions for Nonresidents.



SCHEDULE  
**W-2**  
(FORM 40, 40A, or 40NR)



2020

Alabama Department of Revenue  
Wages, Salaries, Tips, etc.

*Schedule W-2 must be completed fully and included with your return in order to receive proper credit for your Alabama income tax withheld. Attach a copy of all withholding statements to your return.*

NAME(S) AS SHOWN ON TAX RETURN

PRIMARY'S SOCIAL SECURITY NO. SPOUSE'S SOCIAL SECURITY NO.

	A Employee's Social Security Number	B Employer's Identification Number (EIN)	C Statutory Employee	D Schedule C/C-EZ Filed?	E State Code	F Alabama Employer's State ID Number	G Alabama State Income Tax Withheld	H Federal Wages (Box 1 of Form W-2)	I Alabama State Wages (Box 16 of Form W-2)	J Additional Taxable Wages – Other States
1	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
2	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
3	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
4	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
5	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
6	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
7	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
8	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
9	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
10	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
11	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
12	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
13	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
14	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
15	•	•	• <input type="checkbox"/>	• <input type="checkbox"/>	•	•	•	•	•	•
16	TOTAL ALABAMA TAX WITHHELD FROM W-2s. Total lines 1-15, Column G and enter the amount here ...						•			
17	ALABAMA TAX WITHHELD FROM 1099s AND W-2Gs. Enter the total Alabama Income Tax Withheld from all Form 1099s and Form W-2Gs received. See instructions on where to report the income from these statements .....						•			
18	TOTAL WAGES AND TOTAL ALABAMA TAX WITHHELD FROM W-2s, 1099s, AND W-2Gs. See instructions. ....						•	•	•	•

THIS SCHEDULE CAN ONLY BE SUBMITTED AND/OR PRINTED VIA LANDSCAPE



**(Schedule E is on back)**

**ATTACH TO FORM 40 — SEE INSTRUCTIONS FOR SCHEDULES D AND E**

Name(s) as shown on Form 40

Your social security number

**Net Profit or Loss From Sale of Real Estate, Stocks, Bonds, etc.**[illegible]

**1 TOTAL NET PROFIT OR (LOSS).** Enter here and on Form 40, page 2, Part I, line 3 .....

1

00



(From Rental Real Estate, Royalties, Partnerships, S Corporations, Estates, Trusts, REMICs, etc.)

▶ **ATTACH TO FORM 40. ▶ SEE INSTRUCTIONS FOR SCHEDULE E (FORM 40).**

Name(s) shown on return	Your social security number
-------------------------	-----------------------------

**PART I** **Income or Loss From Rental Real Estate and Royalties**

**Note:** If you are operating under a Federal Employer Identification Number, report income and expenses from your business of renting personal property on **Schedule C** or **C-EZ**.

1 Show the kind and location of each <b>Rental Real Estate Property</b> :	2 For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days, <b>or</b> • 10% of the total days rented at fair rental value?	Yes	No
<b>A</b> .....	<b>A</b>		
<b>B</b> .....	<b>B</b>		
<b>C</b> .....	<b>C</b>		

Income:	Properties			Totals (Add Columns A, B, and C)
	A	B	C	
<b>3</b> Rents received .....	00	00	00	00
<b>4</b> Royalties received .....	00	00	00	00
<b>Expenses:</b>				
<b>5</b> Advertising .....	00	00	00	
<b>6</b> Auto and travel .....	00	00	00	
<b>7</b> Cleaning and maintenance .....	00	00	00	
<b>8</b> Commissions .....	00	00	00	
<b>9</b> Insurance .....	00	00	00	
<b>10</b> Legal and other professional fees .....	00	00	00	
<b>11</b> Management fees .....	00	00	00	
<b>12</b> Mortgage interest .....	00	00	00	00
<b>13</b> Other interest .....	00	00	00	
<b>14</b> Repairs .....	00	00	00	
<b>15</b> Supplies .....	00	00	00	
<b>16</b> Taxes .....	00	00	00	
<b>17</b> Utilities .....	00	00	00	
<b>18</b> Other (list) ▶ .....	00	00	00	
	00	00	00	
	00	00	00	
	00	00	00	
<b>19</b> Add lines 5 through 18 .....	00	00	00	00
<b>20</b> Depreciation expense or depletion .....	00	00	00	00
<b>21</b> Total expenses. Add lines 19 and 20 .....	00	00	00	
<b>22</b> Income or (loss). Subtract line 21 from line 3 (rents) or line 4 (royalties) .....	00	00	00	
<b>23</b> Total Real Estate and Royalty income or (loss). Add columns A, B, and C from line 22 and enter the result here .....				00

