1996 Form 40 Booklet

Alabama

DEPARTMENT OF REVENUE • INCOME TAX DIVISION

P.O. BOX 327465 • MONTGOMERY, AL 36132-7465

- Long Return
- Residents and Part-year Residents
- Forms and Instructions

PLEASE USE THE PEEL-OFF LABEL LOCATED ON THE FLAP OF THE ENCLOSED ENVELOPE ON YOUR ALABAMA RETURN

Important!

Peel off the label and place it in the address area of the form you file. **Make necessary corrections on the label.** If someone else prepares your return, give the preparer the pre-addressed label and ask the preparer to use it. Use of the peel-off label is necessary for prompt processing of your return.

BULK RATE
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Addresses of District Taxpayer Service Centers

Alabama income tax assistance may be obtained by calling or visiting any of the Alabama Department of Revenue Taxpayer Service Centers listed below. Additional forms and instructions may also be obtained from these centers.

- **AUBURN, ALABAMA 36831-2929**
  3300 Skyway Drive
  P.O. Box 2929
  Phone — (334) 887-9549

- **BIRMINGHAM, ALABAMA 35237-0848**
  2024 - 3rd Avenue North
  P.O. Box 370848
  Phone — (205) 323-6387

- **DECATUR, ALABAMA 35602-1785**
  1403A Beltline Road S.W.
  P.O. Box 1785
  Phone — (205) 353-2932

- **DOTHAN, ALABAMA 36302-5739**
  344 North Oates St.
  P.O. Box 5739
  Phone — (334) 793-5803

- **GADSDEN, ALABAMA 35902-1190**
  235 College Street
  P.O. Drawer 1190
  Phone — (205) 547-0554

- **HUNTSVILLE, ALABAMA 35807-0523**
  994 Explorer Boulevard
  P.O. Box 1523
  Phone — (205) 922-1082

- **MOBILE, ALABAMA 36616-1406**
  857 Downtowner Blvd., Suite I
  P.O. Drawer 160406
  Phone — (334) 344-4737

- **MONTGOMERY, ALABAMA 36132-7490**
  1021 Madison Avenue
  P.O. Box 327490
  Phone — (334) 242-2677

- **MUSCLE SHOALS, ALABAMA 35662-3148**
  2909 Wilson Dam Highway
  P.O. Box 3148
  Phone — (205) 383-4631

- **TUSCALOOSA, ALABAMA 35403-2467**
  518 19th Avenue
  P.O. Box 2467
  Phone — (205) 759-2571

From The Commissioner…

State of Alabama
Department of Revenue
Montgomery, Alabama 36132

GEORGE E. MINGLEDORFF III
Assistant Commissioner
LEWIS A. EASTERLY
Secretary

H. E. "GENE" MONROE, JR.
Commissioner

Dear Taxpayer…

The forms and instructions included in this booklet are provided to you based on the information in your 1995 return. You may, however, be required to file Form 40NR. Before you start to complete Form 40, please check **Which Form to File** on page 6 of the instructions to see which form you should use this year. If you need additional forms, you may use the order blank on page 31 of this booklet.

Providing the most prompt and efficient service possible is one of the primary goals of the Department of Revenue. We have continued to update our processing methods to enable us to make progress toward this goal. We expect to return income tax refunds faster this year than ever before. However, our performance also depends on your accuracy and promptness.

You can do some important things to make sure that your 1996 return can be processed efficiently this year. Please see **Common Mistakes That Delay Refunds** on page 4.

If you need help in completing your return or if you just have a question about your tax return, please call or come by our Taxpayer Service Center in your area. The addresses and phone numbers are listed for your convenience just inside the front cover of your booklet.

The Department of Revenue has made consistent improvement in processing returns and getting refunds to taxpayers. Please help us continue this improvement by mailing your return as early as possible. If you have any suggestions for the forms or instructions, please write and let us know.

Thank you for your cooperation.

H. E. Monroe Jr.

H. E. Monroe, Jr.
Commissioner
Alabama Department of Revenue

"An Affirmative Action / Equal Opportunity Employer"

ABOUT THE COVER

Featured on the cover is a photograph of the Gordon Persons Building located at 50 North Ripley Street, Montgomery, AL. The Persons Building, erected in 1989 in honor of Gov. Seth Gordon Persons (1951-1955), houses the central offices of the Revenue Dept.

When Should I Expect My Refund?

Wait At Least 12 Weeks For Your Refund

If you do not receive your refund within 12 weeks of mailing it, you should complete **Form IT:489**, **Taxpayer Refund Information.** This form may be obtained from any of the District Taxpayer Service Centers listed on page 2 of this booklet. If you call about your refund, have a copy of your return with you or the Department may be unable to assist you.

Each year the Alabama Department of Revenue receives over 1.8 million income tax returns. Of this number, over 1 million taxpayers receive refunds. The Department makes every effort to process refunds as quickly as possible, and there are several things you, the taxpayer, can do to help us accomplish this.

The date you file your return determines when you can expect your refund. For example, if you file an error-free return in January or February, you may expect to receive your refund sooner. Returns filed later require a longer waiting period. Last year over 50 percent of the income tax returns filed were received between April 1 and April 15. Returns filed this close to the deadline may require 10 to 12 weeks to process.

If you file an early, accurate return, we will be able to process your return and any refund due more quickly. Errors that must be corrected by the Alabama Department of Revenue delay return processing. Omissions from the return which require corresponding with you cause an even longer delay. You can help prevent mistakes by carefully preparing your return. If you are uncertain in any area, refer to the instructions, or contact one of our Taxpayer Service Centers listed on page 2 of this booklet.

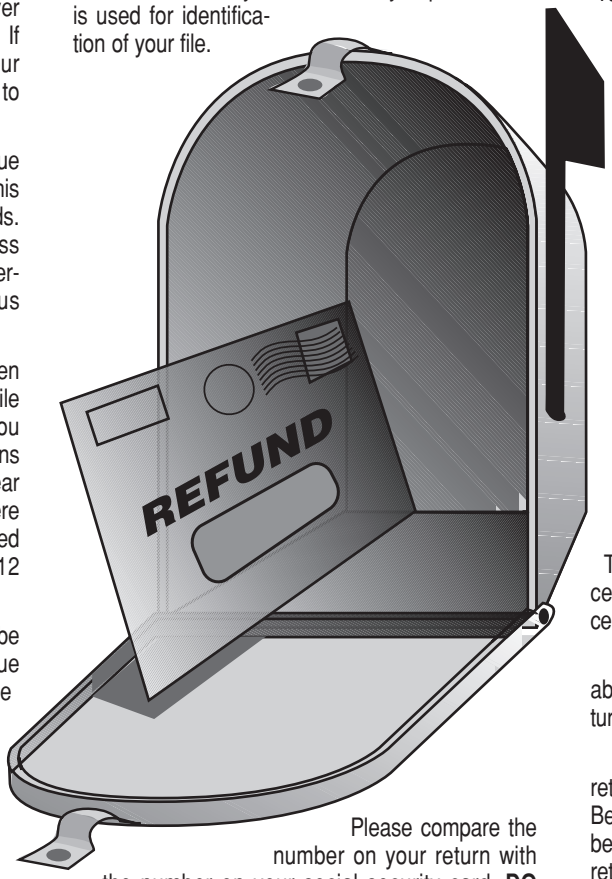
Common Mistakes That Delay Refunds

Failure To Use Peel-Off Label. Use of the peel-off label you received in the mail will help the Department process your refund faster. However, many taxpayers fail to check the information on the labels for accuracy. Make certain the name, address, and social security number(s) are correct.

Incorrect Name. Your refund check will be issued in the name(s) appearing on your return. If your name is illegible or misspelled, your refund check may be issued in the wrong name.

Incorrect Address. Last year the U.S. Postal Service was unable to deliver thousands of refund checks due to incorrect addresses, or because the taxpayer moved and failed to leave a forwarding address.

Incorrect Social Security Number. Last year approximately 80,000 returns were received with missing or incorrect social security numbers. Your social security number is very important; it is used for identification of your file.



Please compare the number on your return with the number on your social security card. **DO NOT ASSUME THAT THE SOCIAL SECURITY NUMBER ON THE PEEL-OFF LABEL IS CORRECT; CHECK IT CAREFULLY.**

CAUTION: If the peel-off label is for a joint return, make certain the social security numbers are listed in the same order as the first names appearing on the label.

If you do not have a label, show in the blocks provided the social security numbers in the same order as the first names. For example, the social security number of the first name listed should be entered in the box headed "Your social security number." The social security number of the second name should be entered in the box headed "Spouse's social security number." If separate returns are filed, the person filing the return should enter his or her social security number in the box headed "Your social security number," and enter the spouse's name and social security number on line 5. It is very important that the social security numbers be listed in this order so your refund check will be issued in the correct name.

Legibility. On many returns, the name, address, or social security number is not readable. If this happens, the wrong information may be recorded, and your refund check may be delayed. Make sure that the information you enter on the return is readable.

Missing Withholding Statement (W-2). Make certain the State Copy of all Forms W-2 Wage and Tax Statements are attached. W-2s are frequently left off the return.

Incorrect Computation. Many returns must be corrected each year by the Department due to simple math errors. Before mailing your return, double check the addition and subtraction to make sure the math is correct. This is a good idea even if someone else prepares your return.

Misdirected Mailing. Each year thousands of returns are mailed to the Internal Revenue Service instead of the Alabama Department of Revenue. Use the envelope you received with this booklet or follow the mailing instructions on your return.

Filing More Than One Return. File only one Form 40, 40A, or 40NR for each tax year. If it is necessary to amend your original return, you **must** file **Form 40X**, Amended Alabama Income Tax Return. The amended return will be processed after your original return has been processed.

Filing Copies. A copy of a return is not acceptable unless it has the taxpayer(s) original signature(s).

Missing Signatures. Thousands of unsigned returns are received each year by the Department. Before we can process them, these returns must be returned to the taxpayers for signatures. If a joint return is filed, both spouses must sign the return.

Other Reasons For Refund Delays

You Have Not Paid All Taxes Due From a Previous Year. If you owe tax for a prior year, your refund will be applied to pay that deficiency. Any amount remaining will be refunded to you. This will generally delay your refund 12 weeks or more.

Setoff Debt Collection. If the Alabama Department of Human Resources, or the Alabama Medicaid Agency has notified the Alabama Department of Revenue that your account is delinquent on a debt repayment, any public assistance program (including the Child Support Act of 1979, Chapter 10, Title 38), or any Medicaid assistance program, your refund will be applied to that debt. ***NOTE:*** *See* ***Setoff Debt Collection*** *on page 17 for further information.*

How To Use This Instruction Booklet

The instructions for **Form 40** are divided into five main sections.

- **SECTION 1** contains information on who must file, how to choose the correct form, and when to file a return.
- **SECTION 2** contains useful steps to help you prepare your return.
- **SECTION 3** contains line-by-line instructions for most of the lines on your return.
- **SECTION 4** contains general information about such items as amending your tax return, how long to keep records, and filing a return for a deceased person.
- **SECTION 5** contains instructions for completing Schedule A for those taxpayers itemizing their deductions. Also included are instructions for Schedules B, CR, D, and E.

If you follow the steps in Section 2 and the line-by-line instructions in Section 3, you should be able to fill in your return quickly and accurately.

First, be certain you need to file a tax return. Your marital status, filing status, and gross income determine whether you have to file a tax return. Gross income usually means money, goods, and property you received on which you must pay tax. It does not include nontaxable benefits. See page 8 of the instructions to find out which types of income you should include.

Other Filing Requirements

Refunds. Even if your gross income was less than the amounts shown, you must file a return to get a refund if Alabama income tax was withheld from any amounts paid to you.

Domicile. Individuals who are domiciled in (or residents of) Alabama are subject to tax on their entire income whether earned within or without Alabama. This is true regardless of their physical presence within Alabama at any time during the taxable year. Domicile is where one lives, has a permanent home, and has the intention of returning when absent. Domicile may be by birth, choice, or operation of law. Each person has one and only one domicile which, once established, continues until a new one is established coupled with the abandonment of the old. Burden of proof regarding change of domicile is on the taxpayer even though he/she owns no property, earns no income, and has no place of abode in Alabama.

If an Alabama resident accepts employment in a foreign country for a definite or indefinite period of time with the intent of returning to the United States, the individual remains an Alabama resident and all income, wherever earned, is subject to Alabama income tax. This is true even if the taxpayer leaves no property in Alabama.

If a citizen of a foreign country comes to Alabama to work (no matter how long he stays), buys a home, secures an Alabama driver's license, does not intend to apply for U.S. Citizenship, and intends to ultimately return to the country of origin, the individual does not become an Alabama resident. However, any income earned in Alabama would be subject to Alabama income tax as a nonresident.

Military Personnel (Residents). Military personnel, whose legal residence is Alabama, are subject to Alabama income tax on all income regardless of source or where earned unless specifically exempt by Alabama law.

Military personnel (Army, Navy, Marine, Air Force, Merchant Marine, and Coast Guard) who were residents of Alabama upon entering military service remain residents of Alabama for income tax purposes, regardless of the period of absence or actual place of residence, until proof as to change of home of record has been made. The burden of proof is on the taxpayer though he owns no property, earns no income, or has no place of abode in Alabama. Under the provisions of the Soldiers' and Sailors' Civil Relief Act, military personnel are not deemed to have lost their permanent residence in any state solely because they are absent in compliance with military orders. In addition, persons are not deemed to have acquired permanent residence in another state when they are required to be absent from their home state by virtue of military orders. If the husband and wife are both in military service, each could be a resident of a different state under the Soldiers' and Sailors' Civil Relief Act. A married woman not in military service has the same domicile as her husband unless proven otherwise.

Military Personnel (Nonresidents). Nonresident military personnel merely having a duty station within Alabama (whose legal residence is not Alabama) are not required to file an Alabama income tax return unless they have earned income from Alabama sources other than military pay. If they have earned income in Alabama other than military pay, they are required to file Alabama **Form 40NR**. A married nonresident with income earned in Alabama may file either a separate return claiming himself or herself only, or a joint return claiming the total allowable personal exemption.

Dependent's and Student's Income. Dependents who are residents of Alabama must file a return if they meet the requirements under **You Must File A Return If…** on this page. A student's income is fully taxable the same as other individuals who are required to file a return. If a return is required, the dependent or student can claim a personal exemption of $1,500, and his or her parents may claim a dependent exemption of $300 if they provided more than 50% of his or her total support.

