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ALDOR Issues Estimated Payment Guidance for Electing Pass-Through Entities

MONTGOMERY, April 2, 2021 – The Alabama Department of Revenue (ALDOR) is offering guidance to pass-through entities to help them comply with recent changes in tax law.

On Feb. 12, Governor Kay Ivey signed into law the Alabama Electing Pass-Through Entity Tax Act ([Act 2021-1](#)) which, beginning with the 2021 tax year, allows Alabama S-Corporations and Subchapter K entities (pass-through entities or PTEs) to elect to pay Alabama income tax at the entity level. Entities making this election (Electing PTEs) must notify ALDOR at any time during the tax year but no later than the 15th day of the third month following the close of that tax year for which the entity elects to be taxed as an Electing PTE. Entities making this election, including those that anticipate making this election for the 2021 tax year, may be required to begin making estimated payments on April 15, 2021.

The following temporary guidance is intended to help Electing PTEs determine whether, when, and how estimated payments should be made. Additional guidance regarding the election process, returns, and related matters will be issued prior to the 2021 filing season.

Taxpayers needing additional information immediately may contact ALDOR's Pass-Through Tax Unit at 334-242-1170, Option 6.

Temporary Guidance: Estimated Payments for Electing PTEs

1. Under what circumstance will estimated payments be due for the 2021 tax year?

If a PTE anticipates making the election for tax year 2021 and its estimated Alabama tax liability is expected to be \$500 or more, the PTE will be required to make estimated tax payments.

2. What are the due dates for estimated tax payments for the 2021 tax year?

Estimate tax due dates for calendar year filers:

Payment 1 – April 15, 2021

Payment 2 – June 15, 2021

Payment 3 – September 15, 2021

Payment 4 – December 15, 2021

Estimate tax due dates for fiscal year filers:

Will be due on the fifteenth day of the fourth, sixth, ninth, and twelfth months of the fiscal year.

3. How do I calculate the amount of estimated quarterly tax payments due for the 2021 tax year?

The required estimated quarterly payments will be 25% of the “required annual payment.” The required annual payment generally means the lessor of 100 percent of the tax shown on the return for the taxable year or 100 percent of the tax shown on the return for the preceding tax year.

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This safe-harbor rule will apply to Electing PTEs making estimated payments for the 2021 tax year using the following calculations for the required annual payment:

PTEs (other than S-corps): Calculate the total of lines 1 through 17 in the Alabama column on Schedule K from the PTEs 2020 Form 65; then multiply this total by 5%.

S-Corps: Calculate the total of lines 1 through 17 in the Alabama column on Schedule K from the S-Corp's 2020 Form 20S; then multiply this total by 5%.

Please Note: Special situations and circumstances resulting from the first year of implementing the estimated tax payment requirement may be addressed on a case-by-case basis.

4. How can I pay the Electing PTE's estimated tax installments?

Estimated tax payments made by check should be submitted with the form [PTE-V](#) and mailed to the address provided on this form.

Electronic payments can be made via ACH draft through My Alabama Taxes ([MAT](#)) and do not require the form PTE-V. Once logged into MAT, navigate to **Pass-Through Entity** under **Accounts**, click the **Filing Period Link**, and in the **I Want To** section, click the **Make a Payment** link.

Please Note: Section 41-1-20, Code of Alabama 1975 requires all single tax payments of \$750 or more to be made electronically.

5. What if a PTE makes estimated payments and does ultimately not make the election to be an Electing PTE for this tax year?

A refund may be requested by the entity. To request a refund, use the form [PTE-C](#) and list the amount of estimate payments made on line 5b.

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