**PART II** **Income from Partnerships, S Corporations, Estates and Trusts**

(g) Name and Address	(h) <div style="text-align: center;">Check One Partnership Estate or Trust S Corporation</div>	(i) Employer Identification Number	(j) Amount
.....			00
.....			00
.....			00
.....			00
<b>24 TOTAL INCOME FROM PARTNERSHIPS, S CORPORATIONS, ESTATES, AND TRUSTS.</b> Add the amounts in column (j). Enter the total here and include on line 25 below .....			00
<b>25 TOTAL INCOME OR (LOSS).</b> Combine lines 23 and 24. Enter the total here and on Form 40, page 2, Part I, line 6 .....			00





**ATTACH TO YOUR TAX RETURN**

Name(s) as shown on your return	Identifying number
---------------------------------	--------------------

Type of return ☐ Individual ☐ Estate ☐ Trust

1 Interest expense on investment debts paid or accrued in 2020. (see instructions).	1		
2 Disallowed investment interest expense from 2019 Form 4952A, line 5.	2		
3 Total investment interest expense. Add lines 1 and 2.	3		
4 <b>Net investment income.</b> (see instructions).	4		
5 <b>Disallowed investment interest expense to be carried forward to 2021.</b> Subtract line 4 from line 3. If zero or less, enter -0-.	5		
6 <b>Investment interest expense deduction.</b> Enter the smaller of line 3 or line 4. (see instructions). ▶	6		

**GENERAL INSTRUCTIONS**

**PURPOSE OF FORM**

Interest expense paid by an individual, estate, or a trust on a loan that is allocable to property held for investment (defined below), may not be fully deductible in the current year. Form 4952A is used to figure the amount of investment interest expense deductible for the current year and the amount, if any, to carry forward to future years.

For more details, refer to Federal Publication 550, Investment Income and Expenses.

**CAUTION: The investment interest deduction for Alabama is computed as if the federal passive income limitation did not exist. Net capital gain from the disposition of investment property is included in investment income for Alabama purposes.**

**WHO MUST FILE**

If you are an individual, estate, or a trust, and you claim a deduction for investment interest expense, you must complete and attach Form 4952A to your tax return unless all of the following apply:

- Your only investment income was from interest or dividends
- You have no other deductible expenses connected with the production of interest or dividends
- Your investment interest expense is not more than your investment income
- You have no carryovers of investment interest expense from 2019.

**ALLOCATION OF INTEREST EXPENSE UNDER TEMPORARY FEDERAL REGULATIONS SECTION 1.163-8T**

If you paid or accrued interest on a loan and you used the proceeds of the loan for more than one purpose, you may have to allocate the interest paid. This is necessary because of the different rules that apply to investment interest, personal interest, trade or business interest, and home mortgage interest. See Federal Publication 550, Investment Income and Expenses.

**SPECIFIC INSTRUCTIONS**

**LINE 1 – INVESTMENT INTEREST EXPENSE**

Enter the investment interest paid or accrued during the tax year, regardless of when the indebtedness was incurred. Include interest paid or accrued on a loan (or part of a loan) that is allocable to property held for investment.

Be sure to include investment interest expense reported to you on Schedule K-1 from a partnership or an S corporation. Include amortization of bond premium on taxable bonds purchased after October 22, 1986, but before January 1, 1988, unless you elected to offset amortizable bond premium against the interest payments on the bond. A taxable bond is a bond on which the interest is includible in gross income.