When To File

You should file as soon as you can after January 1, 1997, but no later than April 15, 1997. If you file late you will have to pay penalties and interest. (See Penalties and Interest in these instructions.) If you know you cannot meet the April 15 deadline, you should ask for an extension using Form 4868A, Application for Extension of Time to File Alabama Income Tax Return. This form must be filed by April 15, 1997, or it will not be approved. If April 15 falls on a Saturday, Sunday, or state holiday, the return will be due the following business day.

Note: *Form 4868A extends the time to file your return without being charged a failure to timely file penalty. However, you will be charged interest at the same rate as currently prescribed by the Internal Revenue Service on any additional tax due when your return is filed.*

You Must File A Return If…

You were a:	and your marital status at the end of 1996 was:	and your filing status is:	and your gross income was at least:
Full Year Resident	Single (including divorced and legally separated)	Single or head of family	$1,500
	Married and living with your spouse at the end of 1996 (or on the date your spouse died)	Married, joint return	$3,000
		Married, separate return	$1,500
Part Year Resident	Single (including divorced and legally separated)	Single or head of family	$1,500 (while an Alabama resident)
	Married and living with your spouse at the end of 1996 (or on the date your spouse died)	Married, joint return	$3,000 (while an Alabama resident)
		Married, separate return	$1,500 (while an Alabama resident)
Nonresident	Single (including divorced and legally separated)	Single or head of family	over the allowable prorated exemption: See instructions on page 6.
	Married and living with your spouse at the end of 1996 (or on the date your spouse died)	Married, joint return	
		Married, separate return	

Which Form To File

You MAY Use Form 40A If You Meet ALL The Following Conditions:

- You were a resident of Alabama for the entire year.
- In 1996, your income was less than $20,000 and you are single, head of family, or a married person filing a separate return, **OR** less than $40,000 and you are a married person filing a joint return with your spouse.
- You do not itemize deductions.
- You do not claim any adjustments to income, such as an IRA deduction, alimony paid, etc.
- You do not have income from sources other than salaries and wages in excess of $400.00.
- You are not claiming income or loss from Schedules C, D, E, or F.
- Your spouse's return, if required, is also filed using Form 40A.
- You are reporting all taxable income received during the year.
- You are not claiming credit for taxes paid to another state.
- You are not reporting income and deductions on an accrual basis.

You MUST Use Form 40 If:

- You were a full or part-year resident of Alabama and do not meet **ALL** of the requirements to file Form 40A.
- In 1996, your income was $20,000 or more if you are single, head of family, or a married person filing a separate return, **OR** $40,000 or more if you are a married person filing a joint return with your spouse.
- You are itemizing deductions.

You MUST Use Form 40NR If:

- You are not a resident of Alabama and you received taxable income from Alabama sources or for performing services within Alabama and your gross income from Alabama sources exceeds the allowable prorated personal exemption. Nonresidents must prorate the personal exemption. If your Alabama gross income exceeds the prorated amount, a return must be filed.

You MUST Use Both Form 40 and Form 40NR If:

- You had sufficient income to require the filing of a part-year return and also had income from Alabama sources while a nonresident during the same tax year. In this case, both the total personal exemption **and** the dependent exemption **must** be claimed on the part-year resident return. No exemption can be claimed on the nonresident return. The part year resident return should include only income and deductions during the period of residency, and the nonresident return should include only income and deductions during the period of nonresidency.

SECTION 2 Steps for Preparing Your Return

By following these six useful steps, and reading the line-by-line instructions, you should be able to prepare your return quickly and accurately.

Step 1

Collect all your necessary records.

Income Records. These include any **Forms W-2, W-2G,** and **1099** that you have. If you do not receive a Form W-2 by February 1, OR if the one you receive is incorrect, please contact your employer as soon as possible. Only your employer can give you a Form W-2, and only he or she can correct it.

If you have someone prepare your return for you, make sure that person has all your income and expense records so he or she can fill in your return correctly. Remember, if someone else prepares your return incorrectly — you are still responsible.

Step 2

Obtain any forms or schedules you may need.

In general, we mail forms and schedules to you based on the return you filed last year. Before filling in your return, look it over to see if you need more forms or schedules.

If you think you will need any other forms, get them before you start to fill in your return. Our Alabama Taxpayer Service Centers (see page 2 of these instructions for addresses) can supply the additional forms you need or you may use the order blank on the next to last page of this instruction booklet. We will send you the forms and schedules requested. Also, your local bank, post office, or public library may have some of them.

Step 3

Check your return to make sure it is correct.

Step 4

Use the mailing label we sent you.

The label helps us identify your account and saves processing time.

Step 5

Sign and date your return.

Form 40, 40A, or 40NR is not considered a return unless you sign it. Your spouse must also sign if it is a joint return. Original signatures are required or the return will not be accepted.

Step 6

Attach all necessary forms and schedules.

Attach the copy marked "To Be Filed With Your State Income Tax Return" of **Forms W-2, W-2G,** and **1099** to the front of your return. Attach schedules and forms in "sequence number" order. The number is printed below the year in the upper right corner of the schedule or form.

If you need more space on forms or schedules, attach separate sheets and use the same format as printed forms, but show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on these separate sheets and attach them at the end of the return.

If you owe tax, be sure to attach your payment to the front of your return.

Before mailing your return, check to make sure you have retained an exact copy for your records.

SECTION 3 Line-By-Line Instructions

Note: *Your Alabama return may be easier to complete if you complete your federal return first. It is also recommended that you complete page 2 before starting page 1. All individuals* ***MUST*** *complete Part IV, page 2, and certain individuals may also need to complete Parts I, II, and III.*

Name and Address

Please use the **preprinted** mailing label from the forms booklet we sent you. If you do not have a label, type or print your name, address, and social security number in the appropriate blocks.

If you are filing a joint return and have different last names, separate the names with an "and." For example: "John Brown and Mary Smith."

Note: *Do not attach your label to the return until the return is completed. Please make sure the information on the label is correct.*

If your name has changed or if you were married or divorced during the year, please correct the name portion of the label. If you moved during the year and the label shows your old address, correct the label using your new address. Corrections should be made by drawing a line through the incorrect information and adding the new information on the label. If you live in an apartment, please include your apartment number in the address. If the post office delivers mail to your P.O. box number rather than to your street address, write the P.O. box number instead of your street address.

Always leave a forwarding address with your local post office when you move.

Social Security Number

Each year thousands of taxpayers submit returns using an incorrect social security number. Usually this number belongs to another taxpayer. It is very important that you submit your return using the correct social security number. Failure to show your correct social security number(s) in the space(s) provided WILL DELAY the processing of your refund. Listed below are a few of the common reasons why a social security number is reported incorrectly:

- failed to verify information on preprinted label
- memorized wrong number
- copied number wrong
- gave an incorrect number to the tax preparer
- gave your employer an incorrect number

IMPORTANT: Check your W-2 forms. Your employer may be reporting an incorrect number for you.

If you are married and filing a joint return, write both your and your spouse's social security numbers in the blocks provided.

CAUTION: If the label is for a joint return and the social security numbers are not listed in the same order as the first names, write the numbers in the correct order.

If you are married and filing separate Alabama returns, write your spouse's name and social security number on line 5.

If your spouse is a nonresident alien, has no income, does not have a social security number, and you file a separate return, write "NRA" in the block for your spouse's social security number. If you and your spouse file a joint return, your spouse must have a social security number.

If you or your spouse do not have a social security number, please get **Form SS-5** from a Social Security Administration (SSA) office. File it with your local SSA office early enough to get your number before April 15. If you have not received your number before April 15, file your return and write "applied for" in the block for your social security number.

IMPORTANT: Please notify the Social Security Administration (SSA) immediately in the event you have changed your name because of marriage, divorce, etc., so the name on your tax return is the same as the name the SSA has on record. This helps prevent delays in processing your return.

Filing Status and Personal Exemption Lines 1 through 5

You should check **only** the box that describes your filing status. The personal exemption will be determined by your filing status on the last day of the tax year.

Single

Consider yourself single if on December 31 you were unmarried or separated from your spouse either by divorce or separate maintenance decree.

If you check box 1, enter $1,500 on line 15.

Married – Joint or Separate Returns?

Joint Returns. Most married couples pay less tax if they file a joint return. If you file a joint return, **you must report all income, exemptions, deductions, and credits for you and your spouse. Both** of you must sign the return even if only one of you had income. The State of Alabama **does** recognize a common law marriage for income tax purposes.

CAUTION: You cannot file a joint return if you are a resident of Alabama and your spouse is a resident of another state. You should file as "married filing separate return."

You and your spouse can file a joint return if you were living together on December 31 even if you did not live together for the entire year. Both of you are responsible for any tax due on a joint return, so if one of you does not pay the other may have to.

Note: *If you file a joint return, you may not, after the due date of the return, choose to file separate returns for that year.*

If your spouse died in 1996, you can file a joint return for 1996. You can also file a joint return if your spouse died in 1997 before filing a 1996 return. For details on how to file the joint return, see Death of Taxpayer on page 16.

If you check box 2, enter $3,000 on line 15.

Separate Returns. You can file separate returns if both you and your spouse had income, or if only one of you had income.

If you file a separate return, report **only** your own income, exemptions, deductions, and credits. You are responsible only for the tax due on your return.

Note: *Alabama is not a community property state.*

If you file a separate return, write your spouse's full name and social security number on line 5.

If your spouse does not file, attach a statement explaining why your spouse is not required to file.

If you check box 3, enter $1,500 on line 15.

Head of Family

"Head of Family" has the same meaning as "Head of Household" for federal purposes. Therefore, if you qualify as "Head of Household" on your federal return, unless your filing status is based exclusively upon the dependency of a foster child, you also qualify as "Head of Family" on your Alabama return. Alabama does not recognize a foster child as a dependent.

You may check the box on line 4 **ONLY IF** on December 31, 1996, you were unmarried or legally separated and meet either test 1 or 2 below. The term "unmarried" includes certain married persons who live apart, as discussed below.

Test 1. You paid **more than half** the cost of keeping up a home for the entire year provided that the home was the main home of your parent whom you can claim as a dependent. Your parent did not have to live with you in your home,

OR

Test 2. You paid **more than half** the cost of keeping up a home in which you lived and in which one of the following also lived for more than 6 months of the year (temporary absences, such as for vacation or school, are counted as time lived in the home):

a. Your **unmarried** child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child does not have to be your dependent.

b. Your **married** child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the federal rules for **Children of Divorced or Separated Parents**, this child does not have to be your dependent.

c. Any relative whom you can claim as a dependent.

If the person for whom you kept up a home was born or died during the year, you may still file as "Head of Family" if the home was that person's main home for the part of the year he or she was alive.

Married Persons Who Live Apart

Even if you were not divorced or legally separated in 1996, you may be considered unmarried and file as "Head of Family."

You may check the box on line 4 if **ALL 5** of the following apply:

1. You file a separate return from your spouse, and
2. You lived apart from your spouse during the last 6 months of 1996, and
3. You paid more than half the cost of keeping up your home for 1996, and
4. Your home was the main home of your child, stepchild, or adopted child for more than 6 months of 1996, and
5. You claim this child as your dependent. However, you do not have to claim this child as your dependent if the child's other parent claims him or her as a dependent under the federal rules for **Children of Divorced or Separated Parents.**

If you check box 4, enter $3,000 on line 15.

If you claim "Head of Family" filing status, you **must** also complete line 5. Show on this line the name and relationship of the person that qualifies you as "Head of Family." This person should also be listed on page 2, Part III, line 1, if you provided over 50% of his or her support.

Special Rules

A nonresident taxpayer who receives income from Alabama sources or for performing services within Alabama and who also had income while a resident of Alabama during the same tax year must file both the Alabama Nonresident Form 40NR and the Alabama Part-year resident Form 40. **If you are**

required to file both returns, the total personal exemption ($1,500 or $3,000) and the dependent exemption ($300) must be claimed on the part-year return (Form 40). No personal exemption or dependent exemption can then be claimed on the nonresident return (Form 40NR).

Income

All income is subject to Alabama income tax unless specifically exempted by state law. The term "income" includes, but is not limited to, salaries, wages, commissions, income from business or professions, alimony, rents, royalties, interest, dividends, and profits from sales of real estate, stocks, or bonds. Military pay is taxable income except for compensation received for active service in a designated combat zone.

Examples of Income You MUST Report

The following kinds of income should be reported on Forms 40, 40A, or 40NR and related forms and schedules. You may need some of the following forms and schedules.

- Wages including salaries, fringe benefits, bonuses, commissions, fees, and tips.
- Dividends (Schedule B).
- Interest on: bank deposits, bonds, notes, Federal Income Tax Refunds, mortgages on which you receive payments, accounts with savings and loan associations, mutual savings banks, credit unions, etc. (Schedule B).
- Original Issue Discount (Schedule B).
- Distributions from an Individual Retirement Arrangement (IRA) including SEPs and DECs, if you excluded these amounts in a prior year.
- Bartering income (fair market value of goods or services you received in return for your services).
- Business expense reimbursements you received that are more than you spent for the expenses.
- Amounts received in place of wages from accident and health plans (including sick pay and disability pensions) if your employer paid for the policy.
- Alimony or separate maintenance payments received from and deductible by your spouse or former spouse.
- Life insurance proceeds from a policy you cashed if the proceeds are more than the premium you paid.
- Profits from businesses and professions (Federal Schedule C or C-EZ).
- Your share of profits from partnerships and S Corporations (Schedule E).
- Profits from farming (Federal Schedule F).
- Pensions, annuities, and endowments (Schedule E).
- Lump-sum distributions.
- Gains from the sale or exchange (including barter) of real estate, securities, coins, gold, silver, gems, or other property (Schedule D).
- Gains from the sale of your personal residence (Federal Form 2119).
- Rents and Royalties (Schedule E).
- Your share of estate or trust income (Schedule E).
- Prizes and awards (contests, lotteries, and gambling winnings).
- Earned income from sources outside the United States.
- Director's fees.
- Fees received as an executor or administrator of an estate.
- Embezzled or other illegal income.
- Refunds of federal income tax if deducted in a prior year and resulted in a tax benefit.
- Payments received as a member of a military service are taxable except for combat pay and certain allowances.
- Property transferred in conjunction with performance of services.
- Jury duty pay.

Examples of Income You DO NOT Report

(Do not include these amounts when deciding if you must file a return.)

- United States Civil Service Retirement System benefits.
- State of Alabama Teachers' Retirement System benefits.
- State of Alabama Employees' Retirement System benefits.
- State of Alabama Judicial Retirement System benefits.
- Military retirement pay.
- Tennessee Valley Authority Pension System benefits.
- United States Government Retirement Fund benefits.
- Payments from a "Defined Benefit Retirement Plan" in accordance with IRC 414(j). (Contact your retirement plan administrator to determine if your plan qualifies.)
- Federal Railroad Retirement benefits.
- Federal Social Security benefits.
- State income tax refunds.
- Unemployment compensation.
- Welfare benefits.
- Disability retirement payments (and other benefits) paid by the Veteran's Administration.
- Workman's compensation benefits, insurance damages, etc., for injury or sickness.
- Child support.
- Gifts, money, or other property you inherit or that was willed to you.
- Dividends on veteran's life insurance.
- Life insurance proceeds received because of a person's death.
- Interest on obligations of the State of Alabama or any county, city, or municipality of Alabama.
- Interest on obligations of the United States or any of its possessions.
- Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home. (You must report as income reimbursements for normal living expenses.)
- Military allowances paid to active duty military, National Guard, and active reserves for quarters, subsistence, uniforms, and travel.
- Subsistence allowance of $8 a day received by law enforcement officers of the State of Alabama.
- All retirement compensation received by an eligible fire fighter or a designated beneficiary from any Alabama firefighting agency.
- All retirement compensation received by an eligible peace officer or a designated beneficiary from any Alabama police retirement system.
- Income earned while serving as a foreign missionary after first serving 24 months as a missionary in a foreign country.
- Compensation received from the United States for active service as a member of the Armed Forces in a combat zone designated by the President of the United States.

Rounding Off to Whole Dollars

You may round off cents to the nearest whole dollar on your return and schedules. But, if you do round off, do so for **all amounts**. You can drop amounts under 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example: $1.39 becomes $1.00, and $2.69 becomes $3.00.

Lines 6a through 6d

Wages, Salaries, Tips, Etc.

Show the name and address of each employer on lines 6a through 6d. In the column headed "Income" show the amount of wages, salaries, fees, commissions, tips, bonuses, and other amounts you were paid before taxes, insurance, etc. were deducted. You should use the amount shown in the box headed "State Wages" on your **Form W-2**. The amount shown in this box may or may not be the same as the amount taxable for federal purposes. Report all wages, salaries, and tips you received even if you do not have a Form W-2.

If you had more than 5 employers during the tax year and the space provided on lines 6a through 6d is insufficient for listing each employer, you should attach a schedule with identical headings, and list all employers and amounts on this schedule. On line 6a write "See Attached Schedule," and record in columns A and B the totals for withholding and wages for all employers as listed on the attached schedule.

Part-year Residents. If you were a resident of Alabama for only a part of the year, enter only the income earned during the period of residence in Alabama.

Note: *State of Alabama employees will find that the amount taxable for state purposes is, in most cases, more than the amount taxable for federal purposes. This is due to the fact that amounts deducted from their wages as "Contributions to the Alabama State Retirement System" qualify for deferral on the Federal return, but do not qualify for deferral on the Alabama return. Also, amounts deducted from their wages for deferred compensation plans (PEBSCO and PEIRAF) qualify for deferral on the federal return but do not qualify for Alabama purposes.*

Statutory Employees. If you were a statutory employee, the "Statutory employee" box in Box 6 of your W-2 form should be checked. Statutory employees include full time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers.

If you are deducting business expenses as a statutory employee, report the amount shown in Box 1 of your W-2 form and your expenses on Schedule C. If you are not deducting business expenses, report your income on line 6.

Alabama Income Tax Withheld

In the column headed "Alabama tax withheld," enter the amount of Alabama income tax withheld by each of your employers. The amount withheld is shown on the state copy of your **Form W-2**. This copy should be marked "To Be Filed With Your Alabama Income Tax Return."

***Note: Do not** change or alter the amount of tax withheld or wages reported on your Form W-2. If any amount is incorrect or illegible, you should contact your employer and request a corrected statement.*

Do not include the following as Alabama income tax:

- Federal income tax,
- FICA tax (Social Security and Medicare),
- Local, city, or occupational tax, or
- Taxes paid to another state.

Amounts withheld should be listed separately on the same line as the employer's name and amount of income.

The Alabama income tax withheld should be added together and the total entered on line 24.

Line 7

Interest and Dividend Income

Enter your **TOTAL** taxable income from interest and dividends. If the total taxable and nontaxable interest and dividends you received in 1996 is $400 or more, you must complete and attach **Schedule B.** Part-year residents enter only the amount of interest and dividend income earned during the period of residency.

The payer should send you a **Form 1099-INT, Form 1099-OID**, or **1099-DIV**, if applicable, showing interest or dividends you must report.

To see what interest and dividends are taxable, read the instructions for Schedule B in this booklet.

Line 8

Federal Income Tax Refunds Received in 1996

If you received a refund of federal income tax in 1996, you may have to report all or part of this amount if a prior deduction resulted in a tax benefit. You received a tax benefit if a prior deduction reduced the tax you had to pay Alabama. (Note: If you were not a resident of Alabama in 1995, any refund on your 1995 return that you received in 1996 is not taxable.) The federal income tax you paid in 1996 can be claimed as a deduction on line 14.

Enter on line 8 the amount of refund you received in 1996. If the amount of refund you received in 1996 included all or any part of an earned income credit, the amount of the refund representing the earned income credit is not taxable and should not be included in the refund reported on line 8.

EXAMPLE 1. Suppose you had an overpayment of $500.00 on your 1995 Federal return which included an earned income credit of $300.00. Since $300.00 of the $500.00 refund you received in 1996 resulted from the earned income credit, the correct amount to report on line 8 is $200.00 ($500.00 minus $300.00).

EXAMPLE 2. Suppose you had an overpayment of $100.00 on your 1995 Federal return and you received the refund in 1996. You also had an earned income credit of $300.00 on your 1995 Federal return. In this example, the refund is not taxable since it resulted from the earned income credit. The amount of the earned income credit ($200.00) not refunded to you can be claimed as federal income tax paid on line 14.

Line 9

Other Income

All taxable income you received that is not reported on lines 6, 7, and 8 should be entered on line 9. This includes rents, royalties, gains from sale of property, etc.

See **Examples of Income You DO NOT Report** and **Examples of Income You MUST Report** on page 8 of these instructions for further details on income which should be included on this line.

If you have income from other sources, you must complete Part I, page 2, and attach the appropriate schedule(s).

Line 11

Adjustments to Income

Employee business expenses are not deductible as an adjustment to income, but are allowable as an itemized deduction to the same extent as provided by federal law. See the instructions for Schedule A for further information.

If you made payments to an Individual Retirement Arrangement (IRA) or to a Keogh plan, you may be entitled to claim these payments as an adjustment to income.

Also deductible as an adjustment to income are penalties you incurred for the early withdrawal of interest before maturity.

You can deduct payments of alimony or separate maintenance made under a court decree to the same extent allowed for federal income tax purposes.

Certain legal and medical expenses paid or incurred in the adoption of a minor are deductible as an adjustment to income.

For more information on the above exclusions, please see the instructions for Part II on page 14.

The total adjustments to income from line 8, Part II, should be entered on line 11, page 1.

Line 12

Adjusted Gross Income

Subtract the amount on line 11 from the amount on line 10, and enter the result on line 12.

If the amount on line 12 is less than zero, you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, you should file **Form 40X** and attach **Form NOL-85** and/or **Form NOL-85A**. Use the order blank in this booklet to request these forms and instructions.

Line 13

Itemized or Standard Deduction

You may elect to itemize your deductions for medical expenses, interest, contributions, taxes, etc., **OR** you may claim the Standard Deduction, but you **cannot** claim both.

If you elect to claim the Standard Deduction on your 1996 Alabama return and it becomes necessary to change to itemized deductions, you may do so by filing an amended return. You should figure your deduction both ways, and claim the one that gives you the larger deduction.

If you are married and filing separate Alabama returns, **both** spouses must itemize their deductions or **both** must claim the Standard Deduction. Each spouse may claim only the itemized deductions he/she actually paid. See the instructions for **Schedule A** for items that may be claimed as itemized deductions.

Part-year residents of Alabama may claim **only** the itemized deductions **actually paid** during the period of Alabama residency.

Itemized Deductions. If you elect to itemize your deductions, you should check **box a** on line 13 and complete and attach **Schedule A**. The amount shown on line 25 of Schedule A should be entered on line 13.

Standard Deduction. The Standard Deduction is limited to 20% of the total adjusted gross income shown on line 12, Form 40, but cannot exceed $2,000, if you are single, married and filing a separate return, or head of family. If you are married and filing a joint Alabama return, the Standard Deduction is limited to the lesser of 20% of the total adjusted gross income or $4,000.

If you elect to claim the Standard Deduction, you **must** check **box b** on line 13 and complete the following worksheet to determine the Standard Deduction allowable on your return. A dependent or student may claim standard deduction even if claimed by someone else.

STANDARD DEDUCTION WORKSHEET

1. Enter the Total Adjusted Gross Income shown on line 12, Form 40	_____
2. Multiply the amount on line 1 by 20%	x .20 _____
3. If you are married and filing a joint return, enter $4,000. Otherwise, enter $2,000	_____
4. STANDARD DEDUCTION ALLOWABLE. Enter here the amount from line 2 or 3, whichever is smaller. Also enter on line 13, Form 40..... ▶	_____

Line 14

Federal Income Tax Withheld and Paid in 1996

You may deduct the federal income tax withheld from your income in 1996 plus any additional federal income tax you had to pay in 1996. You cannot deduct taxes you paid for your dependent or any other person or entity.

The federal income tax you **can** deduct includes:

- the amount withheld by your employer as shown on your withholding statement(s).
- the excess social security or Medicare tax (FICA) and railroad retirement tax (RRTA) withheld in 1996 and claimed as federal income tax on your 1996 Federal return. (Do not claim the regular FICA and RRTA tax withheld since these can be claimed only as an itemized deduction on Schedule A.)
- the amount you owed for 1995 which you paid in 1996.
- all payments you made in 1996 for years prior to 1996.
- all payments you made in 1996 on your federal estimated tax. Do not include the overpayment on your 1995 return which you applied to your 1996 estimate unless you include this amount in the refund reported on line 8.

The following instructions should help you determine the correct federal income tax to deduct on line 14.

Note: *If you were entitled to an earned income credit in your 1995 Federal return, any amount of this credit used to pay your 1995 Federal income tax can be claimed as a deduction on line 14 of your Alabama return. (See example 2 for line 8 on page 9.)*

Form 1040EZ. If you filed 1995 Federal Form 1040EZ, add the federal income tax withheld in 1996 (from your W-2(s)) and the amount shown on 1995 Form 1040EZ, line 12 and enter the result on line 14, Form 40.

Form 1040A. If you filed 1995 Federal Form 1040A, add the federal income tax withheld in 1996 (from your W-2(s)) and the amount shown on 1995 Form 1040A, line 33, and enter the result on line 14, Form 40.

Form 1040. If you filed 1995 Federal Form 1040, add the federal income tax withheld in 1996 (from your W-2(s)) and the amount shown on 1995 Federal Form 1040, line 65. If you did not enter an amount on line(s) 47, 50, 59, or 60 of 1995 Form 1040 or claim credit for excess social security or Medicare tax (FICA) or railroad retirement tax (RRTA) on your 1996 Federal Form 1040, enter this total on line 14, Form 40.

Your 1995 Federal return may include taxes (self-employment and social security tax on tips) which **cannot** be allowed as federal tax on your 1996 Alabama return. It may also include credits (gasoline and special fuel and regulated investment company) which **are** allowed as federal income tax. If you claimed any of these taxes or credits on your 1995 Federal return, an adjustment must be made to determine the federal income tax deductible on your 1996 Alabama return.

Complete the worksheet below only if you entered a figure on any of the previously mentioned lines. The worksheet will help you determine the correct federal income tax to deduct.

You should be able to substantiate any income tax claimed as paid in 1996 by your withholding statements, canceled checks, or other receipts upon request by the Alabama Department of Revenue.

Joint Federal and Separate Alabama Returns. If a married couple elects to file a joint federal return and separate Alabama returns, the federal income tax deductible by each spouse must be determined by the ratio of the federal adjusted gross income of each spouse to the federal adjusted gross income of both spouses. This proration is required regardless of the method used in claiming other deductions.

Part Year Residents. In determining the federal income tax to deduct on line 14, a resident of Alabama for only a part of the year is entitled to deduct **only** the federal income tax withheld and actually paid while a resident of Alabama.

Line 15

Personal Exemption

Enter the personal exemption from line 1, 2, 3, or 4. Note: Part year residents are allowed the full exemption amount. A dependent or student may claim personal exemption even if claimed by someone else.

Line 16

Dependent Exemption

A "dependent" as defined under Alabama law is an individual **other than the taxpayer and his or her spouse** who received over 50% of his or her support from the taxpayer during the tax year **and** is also related to the taxpayer in one of the following relationships:

Son	Stepmother
Daughter	Stepfather
Stepson	Mother-in-law
Stepdaughter	Father-in-law
Legally adopted child	Brother-in-law
Parent	Sister-in-law
Grandparent	Son-in-law
Grandchild	Daughter-in-law, or
Brother	if related by blood:
Sister	Uncle
Stepbrother	Aunt
Stepsister	Nephew
	Niece

WORKSHEET — Keep for your records – Complete only if you have special adjustments listed above.

FEDERAL INCOME TAX WITHHELD AND PAID IN 1996 (See Instructions for line 14, Form 40)

1	Enter the Federal Income Tax Withheld in 1996 as shown on your withholding statement(s)			1	
2	1995 federal income tax paid in 1996 as shown on line 65 of 1995 Form 1040. (**Do not** include any penalties and interest, since penalties and interest are not deductible)			2	
3	1996 estimated tax payments made in 1996. (**Do not** include the overpayment from 1995 applied to 1996 estimated tax unless this amount is included in the refund shown on line 8, Form 40)			3	
4	1995 estimated tax which you paid in 1996			4	
5	Other payments as shown on line 60 of 1995 Form 1040			5	
6	Excess Social Security tax, Medicare tax and RRTA tax withheld in 1996 as shown on 1996 Federal Form 1040			6	
7	Enter the amount of 1995 earned income credit applied to your 1995 federal tax liability			7	
8	**TOTAL PAYMENTS AND CREDITS.** Add lines 1 through 7 ▶			8	
	Less:				
9	Self-employment tax as shown on line 47 of 1995 Form 1040	9			
10	Social security and Medicare tax on tips as shown on line 50 of 1995 Form 1040	10			
11	**TOTAL.** Add lines 9 and 10 ▶			11	
12	**FEDERAL INCOME TAX DEDUCTIBLE IN 1996.** Subtract line 11 from line 8. Enter here and on line 14, Form 40. (If a negative figure, add to any refund reported on line 8, Form 40) ▶			12	

NOTE: If you paid tax in 1996 for a year prior to 1995, you must make similar adjustments to determine the correct amount that can be deducted as federal income tax.