Investment interest expense does not include the following:

- Home mortgage interest,
- Any interest expense that is capitalized, such as construction interest subject to Federal Section 263A.

**LINE 4 – NET INVESTMENT INCOME**

Net investment income is the excess, if any, of investment income over investment expenses. Include investment income and expenses reported to you on Schedule K-1 from a partnership or an S corporation. Also, include net investment income from an estate or a trust.

**INVESTMENT INCOME**

Investment income includes income (not derived in the ordinary course of a trade or business) from interest, dividends (reduced by qualified dividends per federal instructions), annuities, royalties, and net gain from the disposition of property held for investment (including capital gain distributions from mutual funds).

**PROPERTY HELD FOR INVESTMENT**

Property held for investment includes property that produces investment income. Property held for investment also includes an interest in an activity of conducting a trade or business in which you did not materially participate.

**INVESTMENT EXPENSES**

Investment expenses are your allowed deductions, other than interest expense, directly connected with the production of investment income. For example, depreciation or depletion allowed on assets that produce investment income is an investment expense.

If you have investment expenses that are included as a miscellaneous itemized deduction on line 21 of Schedule A (Form 40), or line 26 of Schedule A (Form 40NR), you may not have to use all of the amount for purposes of line 4 of Form 4952A. The 2% adjusted gross income limitation on Schedule A may reduce the amount.

To figure the amount to use, compare the amount of the investment expenses included on line 21 of Schedule A (Form 40) with the total miscellaneous expenses on line 24 of Schedule A. If you filed Schedule A (Form 40NR), compare the amount on line 26 with the amount on line 29. The smaller of the investment expenses included on line 21 (or line 26) or the total of line 24 (or line 29) is the amount to use to figure the investment expenses from Schedule A for line 4.

Example: Assume line 21 of Schedule A (Form 40) includes investment expenses of \$3,000, and line 24 is \$1,300 after the 2% adjusted gross income limitation. Investment expenses of \$1,300 are used to figure the amount of investment expense for line 4. If investment expenses of \$800 were included on line 21 and line 24 was \$1,300, investment expenses of \$800 would be used.

If you have investment expenses reported on a form or schedule other than Schedule A, include those expenses when figuring investment expenses for line 4.

**LINE 6 – INVESTMENT INTEREST EXPENSE DEDUCTION**

This is the amount you may deduct as investment interest expense.

**INDIVIDUALS**

Enter the amount from line 6 on line 13 of Schedule A (Form 40 or 40NR), even if all or part of it is attributable to a partnership or an S corporation. However, if any portion of this amount is attributable to royalties, enter that portion of the interest expense on Schedule E (Form 40 or 40NR).

**ESTATES AND TRUSTS**

Enter on Form 41, Page 3, Schedule C, Column C, Line 10.

# Federal Income Tax Deduction Worksheet

<b>1</b> Enter the tax as shown on line 22 on Form 1040/Form 1040-SR, line 22 on Form 1040NR, or line 15 of Form 1040NR-EZ . . . .	<b>1</b>		
<b>2</b> Net Investment Income Tax. Enter amount from line 17, Form 8960 . . . . .	<b>2</b>		
<b>3</b> Federal Tax. Add lines 1 and 2. . . . .	<b>3</b>		
<b>4 a Earned Income Credit (EIC).</b> Enter the amount from line 27 of Form 1040/Form 1040-SR . . . . .	<b>4a</b>		
<b>b Additional Child Tax Credit.</b> Enter the amount from line 28 of Form 1040/ Form 1040-SR, or line 28 of Form 1040NR . . . . .	<b>4b</b>		
<b>c American Opportunity Credit.</b> Enter the amount from line 29 of Form 1040/Form 1040-SR . . . . .	<b>4c</b>		
<b>d Credits from Forms 2439.</b> Enter the amount from Schedule 3, line 12a of Form 1040/ Form 1040-SR/Form 1040NR . . . . .	<b>4d</b>		
<b>5</b> Add lines 4a, b, c and d . . . . .	<b>5</b>		
<b>6</b> 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. <b>If amount is negative enter zero</b> . . . . .	<b>6</b>		