Note: *You* ***cannot*** *claim a foster child, friend, cousin, yourself, or your spouse as a dependent under Alabama law.*

Birth or Death of Dependent. You can take an exemption for a dependent who was born or who died during 1996 if he or she met the qualifications for a dependent while alive. This means that a baby who lived only a few minutes can be claimed as a dependent.

Support. You **must** have provided over 50% of the dependent's support in 1996. If you file a joint return, the support can be from you or your spouse. You **cannot** claim credit on an Alabama return for a dependent if you provided less than 50% of the support under Alabama law as you can under federal law in certain conditions.

In figuring total support, you must include money the dependent used for his or her own support even if this money was not taxable (for example: gifts, savings, welfare benefits). If your child was a student, do not include amounts he or she received as scholarships.

Support includes items such as food, a place to live, clothes, medical and dental care, recreation, and education. In figuring support, use the actual cost of these items. However, the cost of a place to live is figured at its fair rental value.

In figuring support, **do not** include items such as income taxes, social security taxes, premiums for life insurance, or funeral expenses.

If you qualify to claim your child and/or other individuals as your dependent, you must complete Part III on page 2. The amount entered on page 2, Part III, line 2, should be entered on line 16, page 1. Note: Part year residents are allowed the full exemption amount.

Line 18

Taxable Income

Subtract line 17 from line 12. This is your taxable income. Your tax is figured on this amount.

Line 19

Figuring Your Tax

You must figure your tax from the **Tax Tables** on pages 28-30 unless you are claiming a carryover or carryback Net Operating Loss from another year.

Indicate the method you are using by checking the appropriate box. If you are claiming a Net Operating Loss from another year you must complete and attach **Form NOL-85A.**

Line 20

Credits

Credit for Taxes Paid to Another State. You must complete Schedule CR and attach it to your return to receive this credit.

The credit is provided to prevent the double taxation of income and is only available to legal residents of Alabama filing Form 40 who have income from sources outside of Alabama that is being taxed by Alabama and another state (or territory of the United States) in the same tax year. Residents of Alabama for only a part of the tax year can claim this credit only if the returns filed with Alabama and the other state cover the same periods. If you are claiming credit for taxes paid to more than one state you must make a separate computation for each state.

If the state for which you are claiming a credit allows for credits instead of personal exemptions, call 242-1000 for further information in converting this credit for Alabama purposes.

No credit is allowable when the income from sources outside of Alabama is totally offset by a corresponding deduction. However, income from sources outside of Alabama that is reported on the return and not totally offset by a corresponding deduction may result in a credit. In such cases the credit is limited to the lesser of the tax actually due to the other state or territory or the amount that would be due on the same income computed at the income tax rate in Alabama. An example of this situation is shown in the booklet in the instructions for Schedule CR on page 21.

For further instructions read the instructions for Schedule CR on page 21.

Schedule OC. Schedule OC must be completed if you are claiming an employer-sponsored basic skills education credit, rural physician credit, and/or a capital credit.

Basic Skills Education Credit is available to employers who provide basic skills education programs approved by the Alabama Department of Education to its employees.

Rural Physician Credit is available to licensed physicians who **practice and reside** in a small or rural Alabama community of less than 25,000 residents with admission privileges to a small or rural hospital having an emergency room.

Capital Credit is available to investing companies and their recipients involved in a project undertaken by certain new businesses to be located in the state and certain expansions of certain existing businesses. This capital credit was enacted by Act 95-187 of the Alabama Legislature and signed into law on June 15, 1996 as the **"Capital Credit."**

For further information regarding the credits listed above and the necessary forms to claim these credits, you should contact:

Alabama Department of Revenue
P.O. Box 327410
Montgomery, AL 36132-7410
(334) 242-1000

Alabama Enterprise Zone Act Credit. To stimulate business and industrial growth in depressed areas of the state, Alabama offers certain tax incentives to corporations, partnerships, and proprietorships which locate or expand within a designated enterprise zone. These tax credit incentives were enacted by Act No. 87-573 of the Alabama Legislature and signed into law on July 22, 1987 as the **"Alabama Enterprise Zone Act."**

In order to qualify for the tax credits, a business **must be located within a designated zone** as approved by the Alabama Department of Economic and Community Affairs.

If a credit is earned by a partnership or S corporation, the credit will be distributed to each partner or shareholder based on the percentage of ownership. The partnership or S corporation should advise each partner or shareholder of the amount of his/her income subject to this credit.

For further information regarding the "Alabama Enterprise Zone Act" and the necessary forms to claim this credit, you should contact:

Alabama Department of Economic
and Community Affairs
Development Division
401 Adams Avenue
P. O. Box 5690
Montgomery, Alabama 36103-5690
Phone (334) 242-8672
or
Alabama Department of Revenue
P.O. Box 327410
Montgomery, Alabama 36132-7410
Phone (334) 242-1000

Line 22

Alabama Election Campaign Fund

The Alabama Legislature established this fund to support public financing of Alabama election campaigns.

If you wish to make a voluntary contribution to the Alabama Democratic Party or the Alabama Republican Party, indicate the amount and party by checking the proper box(es) on lines 22a and 22b.

Each individual may contribute $1 to either party. If a joint return is filed, each spouse may contribute $1 to either party. If you make a voluntary contribution to this fund it **WILL INCREASE** your tax by the amount of the contribution.

The total amount entered on line 22 cannot exceed $2 for a married couple filing a joint return or $1 for all other filers.

Line 24

Alabama Income Tax Withheld

Enter the total Alabama income tax withheld as shown on lines 6a thru 6d.

Line 25

Amount Paid With Form 4868A
(Extension of Time to File)

If you filed Form 4868A for an extension of time to file Form 40, enter the amount you paid with that form.

Line 26

1996 Estimated Tax Payments

Enter on this line any payments you made on your estimated Alabama income tax (Form 40ES) for 1996. Include any overpayments from your 1995 return that you applied to your 1996 estimated tax.

CAUTION — DO NOT INCLUDE:

- The amount shown on line 28 of your 1995 Form 40. This is the balance you owed for the tax year 1995, and cannot be claimed as paid on your 1996 estimated tax even though you paid it in 1996.
- Any overpayment from 1995 that was refunded to you.

If you and your spouse paid joint estimated tax but are now filing separate Alabama income tax returns, either of you may claim all of the amount paid, **OR** you can each claim a part of it. Please be sure to show both social security numbers on the separate returns. If you and your spouse paid separate estimated tax but are now filing a joint income tax return, add the amounts you each paid.

These instructions also apply if your spouse died during the year.

Divorced Taxpayers. If you were divorced during 1996 and you made joint estimated tax payments with your former spouse, please enter your former spouse's social security number in the block provided on the front of Form 40. In the upper right corner of the return above the social security numbers write **"DIV"** (divorced).

If you were divorced and remarried in 1996, enter your present spouse's social security number in the block provided on Form 40. Also enter your former spouse's social security number in the upper right corner above the blocks and write **"DIV"** above that number.

Name Change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 40 explaining all the payments you and your spouse made in 1996 and the name(s) and social security number(s) under which you made the payments.

Caution: It is very important that the social security numbers be the same on your current return, your last year's return, and all of your estimate vouchers. The Department will be unable to allow you proper credit for your payments unless the numbers are the same. If the Department is unable to verify the amount claimed, you may be requested to submit copies of all your canceled checks substantiating the amount claimed. This will cause considerable delay in processing your return.

Line 28

Amount You Owe

(If line 23 is larger than line 27)

Subtract line 27 from line 23, and enter the amount on line 28 — this is the amount you owe the State of Alabama.

Pay the full amount by check or money order payable to the "Alabama Department of Revenue." On your payment write your social security number, your daytime telephone number, and "1996 Form 40," and attach the payment to the front of your return.

If payment for the full amount of tax due is not paid by the due date of the return, you will be charged interest and will be subject to penalties. See **Penalties and Interest** on page 15 of these instructions.

Line 29

Overpayment

(If line 27 is larger than line 23)

Subtract line 23 from line 27, and enter the amount on line 29 — this is the amount you overpaid.

Note: *The Alabama Department of Revenue will issue you a* ***Federal Form 1099-G*** *for the overpayment amount.*

If you elect to itemize deductions on your 1996 Federal return and claim a deduction for Alabama Income Tax paid in 1996, the amount shown on line 29 should be reported as income on your 1997 Federal return.

Line 30

Applied to 1997 Estimated Tax

You may elect to credit all or part of the overpayment shown on line 29 to your 1997 Declaration of Estimated Tax.

You **MUST** file **Form 40ES** if any amount is entered on this line. Once an election is made to apply this overpayment to your 1997 estimated tax, it cannot later be refunded to you or applied to pay additional tax for 1996. The amount entered on this line can only be claimed as a credit on your 1997 Alabama return.

Lines 31a through 31h

Donation of Refunds

You may elect to donate all or part of your overpayment, as shown on line 29, to one or more of the following funds as provided by the Alabama Legislature. The amounts entered on these lines will be paid to the programs you indicate. Any amount you contribute may be claimed as an itemized deduction when you file your 1997 Alabama Income Tax Return. (**Caution:** When reporting your refund on your 1997 Federal return, you should report the amount of over payment shown on line 29.)

Note: *Amounts contributed to these funds* ***WILL REDUCE*** *your refund. Also, once an election is made to contribute to these funds, that election is irrevocable and cannot later be refunded. If your return is corrected by the Department, the amount contributed cannot be used to pay any additional tax due.*

Line 31a

Alabama Aging Fund

This fund will assist in the support of programs for the aging in Alabama. If you wish to make a contribution to this program, enter $1, $5, $10, or any other dollar amount on line 31a.

Line 31b

Alabama Arts Development Fund

This fund provides for grants to tax exempt organizations or associations to encourage development of quality arts activities or cultural facilities in local areas. If you wish to make a contribution to this program, enter $1, $5, $10, or any other dollar amount on line 31b.

Line 31c

Alabama Nongame Wildlife Fund

This is a program under the jurisdiction of the Game and Fish Division of the Department of Conservation which provides management of such nongame wildlife. If you wish to make a contribution to this program, enter $1, $5, $10, or any other dollar amount on line 31c.

Line 31d

Child Abuse Trust Fund

This fund encourages the direct provision of services to prevent child abuse and neglect. If you wish to make a contribution to this program, enter $5, $10, $25, or any other dollar amount on line 31d.

Line 31e

Alabama Veterans' Program

This fund provides supportive assistance through nursing and related health care for Alabama ailing and aged veterans of the armed forces who have need of special nursing and related health care services. If you wish to make a contribution to this program, enter $1, $5, $10, or any other dollar amount on line 31e.

Line 31f

Alabama Indian Children's Scholarship Fund

Your donation to this fund will help provide educational scholarships for Alabama's Indian Children. If you wish to make a contribution to this fund, enter $1, $5, $10, or any other dollar amount on line 31f.

Line 31g

Penny Trust Fund

The Penny Trust Fund was established by Constitutional Amendment and ratified by the people of Alabama on June 5, 1990 to provide for the promotion of public health and disease prevention in Alabama. Your donation will help to reduce infant mortality and provide for Alabama's indigent health care programs. If you wish to make a contribution to this program, enter $1, $5, $10, or any other dollar amount on line 31g.

Line 31h

Foster Care Trust Fund

The Foster Care Trust Fund provides educational, athletic, artistic, and special occasion opportunities to Alabama's foster children. If you wish to make a contribution to this fund, enter $1, $5, $10, or any other dollar amount on line 31h.

Line 33
Refunded to You

Subtract the amount on line 32 from the amount on line 29. You will receive a check for the overpayment. If you file an early, accurate return, we will be able to process your refund more quickly. See **When Should I Expect My Refund?** and **Common Mistakes That Delay Refunds** on page 4 of this booklet for further information about your refund.

Sign Your Return

Form 40 is not considered a return unless you sign it. Your spouse must also sign if it is a joint return. If you are filing a joint return with your deceased spouse, see Death of Taxpayer on page 16.

Did You Have Someone Else Prepare Your Return? If you fill in your own return, the **Paid Preparer's Use Only** area should remain blank. Someone who prepares your return but does not charge you should not sign.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the **Paid Preparer's Use Only** area of the return.

If you have questions about whether a preparer is required to sign a return, please contact an Alabama Taxpayer Service Center.

The preparer required to sign your return ***MUST:***

- *Sign in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)*
- *Give you a copy of your return for your records in addition to the copy to be filed with the Alabama Department of Revenue.*

BEFORE signing and mailing your return you should review it to make sure the preparer has entered the correct name(s), address, and social security number(s) in the spaces provided and reported all of your income. **REMEMBER**, you are responsible for the information on your return even if you pay someone else to prepare it.

Please enter your daytime phone number. This will enable us to contact you and help speed your refund if there are any problems with processing your return.

Where To File

Use the envelope that came with your return. We encourage the use of this envelope since it will expedite the processing of your return and suggest that the address not be completed until you have completed your return. The envelope should be addressed in accordance with one of the following examples:

If you are due a refund, mail your return to:

Alabama Income Tax Refund
P.O. Box 154
Montgomery, AL 36135-0001

If you are not due a refund, mail your return to:

Alabama Income Tax Division
P.O. Box 2401
Montgomery, AL 36140-0001

Only your 1996 Form 40 return should be mailed to one of the above addresses. Amended returns and any correspondence pertaining to your return should be mailed to:

Alabama Department of Revenue
Income Tax Division
P.O. Box 327410
Montgomery, Al 36132-7410

Part I, Page 2
Other Income

Line 1
Alimony Received

Enter the amounts you received as alimony or separate maintenance. Amounts you received in 1996 are taxable to the same extent as taxable for federal purposes.

If you received payments under a divorce or separation instrument after 1984, see the instructions for line 4, Part II for information in determining whether these payments qualify as alimony.

Transfers of Property Between Spouses or Former Spouses. In general, no gain or loss will be recognized on a transfer of property between spouses or former spouses. Please refer to federal law for more details.

Line 2
Business Income or (Loss)

If you conducted a business or practiced a profession during the taxable year, you must complete and attach a copy of Federal Schedule C or C-EZ to your Alabama return.

Generally, you may deduct the ordinary and necessary expenses of doing business — the cost of merchandise, salaries, interest, taxes, rent, repairs, and incidental supplies. In the case of capital investments and improvements in depreciable property such as buildings, machines, and similar items having a useful life of more than one year, Alabama law provides for a "reasonable allowance" for depreciation over the useful life of the property.

If some of your expenses are part business and part personal, you can deduct **ONLY** the business portion.

Multi-State Income of Residents. If your net income is from personal services, including wages reported on federal form W-2(s), Schedule MS does not apply to you.

The Schedule MS is to be used in conjunction with the Form 40 to compute the income, deductions, and exemptions used in arriving at Alabama income.

Resident individual taxpayers having a business income or (loss) from self-employed operations occurring simultaneously in Alabama and another state must allocate and/or apportion the net income of the business rather than be allowed a credit for taxes paid to another state on income taxable to the other state.

All income which arises from the transactions and activities in the regular course of the taxpayer's trade or business is "business income."

Income not subject to allocation and apportionment may include, but is not limited to income from a business activity such as a financial organization, a public utility, or the rendering of purely personal services by a resident individual. Fields of activities generally include, but are not limited to: health, law, engineering, architecture, accounting, actuarial science, performing arts, and consulting.

Additional information and Schedule MS can be obtained by contacting the Individual Income Tax Division at (334) 242-1000.

Adjustments to Federal Schedules C and F. Alabama law differs from federal law in the treatment of some of the expenses shown on Federal Schedules C and F, and certain items may need adjusting for Alabama purposes. The expenses which may need adjusting are:

- **Percentage Depletion Gas and Oil.** Alabama law provides for percentage depletion of gas and oil in the amount of 27-1/2% of the gross income received from production or 50% of the profit from the property, whichever is less, whereas current federal law allows 22% of the gross income received. The federal limits the percentage depletion deduction to the lesser of 65% of the taxable income before the depletion allowance, or 100% of the taxable income from the property before the depletion allowance.
- **Cost Depletion Natural Resources Other than Gas and Oil.** Alabama law has no provision for percentage depletion of natural resources other than gas and oil, as currently allowed under federal law. For Alabama purposes, the depletion allowance shall be computed using the cost depletion method.
- **Depreciation.** Alabama law allows IRC Section 179 Expense for all taxable years beginning after December 31, 1989. Adjustments may be necessary if assets were acquired and placed in service prior to tax years beginning before January 1, 1990.
- **Targeted "Jobs Credit."** You may have been allowed to take a portion of your payroll expense as a "Targeted Jobs Credit" on your federal return. This is an allowable expense for Alabama income tax purposes.
- **Passive Activity Losses.** Alabama law has no provision, similar to current federal law, which limits the deduction of passive trade or business activity losses.
- **Office and Home Expense.** Alabama Law has no provision similar to current Federal Law which limits the amount of otherwise deductible office and home expense.

If you have adjustments involving any of the previously described expenses, attach an explana-

tion and show the adjustment as "Other Expenses" on Federal Schedule C or F.

The net profit or (loss) from business, as shown on Federal Schedule C-EZ or C after above adjustments (if applicable), should be entered on line 2, Part I.

Line 3

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

Use **Schedule D** to report the sale of a capital asset. Schedule D is also used to report gains from involuntary conversion of capital assets that are not held in connection with a trade or business, or a transaction entered into for profit. See the instructions for Schedule D for additional information.

The net gain or (loss) reported on Schedule D should be entered on this line.

Line 4

Sale of Personal Residence

Use **Federal Form 2119**, Sale of Your Home, to report a gain or loss from the sale of your main home whether or not you bought another one.

If you sold your personal residence in 1996, any gain realized is fully taxable unless the gain is deferred because you purchased a new residence in Alabama within 24 months of the sale of the old residence.

Note:** A loss on the sale of a personal residence is **not deductible.

The cost basis of the residence sold may or may not be the same for Alabama purposes as it is for federal purposes. If you have not received a tax benefit on a previous Alabama return from the deferral of gain on the residence, you should use the cost basis of the residence, without reduction, in computing the gain to be recognized for Alabama purposes.

If you are age 55 or over, you may elect to claim a one-time exclusion up to $125,000 ($62,500 if you are married and filing separate Alabama returns). You cannot claim this exclusion on your Alabama return unless you also claim the exclusion on your federal return.

Please see the instructions for completing **Federal Form 2119** for additional information since Alabama law is the same as federal law except the new residence **must** be in Alabama. You should complete Federal Form 2119 and enter the taxable gain on line 4. A copy of Federal Form 2119 **must** be attached to your Alabama return.

Line 5a and 5b

IRA Distributions

Use lines 5a and 5b to report individual retirement arrangement (IRA) distributions you received. This includes regular distributions, early distributions, rollovers, and any other money or property you received from your IRA account or annuity. Generally, you will receive a **Form 1099-R** showing the amount of your distribution.

If your distribution is fully taxable, enter it on line 5b; no entry is required on line 5a. If only part is taxable, see instructions for Part I, Schedule E, on page 22, to determine the amount to enter on line 5b.

If the IRA distribution is rolled over, enter the total amount received on line 5a and the taxable portion, if any, on line 5b. A statement should also be attached to your return giving complete information about the IRA rolled over, your cost in the plan, and the type of retirement account in which the distributed funds were reinvested.

For more information, see the instructions for **Schedule E**.

Line 6a and 6b

Pensions and Annuities

Use lines 6a and 6b to report pension and annuity income you received. Also, use these lines to report distributions from SEP, Keogh, 401(k)(2), 403(b), and profit sharing plans. Generally, you will receive a Form 1099-R or a Form W-2P showing the amount of your distribution.

Generally, unless specifically excluded by law, your pension payments are fully taxable if you did not contribute to the cost of your pension annuity or you have recovered your cost in the plan in prior Alabama income tax returns.

If your pension or annuity is fully taxable, enter it on line 6b; no entry is required on line 6a. If only part is taxable, see instructions for Part I of Schedule E, on page 22, to determine the amount to enter on line 6b.

See the instructions for **Schedule E** for further information regarding rollovers and pensions not taxable for Alabama income tax purposes.

Line 7

Rents, Royalties, Partnerships, Estates, Trusts, Etc.

Use line 7 to report income from rents, royalties, partnerships, S corporations, trusts, and estates.

For more information, see the instructions for **Schedule E**. Schedule E should be completed and attached to Form 40.

Line 8

Farm Income or (Loss)

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

Alabama law differs from federal law in the treatment of certain items. See the instructions for line 2, Part I, for a description of the items that may need adjusting. If you have adjustments to any of these items, attach an explanation, and show the adjustment as "Other Expenses" on Federal Schedule F.

The net profit or (loss) from farming as shown on Federal Schedule F, after making the necessary adjustments, should be entered on line 8, Part I.

Line 9

Other Income

Enter on line 9 any income you cannot find a place for on your return or other schedules. State the nature and source in the spaces provided, or attach a separate explanation.

Part II, Page 2

Adjustments To Income

Lines 1a and 1b

Individual Retirement Arrangement (IRA) Deduction

Contributions to an individual retirement arrangement (IRA) may be taken as an adjustment to income. These contributions represent a deferral of tax on a portion of your income. At the time funds are distributed from these accounts, the amount on which tax has been deferred cannot be claimed as a cost basis in the fund.

Since the Alabama Income Tax Law prior to 1982 did not allow these contributions to be deducted from gross income, you may have a cost basis in the fund for amounts contributed prior to 1982. Accurate records should be kept of the amounts contributed in order that you will be able to determine your cost basis when the funds are withdrawn.

Use the worksheet in your Federal Form 1040 line-by-line instructions to calculate the amount allowable. The amount deductible on your Alabama return is subject to the same limitations as allowable on your 1996 Federal return. However, when figuring the limitation on the amount deductible use the adjusted gross income shown on line 12 of your Alabama return without benefit of the IRA deduction.

Line 2

Keogh Retirement Plan and SEP Deduction

Self-employed individuals may deduct contributions to a Keogh plan from gross income. These contributions represent a deferral of tax on a portion of income. The allowable contributions also include those qualified contributions made under a Simplified Employee Pension (SEP) Plan. At the time funds are distributed from these accounts, the amount on which tax has been deferred cannot be claimed as a cost basis in the fund.

Since the Alabama Income Tax Law prior to 1982 did not allow these contributions to be deducted from gross income, you may have a cost basis in the fund for amounts contributed prior to 1982. Accurate records should be kept of the amounts contributed in order to determine your cost basis when the funds are withdrawn.

Line 3

Penalty on Early Withdrawal of Savings

The **Form 1099-INT** given to you by your bank or savings and loan association will show the amount of any penalty charged because you with-

drew funds from a time savings deposit before its maturity. Enter this amount on line 3. (Be sure to include the interest income on Form 40, page 1, line 7.) Note: Penalties on early withdrawal from retirement plans are not deductible.

Line 4

Alimony Paid

You can deduct payments of alimony or separate maintenance made under a court decree to the same extent allowed for federal income tax purposes. Do not deduct lump-sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement, or amounts specified as child support. The name, social security number, and address of the person receiving the payments should be shown in the space provided.

Line 5

Adoption Expenses

Beginning January 1, 1991, the reasonable medical and legal expenses paid or incurred by the taxpayer in connection with the adoption of a minor may be deducted as an adjustment to income. The term "medical expenses" include any medical and hospital expenses of the adoptee and the adoptee's biological mother which are incident to the adoptee's birth, and subsequent medical care and which, in the case of the adoptee, are paid or incurred before the petition is granted. Adoption agency fees are not deductible.

The expenses allowed in your 1996 return are limited to those expenses paid or incurred on or after January 1, 1996, even though adoption proceedings may have begun before this date. A resident of Alabama for only a part of 1996 may deduct only those expenses paid or incurred while a resident of Alabama. Accurate records of all expenses claimed as an adjustment to income must be maintained by the taxpayer and be available to the Alabama Department of Revenue upon request.

Line 6

Moving Expenses

Employees and self-employed persons (including partners) may deduct certain moving expenses as an **adjustment to gross income** to the same extent and subject to the same limitations as currently allowed under federal rules with the following exception:

— The new job location must be within the State of Alabama.

This deduction may be taken if you moved in connection with your job or business and your new workplace in Alabama is at least 50 miles farther from your old residence than your old workplace was from your former residence. If you had no former workplace, your new workplace must be at least 50 miles from your old residence.

Only expenses incurred in the moving of household goods and personal effects from the former residence to the new residence and traveling expenses, including lodging while en route to the new location are deductible. Expenses which are no longer deductible include the cost of meals while en route to the new location, pre-move house hunting trips, temporary living expenses, closing costs of selling the old house, costs of purchasing a new house, and costs incurred in settling an unexpired lease.

If you meet the requirements complete and attach **Federal Form 3903** to figure the amount of moving expenses. Enter the total and the new job location as indicated on line 6.

Line 7

Qualified Long-Term Care Coverage Insurance Premium

Beginning July 31, 1995, premiums paid pursuant to a qualifying insurance contract for qualified long term care coverage paid by the taxpayer may be deducted as an adjustment to income. Qualified long term care services include care for necessary diagnostic, preventive, therapeutic, and rehabilitative services and maintenance or personal care services which are required by a chronically ill individual in a qualified facility or services which are provided pursuant to a place of care prescribed by a licensed health care practitioner.

Part III, Page 2

Dependents

Before completing this section, see pages 10 and 11 of these instructions for the definition of a dependent.

Line 1a

Dependents

Column (1) Enter first and last name of each dependent.

Column (2) Enter social security number for each dependent, unless the dependent was born in November or December of 1996.

Column (3) Enter your dependent's relationship to you.

Column (4) Enter yes or no to the question.

Line 1b

Enter the total number of dependents claimed.

Line 2

Multiply the total number of dependents claimed on line 1b by $300 and enter the result on this line and also on line 16, page 1.

Part IV, Page 2

General Information

ALL TAXPAYERS MUST COMPLETE THIS SECTION

Line 1

Check the appropriate block for either full year or part year residency status.

Full Year Resident. Check here if you were a legal resident of Alabama even if you were employed outside Alabama.

Part-Year Resident. Check here if you were not a legal resident of Alabama for the entire year. (EXAMPLE: During 1996 you moved into Alabama and became a resident, or you moved out of Alabama and became a resident of another state.)

Line 2

Indicate by checking the appropriate box if you filed an Alabama Income Tax Return for the year 1995.

Line 3

If you did not file a return for 1995, state the reason for not filing. Examples: Not resident of Alabama — insufficient income — unemployed, etc.

Line 4

Enter the name and address of your present employer. If married, also give the name and address of your spouse's employer.

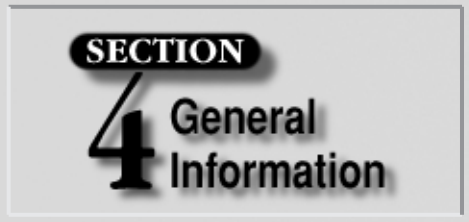
Line 5

Enter the **adjusted gross income** as reported on your 1996 Federal Income Tax Return. This information is required under Section 40-18-56, **Code of Alabama 1975**.

Line 6

If you received income from sources taxable for Federal purposes but exempt for Alabama tax purposes, the source(s) and amount(s) should be entered on line 6 unless they are explained elsewhere on the Alabama return.

Example: U.S. Civil Service Retirement is exempt for Alabama purposes and therefore should be shown on line 6.



This section contains general information about items such as amending your tax return, how long to keep records, and filing a return for a deceased person.

Substitute Tax Forms

You may not use your own version of a tax form unless it meets the requirements of the Alabama Department of Revenue. All privately designed and printed substitute tax forms **must be approved** by the Alabama Department of Revenue.

Penalties and Interest

Interest. We will charge interest on taxes not paid by their due date even if an extension of time is granted. If your return is not filed by the due date

and you owe additional tax, you should add interest from April 15, 1997 to date of payment. Submit payment of the tax and interest with your return. Alabama law provides that the same rate of interest shall be collected as currently prescribed by the Internal Revenue Service. Any of the Alabama Taxpayer Service Centers listed on page 2 of this booklet will provide the current rate of interest in effect at the time your return is filed.

Failure To Timely File Return. You can avoid this penalty by filing your return by the due date. Alabama law provides a penalty of 10% of the tax due or $50.00, whichever is greater, if filed late. If you can show reasonable cause for filing a delinquent return, attach a full explanation to your return.

Failure To Timely Pay Tax. The penalty for not paying the tax when due is 1% of the unpaid amount for each month or fraction of a month that the tax remains unpaid. The maximum penalty is 25%.

Note: *If you include interest and/or either of these penalties with your payment, identify and enter these amounts on the bottom margin of Form 40, page 1.* ***Do not*** *include interest or penalty amounts in "Amount You Owe" on line 28.*

Other Penalties. There are also penalties for filing a frivolous return, underpayment due to negligence, underpayment due to fraud, and substantial understatement of estimated tax.

Any person failing to file a return as required by Alabama law or rendering a willfully false or fraudulent return will be assessed by the Alabama Department of Revenue on the basis of the best information obtainable by the Department with respect to the income of such taxpayer.

Criminal Liability. Section 40-29-112, **Code of Alabama 1975**, as amended, provides for a more severe penalty for not filing tax returns. Any person required to file a return under this title who willfully fails to make such return shall be guilty of a misdemeanor and upon conviction thereof, shall be fined not more than $25,000 or imprisoned not more than 1 year, or both. Section 40-29-110 provides that any person who willfully attempts to evade any tax imposed by this title or the payment thereof shall be guilty of a felony and, upon conviction thereof, shall be fined not more than $100,000 or imprisoned for not more than 5 years, or both. These penalties are in addition to any other penalties provided for by Alabama law.

Address Change

If you move after filing your return and expect a refund, you should notify the post office serving your old address so the postal authorities may forward your check. Also send a change of address notice to: **Alabama Department of Revenue, Income Tax Division, P. O. Box 327410, Montgomery, AL 36132-7410**. This will help forward your check to you as soon as possible and allow us to mail next year's forms to your new address.

Corresponding With Alabama Department of Revenue

Be sure to include your social security number and phone number in any letter to the Alabama Department of Revenue. (See "**Where To File**," page 13.)

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your return, as well as any worksheets used to figure them, until the statute of limitations runs out for that return. Usually this is 3 years from the date the return was filed. If income that should have been reported was not reported and the income omitted is in excess of 25% of the stated income, the period of limitation does not expire until six (6) years after the due date of the return or six (6) years after the date the return was filed, whichever is later. There is no period of limitation when a return is false or fraudulent, or when no return is filed.

Also keep copies of your filed tax returns as part of your records. You should keep some records longer than the period of limitation. For example, keep property records (including those on your own home) as long as they are needed to figure the basis of the original or replacement property. Copies of your tax returns will help in preparing future returns, and they are necessary if you file an amended return. Copies of your returns and your other records may be helpful to your survivor, or the executor or administrator of your estate.

Requesting a Copy of Your Tax Return

If you need a copy of your tax return or tax account information use **Form 4506-A**, Request for Copy of Tax Form or Income Tax Account Information. The charge for a copy of a return is $5. There is no charge for tax account information.

Amended Return

If you have already filed Form 40, Form 40A, or Form 40NR and become aware of any changes you must make to income, deductions, or credits, you should file **Form 40X**, Amended Alabama Individual Income Tax Return, to change those items. However, you cannot change from the Form 40A to the Form 40 after the due date for filing for that tax year.

Note: *If your State return is changed for any reason, it may affect your federal income tax liability. This would include changes made as a result of an examination of your return by the Alabama Department of Revenue. Contact the Internal Revenue Service for more information.*

Death of Taxpayer

If the taxpayer died before filing a return for 1996, the taxpayer's spouse or personal representative must file a return for the person who died if the deceased was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer's property.

The person who files the return should write "deceased" after the deceased's name, and show the date of death in the name and address space at the top of the return. Also write "DECEASED" across the top of the tax return.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to receive a refund.

If your spouse died in 1996 and you did not remarry in 1996, you can file a joint return. You can also file a joint return if your spouse died in 1997 before filing a 1996 return. A joint return should show your spouse's 1996 income before death and your income for all of 1996. Also write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

If you are claiming a refund as a surviving spouse filing a joint return with the deceased and you follow the above instructions, no other form is needed to have the refund issued to you. However, any other filer requesting a refund due a deceased taxpayer must submit, along with the tax return, positive proof that he or she is entitled to the refund. The Department will accept as positive evidence a copy of **Federal Form 1310**, Statement of Person Claiming Refund Due a Deceased Taxpayer.

Declaration of Estimated Tax

Every individual who reasonably expects to have net income in 1997 from sources other than salaries and wages in excess of the following amounts is required to file Form 40ES, Declaration of Estimated Tax:

(1) **$1,500** — if a single person (including head of family), or a married person filing a separate return, or
(2) **$3,000** — if a married person and filing a joint return.

Note: *If the* ***TOTAL ESTIMATED TAX*** *for 1997 is less than one hundred dollars ($100), an estimate is not required to be filed.*

Income from other sources includes interest income, dividends, self-employment income, etc.

Alabama law provides for penalties if an estimate is due, but is not filed. The procedures for filing and amending declarations and the due dates are the same as required by Federal Income Tax Law. **Do not** include payment of your estimated tax with the payment for tax due on your individual return because the quarterly voucher and remittance **MUST** be mailed separately. Additional instructions for filing your estimate are on the back of Form 40ES.

No refund will be made of any amount paid on a declaration of estimated tax except when such amount is taken as a credit on an income tax return filed at the end of the taxable year by the

payor or his authorized representative, or on an amended income tax return if the full amount paid on the declaration is not claimed on the original income tax return. Amounts paid on declarations include overpayments from prior years you elected to be applied on the declaration. Once you elect to have an overpayment credited to next year's estimated tax, that election is irrevocable.

Application for Extension

(Form 4868A)

If you know you cannot file your return by the due date, you should file **Form 4868A**, Application for Extension of Time to File Alabama Income Tax Return.

Except in cases where taxpayers are abroad, no extension will be granted for more than 6 months. An extension, if granted, will be for a period of 4 months. Only in exceptional cases and where conditions set forth on application forms are met will a second extension for an additional 2 months be granted. Applications for extension must be on prescribed forms, submitted in time for consideration by the Alabama Department of Revenue before the due date of the return, and must be signed by the taxpayer or his duly authorized agent.

An approved extension means only that you will not be assessed a penalty for filing your return after the due date. Interest on the additional tax due from the due date of the return and any penalties will be assessed if applicable to your return.

Note: *The Department* ***will not*** *accept Federal Form 4868 "Automatic Extension of Time to File Your Federal Return" in lieu of Alabama Form 4868A "Application for Extension of Time to File Your Alabama Return."*

Setoff Debt Collection

If you owe money or have a delinquent account under any of the following public assistance programs, your refund may be applied to offset that debt:

- Any and all of the public assistance programs administered by the Alabama Department of Human Resources, including the Child Support Act of 1979, Chapter 10 of Title 38.
- Any and all of the assistance programs administered by the Alabama Medicaid Agency.

If the Alabama Department of Human Resources, or the Alabama Medicaid Agency notifies the Alabama Department of Revenue that you have a delinquent account in excess of $25, part or all of your refund may be applied to offset that debt. If you are married and filing a joint return, the joint refund may be applied to offset any of the above debts.

SECTION 5 Instructions for Schedules to Form 40

Instructions For

Schedule A (Form 40)

Itemized Deductions

Changes You Should Note

The itemized deductions you may claim on your 1996 Alabama return are similar to the deductions allowed for federal purposes; however, certain items may be treated differently. Please see the line instructions which follow for an explanation of these differences.

Purpose of Schedule

Some taxpayers should itemize their deductions because they will save money. See **Itemized or Standard Deduction** on page 9.

Schedule A **must** be completed in detail if you elect to itemize your deductions instead of claiming the standard deduction.

If you itemize, you can deduct part of your medical and dental expenses and unreimbursed employee business expenses, amounts you paid for certain taxes, interest, contributions, and other miscellaneous expenses. You may also deduct certain casualty and theft losses.

Married, Filing Separate Returns. If you are married and filing separate Alabama returns, both spouses may itemize their deductions or both may claim the standard deduction. **One spouse cannot itemize and the other claim the standard deduction.** Each spouse may claim only the itemized deductions he/she actually paid.

Part-year Residents. Individuals becoming or ceasing to be residents during the year are entitled to claim ONLY the itemized deductions that were **actually paid while a resident of Alabama**. The Department will permit you to prorate a deduction (such as interest or taxes) based on the number of months you were a resident if the deduction was paid during the entire year and the amount actually paid while a resident cannot be determined.

Lines 1 through 4

Medical and Dental Expenses

Before you can figure your total medical and dental expenses, you must complete your Form 40, page 1, through line 12.

Medical and dental expenses are allowed as itemized deductions to the same extent as allowed for federal purposes with the following exceptions:

- You may deduct only that part of your medical and dental expenses that is more than 4% of the amount on Form 40, page 1, line 12.
- If you were self-employed, you may include the amount of any health insurance you deducted on Federal Form 1040 as an adjustment to income.

Do not include in medical and dental expenses insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 17 of your Forms W-2.

Line 1

Enter the total of your medical and dental expenses after reducing these expenses by any payments received from insurance or other sources. Include amounts you paid for doctors, dentists, nurses, hospitals, prescription medicine and drugs, or insulin. Also include the total amount you paid for insurance premiums for medical and dental care, amounts paid for transportation and lodging, and other expenses such as hearing aids, dentures, eyeglasses, and contact lenses.

If your insurance company paid your doctor or dentist directly for part of your medical expenses and you paid only the amount that remained, include in your medical expenses ONLY the amount you paid.

If you received a reimbursement in 1996 of prior year medical or dental expenses, do not reduce your 1996 expenses by this amount. You must include the reimbursement in income on Form 40, Part 1, line 9, if you deducted the medical expenses in the earlier year and the deduction reduced your tax. **Federal Pub. 502** tells you how to figure the amount to include in income.

When figuring the deduction, you may include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents claimed on your return.
- Your child whom you do not claim as a dependent because of the federal rules explained for **Children of Divorced or Separated Parents.**

Examples of Medical and Dental Payments You CAN Deduct

To the extent you were not reimbursed, you can deduct what you paid for:

- Medicare Part B insurance.
- Prescription medicines and drugs, or insulin.
- Premiums paid to private insurers for additional Medicare coverage.
- Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths the doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you can deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Medical treatment at a center for drug addicts or alcoholics.

• Medical aids such as hearing aid batteries, braces, crutches, wheelchairs, guide dogs, and the cost of maintaining them.
• Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than $50 a night for each eligible person.
• Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to travel to and from the place you received medical care, or you can claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You CANNOT Deduct

• Premiums paid by an employer-sponsored health insurance plan (cafeteria plan).
• The basic cost of Medicare insurance (Medicare A).

Note: *If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.*

• Life insurance or income protection policies.
• The 1.45% Medicare (hospital insurance benefits) tax withheld from your pay as part of the social security tax or the Medicare tax paid as part of social security self-employment tax.
• Nursing care for a healthy baby.
• Illegal operations or drugs.
• Nonprescription medicines or drugs.
• Travel your doctor told you to take for rest or change.
• Funeral, burial, or cremation costs. **Federal Pub. 502** has a discussion of expenses that may and may not be deducted. It also explains when you may deduct capital expenditures and special care for handicapped persons.

Lines 5 through 9

Taxes (Other than Federal Income Tax) You CAN Deduct

If deductions are itemized, you CAN DEDUCT the following taxes:

• **Real estate taxes** (line 5). Include taxes you paid on property you own in any state that was not used for business. If you pay real estate taxes as part of your mortgage payments, do not take a deduction for that amount. Deduct the taxes in the year the mortgage company actually paid them to the taxing authority.

• **FICA tax (Social Security and Medicare)** (line 6). You can deduct the FICA tax (Social Security and Medicare) withheld on your income by your employer. If you worked for more than one employer which resulted in more than the maximum FICA tax being withheld, the excess amount claimed as Federal Income Tax Withheld on your federal return cannot be claimed as an itemized deduction on your Alabama return.

• **Federal Self-Employment taxes** (line 6). You can deduct the Federal self-employment tax you paid during the year 1996 for the tax year 1995 and/or prior years.

• **Railroad Retirement tax** (line 7). You can deduct the railroad retirement tax you paid in 1996. Only your contribution to tier one railroad retirement is deductible as an itemized deduction.

• **Other taxes** (line 8). In addition to the above taxes, you can also deduct:

(a) **City, County, and Occupational Tax** as reported on your W-2.

(b) **State Unemployment Insurance Tax (S.U.I.)**. Employees were not required to pay S.U.I. Tax in 1996 since the full amount was paid by their employer. However, if S.U.I. Tax was paid to a state other than Alabama, it may be deducted.

(c) **Federal gift taxes.** Federal gift taxes are deductible only if you are the person making the gift and you paid the tax. (The person receiving the gift cannot claim this deduction even though he paid the tax.)

(d) **Personal property taxes.** This tax must be based on the value alone. For example, if part of the fee you paid for the registration of your car was based on the car's value and part was based on its weight, you can deduct only the part based on value.

(e) **Generation-Skipping Transfer (GST) taxes.** Generation-Skipping transfer taxes imposed on income distributions by 26 U.S.C. 2601 are deductible if you paid or accrued the taxes within the taxable year.

Taxes You CANNOT Deduct include but are not limited to

• State income taxes. (If you paid state income taxes to another state, you may be entitled to a tax credit. See instructions for Schedule CR for further information.)
• State and local sales taxes.
• Income tax you paid to a foreign country.
• Taxes you paid for another person.
• Federal or state taxes you paid on an estate.
• License fees (marriage, driver's, dog, hunting, pistol, etc.).
• Civil Service Retirement contributions (State or Federal).
• Federal excise tax on personal property, transportation, telephone, and gasoline.
• Customs duties.
• Gasoline tax.
• State utility taxes.
• Tax on liquor, beer, wine, cigarettes, and tobacco.
• Car inspection fees.
• Taxes you paid for your business or profession. (Use Schedule C, C-EZ, E, or F to deduct these business expenses.)
• Assessments for sidewalks or other improvements to your property.

Lines 10a through 13

Interest You Paid

The interest you paid that can be claimed as an itemized deduction is limited in most cases to the same amount as currently allowable for federal purposes.

You should show on Schedule A interest you paid on nonbusiness items only. Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds.

Note: *Personal interest is no longer deductible.*

In general, if you paid interest in 1996 that includes amounts that apply to any period after 1996, you may deduct only the amount that applies for 1996.

Complete and attach **Alabama Form 4952A** if you are claiming investment interest as an itemized deduction.

If you qualify for the Mortgage Interest Credit on your Federal return, the total interest you paid (before the credit) is deductible for Alabama purposes.

For further information describing the interest you may deduct, refer to federal instructions and publications.

Lines 14 through 17

Gifts to Charity

Contributions are allowable as itemized deductions to the same extent as currently allowed for federal purposes. However, when determining the 50% and special 20% and 30% limitations, you **must** use Alabama (not Federal) adjusted gross income.

You can deduct what you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals.

Examples of these organizations are:

• Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.
• Fraternal orders if the gifts will be used for the purposes listed above.
• Veteran's and certain cultural groups.
• Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
• Federal, state, and local governments if the gifts are solely for public purposes.

If you contributed to a charitable organization and also received a benefit from it, you can deduct only the amount that is more than the benefit you received. If you do not know whether you can deduct what you gave to an organization, check with that organization or with the IRS.

Contributions You MAY Deduct

Contributions may be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date

and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 12 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

Limit on the amount you may deduct

Get Federal Pub. 526 to figure the amount of your deduction if any of the following applies:

- Your cash contributions or contributions of ordinary income property to certain organizations are more than 30% of Form 40, page 1, line 12.
- Your gifts of capital gain property to certain organizations are more than 20% of Form 40, page 1, line 12.
- You gave gifts of property that increased in value or gave the use of property as gifts.

You MAY NOT Deduct as Contributions

- Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Value of any benefit such as food, entertainment, or merchandise that you received in connection with a contribution to a charitable organization.

Example. You paid $100 to a charitable organization to attend a fund-raising dinner. To figure the amount of your deductible charitable contribution, subtract the value of the dinner from the total amount you paid. If the value of the dinner was $40, your deductible contribution is $60.

- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to:
  a. Individuals.
  b. Foreign organizations.
  c. Groups that are run for personal profit.
  d. Groups whose purpose is to lobby for changes in the laws.
  e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Record Keeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record that shows the organization's name and address, the date and location of the gift, and a description of the property. You should also keep reliable written records for each gift of property that include the following information:

a. How you figured the property's value at the time it was given. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)

b. The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.

c. How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.

d. Any conditions attached to the gift.

Note: *If your total deduction for gifts of property is over $500, or if you gave less than your entire interest in the property, or you made a "qualified conservation contribution" under Federal Section 170(h), your records should contain additional information. See* ***Federal Pub. 526*** *for details.*

Line 14

Enter the total contributions you made in cash or by check (including out-of-pocket expenses).

Line 15

Enter the contributions of property. If you gave used items such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If the amount of your deduction is more than $500, you must complete and attach **Federal Form 8283**, Noncash Charitable Contributions. If your total deduction is over $5,000, you may also need appraisals of the values of the donated property. For this purpose, the "amount of your deduction" means your deduction BEFORE applying any income limitations that could result in a carryover of contributions. See **Federal Form 8283** and its instructions for details.

Line 16

Enter on line 16 any carryover of contributions that you were unable to deduct in an earlier year because it exceeded your adjusted gross income limit.

Line 18a, b, and c

Casualty and Theft Losses

A casualty or theft loss is determined in the same manner as on your federal return with the following exceptions:

- The loss may be claimed **only** in the year during which the loss occurred or the theft was discovered.
- The loss on personal property **must** be reduced by 10% of the **Alabama** adjusted gross income as shown on Form 40, page 1, line 12.

Use lines 18a, b, and c to report casualty or theft losses of property that are not a trade or business, income-producing, or rent or royalty property. Complete and attach **Federal Form 4684** to figure your loss. Enter on line 18a of Alabama Schedule A the amount of loss as shown on line 16 (Section A) of Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that —

a. the amount of **EACH** separate casualty or theft loss is more than $100, and

b. the total amount of **ALL** losses during the year is more than 10% of your adjusted gross income on Form 40, page 1, line 12.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. Get **Federal Form 4684** for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.

Use line 20 of Schedule A to deduct the costs of proving that you had a property loss. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, refer to federal instructions and publications.

Lines 19 through 23

Miscellaneous Deductions

Expenses Subject to the 2% Limit

Most miscellaneous deductions cannot be deducted in full. You must subtract 2% of your Alabama adjusted gross income from the total. You figure the 2% limit on line 22.

Generally, the 2% limit applies to job expenses you paid for which you were not reimbursed (line 19). The limit also applies to certain expenses you paid to produce or collect taxable income (line 20). See the instructions for lines 19 and 20 for examples of expenses to deduct on these lines.

The 2% limit does not apply to certain other miscellaneous expenses that you may deduct. See the instructions for line 24 for examples of these expenses.

Line 19

Use this line to report Alabama job expenses you paid for which you were not reimbursed. In some cases you must first fill out **Federal Form 2106**, Employee Business Expenses. Fill out Form 2106 if:

1. You claim any travel, transportation, meal, or entertainment expenses for your job; **OR**

2. Your employer paid you for any of your job expenses reportable on line 19.

If 1 or 2 above applies, enter the net deductible amount from Federal Form 2106 on line 19 of Schedule A.

If you do not have to fill out Form 2106, list the type and amount of your expenses on the space

provided on line 19. If you need more space, attach a statement showing the type and amount of the expense.

Examples of expenses to include on line 19 are:

- Travel, transportation, meal, or entertainment expense. *(**Note:** If you have any of these expenses, you **must** use **Federal Form 2106** for all your job expenses.)*
- Union dues.
- Safety equipment, small tools, and supplies you used in your job.
- Uniforms your employer said you must have and which you may not usually wear away from work.
- Protective clothing required in your work such as hard hats, safety shoes, and glasses.
- Physical examinations your employer said you must have.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and job search expenses in your present occupation.
- **Education expenses** you paid that were required by your employer, or by law or regulations, to keep your salary or job. In general, you may include the cost of keeping or improving skills you must have in your job. For more details, see **Federal Pub. 508**, Educational Expenses. Some educational expenses are not deductible. See **Expenses You MAY NOT Deduct.**
- Business use of part of your home, but **ONLY** if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see **Federal Pub. 587**, Business Use of Your Home. Also see the instructions for Part I, line 2 on page 13.

Line 20

Use this line for amounts you paid for the production or collection of taxable income; for the management, conservation, or maintenance of property held for the production of taxable income; or in connection with the determination, collection, or refund of any tax. List the type and amount of each expense in the space provided on line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total in the amount space for line 20. Examples of these expenses are:

- Tax return preparation fee.
- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution.

For more information (including limits on the amount you can deduct), see **Federal Pub. 529**.

Line 24

Miscellaneous Deductions

Expenses NOT Subject to the 2% Limit

Use this line to report miscellaneous deductions that are NOT subject to the 2% AGI limit. Only the expenses listed below can be deducted on line 24:

- Gambling losses to the extent of gambling winnings. Report gambling winnings on Form 40, page 2, Part I, Line 9.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if $3,000 or less. If more than $3,000 see **Federal Pub. 525**.
- Unrecovered investment in a pension. See **Federal Pub. 17**.
- Impairment-related work expenses of a disabled person.

List the type and amount of each expense. Enter the total on line 24.

Expenses You MAY NOT Deduct

Some expenses are not deductible at all. Examples are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property (but see Casualty and Theft Losses).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Expenses of:
  a. Travel as a form of education.
  b. Attending a seminar, convention, or similar meeting unless it is related to your employment.
- Fines and penalties.
- Funeral expenses

Instructions For Schedule B
Interest and Dividend Income

Purpose of Schedule

Use Schedule B if you are filing Form 40 and the total taxable and nontaxable income from interest and dividends is $400 or more.

Mutual Funds. If you received a 1099-DIV, 1099-INT or substitute statement from a brokerage firm or mutual fund, you must include these amounts on Schedule B. List the mutual fund or brokerage firm's name as the payer and enter the total interest or dividends shown on that form on Schedule B.

Interest Income

All interest you received in 1995 is taxable for Alabama purposes except interest on obligations of the United States or its possessions, and interest on obligations of the State of Alabama or any county, municipality, or other political subdivision of Alabama.

Show the name of the payer and the amount of all interest you received on **Schedule B**. Exempt interest should be listed in Column A and taxable interest in Column B.

Examples of TAXABLE Interest

- Accounts (including certificates of deposit and money market accounts) with banks, credit unions, and savings and loan associations.
- The percentage of dividends not derived from interest on United States obligations and/or Alabama municipal obligations which are received from a regulated investment company.
- Asian Development Bank.
- African Development Fund.
- Building and loan accounts.
- Federal Home Loan Mortgage Corporation.
- Federal National Mortgage Association (FNMA).
- Government National Mortgage Association (GNMA).
- Inter-American Bank, International Bank for Reconstruction and Development, and World Bank.
- International Finance Corporation.
- International Development Association.
- International Monetary Fund.
- National Consumer Cooperative Bank.
- Refunds of federal income tax.
- Refunds of state income tax.
- Federal Land Credit Banks.
- Federal Housing Authority.
- Small Business Association.

Examples of EXEMPT Interest

- The percentage of dividends derived from interest on United States obligations and/or Alabama municipal obligations which are received from a regulated investment company.
- Bank for Cooperatives.
- Student Loan Marketing Association (SLMA).
- Bonds issued by the Government of Puerto Rico or the Government of Guam.
- Federal Financing Bank.
- Federal Land Banks.
- Federal Intermediate Credit Banks.
- Federal Home Loan Banks.
- Production Credit Associations.
- U.S. Treasury Bills, U.S. Treasury Notes, or U.S. Series E and H Bonds.
- Tennessee Valley Authority.
- Federal Farm Credit Bonds.
- Federal Home Administration.
- Commodity Credit Corporation.
- Federal Deposit Insurance Corporation.
- Federal Saving & Loan Insurance Corporation.
- General Insurance Fund.
- GSA Public Building Trust Participation Certificates.

- Participation Certificates in the Federal Assets Financing Trust.
- Special Food Service Program.

Dividend Income

All dividends, including liquidating dividends, you received in 1996 are fully taxable. Gain or loss on liquidating dividends should be reported on **Schedule D**. Dividends from savings and loan associations are also taxable. Include cash and the value of stock, property, or merchandise you received as a dividend.

List the payer's name and show the amount of income. If securities are held in a brokerage account, list the name of the brokerage firm as the payer.

Instructions For Schedule CR
Credit for Taxes Paid To Other States

See the general instructions for credit for tax paid to another state on page 11. **Below is an example when all of the income in the other state is not taxed on the Alabama return. In such situations, you may not be entitled to the full amount of tax paid to the other state. The following example can be used by changing the figures to fit your income and/or loss.**

The taxpayer is a single filing resident of Alabama and has income from wages of $66,666.67. The taxpayer has gambling winnings of $100,000.00. The taxpayer has substantiated gambling losses of $50,000.00 of which only $30,000.00 is allowed as a deduction on the other state's return.

Use this Worksheet to compute the tax on the income from the other state under Alabama Tax Law.

(1) Income from Other State. $100,000.00

(2) All Alabama allowed Expenses (Losses) associated with Income from Other State:

(2a) Gambling Losses . $ 50,000.00

(2b) . . . . . $_____

(2c) . . . . . $_____

(3) Add lines 2a, 2b, and 2c . . . . . $ 50,000.00

(4) Income from other state under Alabama Law (subtract line 3 from 1 to get the same income taxed by Alabama . . . . . $ 50,000.00

(a) If the result is zero or less STOP here, you are not due a credit against your Alabama income tax. (b) If there is no entry on line 2 above, the "taxable income" from the other state return should be entered on Schedule CR, line 1. (c) If there is an entry on line 2 above, compute the Alabama tax on the amount on line 4 using the tax tables on pages 28-30. Enter the tax on Schedule CR, line 5. In this example the tax credit would be $2,458.00.

Instructions For Schedule D
Gain or (Loss) From Sale of Real Estate, Stocks, Bonds, etc.

Purpose of Schedule

Use Schedule D (Form 40) to report the sale of real estate, stocks, bonds, etc.

Enter all sales for the entire year if you were a resident of Alabama for the entire year. If you were a resident of Alabama for only a part of the year, you should report all sales made during your period of residence.

If you sold property located in Alabama after you ceased to be a resident of Alabama, you should report the sales on Form 40NR, Nonresident Alabama Income Tax Return.

Under Alabama law the entire gain is taxable, and the entire loss is deductible in the year in which it occurs.

Mutual Funds. If you received a mutual fund or brokerage statement reporting capital or ordinary gains, you must include these amounts on Schedule D. List the mutual fund or brokerage firm's name in Column A "Kind of Property" and the net capital or ordinary gains in Column H, "Net Profit or Loss."

State the following facts: (a) For real estate (including owner-occupied residence) – location and description of land and improvements; **(b)** for bonds or other evidence of indebtedness – name of issuing corporation, particular issue, denomination, and amount; **(c)** for stocks – name of corporation, class of stock, number of shares, and capital changes affecting basis (including nontaxable distributions). If more space is needed, use separate sheets with identical columnar headings **(a)** through **(h)** inclusive.

Cost or Other Basis. Act 85-515, known as the Corporate Income Tax Act of 1985, conformed certain rules concerning the determination of basis in assets acquired to the federal income tax rules.

The basis for computing gain or loss from the sale or other disposition of property will usually be the cost of such property. You may have to use a basis other than actual cost if you acquired the property by bequest, gift, or involuntary conversion. If you do not use cash cost, please attach an explanation of your basis.

The basis of property **acquired prior to December 31, 1932**, shall be the fair market value on December 31, 1932.

Gifts or Transfer in Trust. The basis of property acquired by gift or transfer in trust depends upon the date acquired.

If property was acquired by gift or transfer in trust **on or after December 31, 1932 and prior to March 15, 1985**, the basis shall be the fair market value on the date of acquisition.

If **acquired by gift on or after March 15, 1985**, the basis shall be the same as it would be in the hands of the donor or the preceding owner by whom it was not acquired by gift (except that if such basis is greater than the fair market value of the property at the time of the gift, then for the purpose of determining loss, the basis shall be the fair market value).

If the property was **acquired by a transfer in trust** (other than a transfer in trust by gift, bequest, or devise) **on or after March 15, 1985**, the basis shall be the same as it would be in the hands of the grantor, increased in the amount of gain, or decreased in the amount of loss, recognized to the grantor of such transfer.

Property Transmitted at Death. Basis shall be the fair and reasonable market value of the property at the time of death of the decedent.

The value of property as of the date of the decedent's death as appraised for the purpose of the federal estate tax or the alternate value as appraised for such purpose, whichever is applicable, shall be deemed to be its fair market value for Alabama income tax purposes.

Involuntary Conversion. If a taxpayer elects to determine gain under 26 U.S.C. § 1033 (relating to involuntary conversions), the amount of gain recognized for Alabama purposes shall be determined in accordance with the same federal statute.

Installment Sales. Alabama law was changed to conform the Alabama code to the federal law regarding the installment method of reporting income. For taxable years beginning after December 31, 1984, income arising from an installment sale shall be reported in accordance with Internal Revenue Code Section 453 with the exception of 453(i) which deals with the recognition of recapture income.

Sales of property under revolving credit plans and sales of stock, securities, and other property traded on established markets can no longer be reported on the installment method effective for sales made after 1987.

Instructions For Schedule E
Supplemental Income

Purpose of Schedule

Use Schedule E to report income or (loss) from rents, royalties, partnerships, S corporations, estates, and trusts. Also, use Schedule E to report income/distributions from IRA's, retirement plans, pensions, and annuities on which you have **NOT** recovered your contributions to the plan.

Part I

Retirement Plans, Pensions, and Annuities

Use Part I of Schedule E to report distributions from profit-sharing plans, retirement plans, employ-

ee savings plans, and individual retirement arrangements not fully taxable. Also, use Part I to report pension and annuity income not fully taxable. If the income or distribution is fully taxable you do **NOT** need to complete Part I, Schedule E. In general, you should receive a 1099-R showing the amount of your retirement plan distribution or income. If the taxable portion shown on your 1099-R is the same for Alabama purposes as for federal purposes you do **NOT** need to complete Part I, Schedule E. Instead report the total and the taxable amount on Form 40, page 2, Part I, lines 5 or 6.

The taxable portion may **NOT** be the same for Alabama purposes as for federal purposes because you may have a different cost basis. In this case, you must complete Part I, Schedule E and figure the amount taxable for Alabama purposes.

Amounts you received from the following retirement systems are not taxable and should not be reported.

(a) State of Alabama Teacher's Retirement System.
(b) State of Alabama Employee's Retirement System.
(c) State of Alabama Judicial Retirement System.
(d) United States Civil Service Retirement System.
(e) Retirement Systems created by the Federal Social Security Acts.
(f) Railroad retirement benefits received under the Federal Railroad Retirement Acts of 1935 and 1937.
(g) Military Retirement Pay.
(h) TVA Pension System Benefits.
(i) U.S. Foreign Service Retirement and Disability Fund Annuities.
(j) U.S. Government Retirement Fund Benefits.
(k) Retirement benefits received from any Alabama firefighting agency by any eligible firefighter or designated beneficiary.
(l) Retirement benefits received from any Alabama police system by any eligible peace officer or designated beneficiary.
(m) Any "defined benefit" retirement plan in accordance with IRC 414(j). (Contact your retirement plan administrator to determine if your plan qualifies.)

Use lines 1 through 8 to report amounts you withdrew from your IRA, SEP, Keogh, 401(k)(2), or 403(b) account which are not fully taxable and for which you have not recovered any of your cost basis before January 1, 1987. If you began recovering your cost before January 1, 1987, you should report these distributions on lines 11, 12, and 13.

Rollover Distributions

A "rollover" is a tax-free transfer of cash or other assets from one retirement program to another. There are two kinds of rollovers to an individual retirement arrangement (IRA): (1) a rollover from one IRA to another, and (2) a rollover from a qualified employer's plan to an IRA.

If you received a lump sum distribution from an Employee Benefit Plan, it should be included in gross income in the year received. There is no provision in Alabama law for forward averaging of such distributions.

If the lump sum distribution qualifies for the rollover provision of the Internal Revenue Code, it may also qualify for the rollover provision of the Alabama Income Tax Code as provided in Alabama Income Tax Regulation 810-3-25-.05(4) reprinted below:

Regulation 810-3-25-.05(4) — [Distributions from a trust that are not included in gross income of the individual for federal purposes due to the "rollover provisions" of Internal Revenue Code Sections 402, 403, 408, and 409 are excluded from Alabama gross income of the individual. These are:

(a) qualified stock bonus, pensions, or profit sharing plans as described in Internal Revenue Code Section 401(a), and which are exempt under Internal Revenue Code Section 501(a), and meet the rollover requirements of Internal Revenue Code Section 402,

(b) employees annuities which meet the requirements of Internal Revenue Code Section 404(a)(2), and the rollover requirements of Internal Revenue Code Section 403,

(c) individual retirement accounts that qualify under and meet the rollover provisions of Internal Revenue Code Section 408, and

(d) retirement bonds that qualify under Internal Revenue Code Section 409 or Internal Revenue Code Section 219 and meet the "rollover provisions" of Internal Revenue Code Section 409.]

If the lump sum distribution qualifies and is rolled over, enter the total amount received and the taxable portion, if any, in the spaces provided on Form 40, Part I, lines 5 and 6. A statement should also be attached to your return giving complete information about the retirement fund rolled over, your cost in the plan, and the type of retirement account in which the distributed funds were reinvested.

Specific Instructions

A — IRA, SEP, Keogh, 401(k)(2) or 403(b) Distributions you received in 1996 which included nondeductible contributions.

Line 1. Enter the total value of your IRA, SEP, Keogh, 401(k)(2) or 403(b) account at the end of the taxable year. The amount entered on this line should include any withdrawals you made from the account during 1996. If you have more than one IRA (or other type account) you **must** enter the total value of all such accounts even though you made withdrawals in 1996 from only one or more of these accounts.

CAUTION: If you have more than one type of account (IRA, SEP, etc.) which includes contributions from which you received nondeductible distributions in 1996, you **must** make a separate computation for each type of account.

Line 2. Nondeductible contributions. Nondeductible contributions are those contributions to an IRA (or other type account) for which you have not claimed an adjustment to income on a previous year's Alabama return.

Amounts may be considered nondeductible contributions for the following reasons:

- The Federal Tax Reform Act of 1986 allowed you to make nondeductible contributions to your IRA even if you were unable to deduct all, part, or none of the contributions. Your nondeductible contribution is the difference between your total allowable IRA contributions (up to the maximum amount) and the amount you deducted on your Alabama return that year.

- Qualified contributions made by you to an individual retirement arrangement (IRA), simplified employee pension (SEP), or Keogh plan **before January 1, 1982,** are considered part of your nondeductible contributions since Alabama did not allow you to defer tax on these contributions.

- Qualified contributions you made to a Federal 401(k)(2) plan or 403(b) plan **before January 1, 1985** are considered part of your cost since Alabama did not allow you to defer tax on these contributions.

- If you made contributions to an IRA or other deferred compensation plan while a nonresident of Alabama, these amounts are considered nondeductible contributions to determine the amount taxable.

Line 3. Enter the total of all amounts you have

Worksheet for Federal Simplified General Rule

1. Total pension received this year. Also enter this amount on Form 40, Part I, line 6a ..... _____
2. Your cost in the plan (contract), including any death benefit exclusion ..... _____
3. Age at annuity starting date:

	Enter:
55 and under	300
56-60	260
61-65	240
66-70	170
71 and older	120 _____

4. Divide amount on line 2 by the number on line 3, and round to two decimal places ..... _____
5. Multiply line 4 by the number of months for which this year's payments were made ..... _____
6. Taxable pension for year. Subtract line 5 from line 1 (do not enter less than zero). Also, enter this amount on Form 40, Part I, line 6b. If your Form 1099R shows a large taxable amount, use the amount on this line instead of the amount from the Form 1099R ..... _____

withdrawn from these accounts and excluded from income on a previous year's Alabama return.

Line 4. Subtract line 3 from line 2 and enter the result on line 4. The difference in these amounts represents the balance of your nondeductible contributions.

Line 5. 1996 Withdrawals. Enter the total of all amounts you withdrew from your IRA or other deferred compensation accounts during the taxable year.

Line 6. Exclusion Ratio. Divide the amount on line 4 by the amount on line 1. This ratio will be used to figure the amount of nondeductible contributions that may be excluded this year.

Line 7. Amount of Exclusion. Multiply the amount on line 5 by the percentage on line 6. Enter the result here, but do not enter more than the amount on line 4.

Line 8. Subtract the amount on line 7 from the amount on line 5.

If the amount on line 8 is received from an IRA account, enter it on line 5b, Part I, Form 40. If from some other type account, it should be entered on line 6b. If you received distributions from two or more different types of accounts (IRA, SEP, Keogh, etc.), you should complete a separate Schedule E for each type of account.

B — Pensions, annuities, etc., you first began receiving after December 31, 1986 in which you had a cost basis.

Lines 9 and 10. Use these lines to report **only** the pensions and annuities you first began receiving in 1987 which **are not fully taxable** and for which you used the Federal Annuity Tables to compute the taxable portion on your federal return.

The taxable part of these pensions and annuities is computed in the same manner as figured for federal purposes. If the cost basis for Alabama purposes and federal purposes is the same, the taxable part will be the same. If the cost basis is different for Alabama, the taxable part will be different. For details, refer to federal instructions and **Federal Publication 575**, Pension and Annuity Income. Enter the full amount you received on line 9 and the taxable portion on line 10.

If you qualify to use the **Federal Simplified General Rule**, you will probably find it both simpler and more beneficial than the **Federal General Rule** in figuring the taxable and nontaxable parts of your annuity.

If you meet the conditions to choose the Federal Simplified General Rule, use the worksheet on this page to figure your taxable pension for 1995. In completing this worksheet, use your age at the birthday preceding your annuity starting date. Be sure to keep a copy of the completed worksheet because it will help you figure your 1996 taxable pension.

C — Pensions, annuities, etc., you first began receiving prior to January 1, 1987 in which you have not recovered your cost.

Lines 11 and 12. Use these lines to report pensions and annuities, which are not fully taxable, that you first began receiving **prior to 1987**. Enter on line 11 the full amount of these pensions that you received in 1996 and enter your unrecovered cost on line 12.

For amounts you began receiving **prior to 1987**, you can exclude from the taxable amount your unrecovered cost to the plan. Your cost is the amount you contributed plus the contributions your employer made on which you have already paid tax. After you recover your costs, all amounts you receive are fully taxable. Refer to the instructions for line 2 for information concerning amounts that are considered part of your cost basis of an IRA, SEP, Keogh, 401(k)(2), or 403(b) account.

Beneficiaries. If a former employee is receiving a pension or annuity and dies after recovering all of his or her cost, the entire amount the beneficiary receives is taxable for Alabama purposes. However, if the pension or annuity was exempt under Alabama law to the former employee, it is also exempt to the beneficiary.

If a former employee dies before recovering the entire cost, the beneficiary should continue to report the amounts received in the same manner as reported by the former employee. If the former employee began receiving payments **after December 31, 1986**, the beneficiary must continue to use the Federal Annuity Tables based on the beneficiary's life expectancy in determining the taxable part. If the deceased former employee began receiving payments before January 1, 1987, and has not recovered the cost, the beneficiary will continue to recover the cost before any amounts become taxable.

Line 14. Add the amounts on lines 10 and 13.

If the amount on line 14 is received from an IRA account, enter it on line 5b, Part I, Form 40. If from some other type account, the amount on line 14 should be entered on line 6b, Part I, Form 40. If you received distributions from two or more different types of accounts, you should **complete a separate Schedule E for each account.**

Part II

Rental and Royalty Income or (Loss)

If you receive rent from property owned or controlled by you, or royalties from copyrights, mineral leases, and similar rights, report the total amount received in Part II, columns (a) through (f). If property other than cash was received as rent, its fair market value should be reported.

Depreciation. A reasonable allowance for the exhaustion, wear, and obsolescence of property used in a trade or business, or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. The allowance does not apply to inventories or stock-in-trade nor to land apart from the improvements or physical development added to it.

Depreciation computed using the "Accelerated Cost Recovery System" (ACRS) for assets placed in service on or after January 1, 1981, and before January 1, 1987, in the same manner with the same limitations provided for federal income tax returns will be considered to be a "reasonable allowance" for Alabama purposes.

For assets placed in service after December 31, 1986, depreciation using the "Modified Accelerated Cost Recovery System" provided for in I.R.C. § 168 (as modified by § 201(a) of P.L. 99-514) will be considered a "reasonable allowance" for depreciation.

For taxable years beginning after December 31, 1989, Alabama will allow the depreciation allowed by Federal 26 U.S.C. § 179.

Depletion. A depletion expense deduction is allowable in computing net royalty income from mines, oil wells, and gas wells.

For oil and gas wells only, the percentage rate is 27-1/2% instead of the lower federal rate when computing the net income for Alabama purposes, provided the 27-1/2% does not exceed 50% of the net income before the deduction. For mines, only cost depletion may be used.

Income or (Loss) From Partnerships, S Corporations, Estates, and Trusts

If you received income from a partnership, S corporation, estate, or trust, the amounts should be reported in Part II, column (j). The name and address must be given in column (g) showing the source of the income received. Check column (h), and enter the FEIN in column (i).

Partnerships. A partnership does not pay income tax in the firm's name. If you are a member of a partnership or joint venture, include in this part your share of the partnership income (whether you received it or not) or net loss (not to exceed your basis) for the partnership tax year that ends during the year covered by your return. You should receive a statement from the partnership advising you of the amount to report. **Do not** attach the statement to your return. Keep it for your records.

The partner's share of partnership income and deductions reflected on **Alabama Schedule K (Form 65)** should be reported as follows:

Column (d) – Adjusted Income. Enter this amount on Schedule E, Part II, column (j).

Column (e) – Federal "Guaranteed" Payment To Partner. Enter this amount on Form 40, page 1, line 6.

Column (f) – Section 179 Expense. This amount should be used to complete Part I of **Federal Form 4562**.

Columns (g), (h), and (i) – Investment Income and Expenses. Investment interest expense may be limited. See the instructions for Alabama Form 4952A. The amounts entered in columns (g), (h), and (i) should be used to complete Alabama Form 4952A.

Column (j) – Charitable Contributions. Enter on Schedule A (Form 40). The partnership will give

you a schedule that shows which contributions were subject to the 50%, 30%, and 20% limitations. For further information, see the instructions on page 18.

Column (k) – Other Deductions. The partnership should give you a description of the amount of your share for each of the following items:

- Itemized deductions (Form 40 filers); enter on Alabama Schedule A.

Note: *If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income-producing purposes, you will be notified by the partnership. You will have to complete your own Federal Form 4684. (See the instructions on page 19.)*

- Any penalty on early withdrawal of savings should be entered on Form 40, Part II, line 3 as an adjustment to income.

- Expenditures for the removal of architectural and transportation barriers to the elderly and disabled that the partnership elected to treat as a current expense. This deduction should be entered on Schedule A, line 24 or 25. See Federal Rules.

- Payments on behalf of a partner to an IRA, Keogh, or a Simplified Employee Pension (SEP) plan. See the instructions for Part II, Form 40, to figure your IRA deduction. Payments to a Keogh or SEP plan will be entered on Form 40, Part II, line 2.

S Corporations. An "Alabama S Corporation" means any domestic corporation or foreign corporation qualified to do business or doing business in Alabama which has in effect an election to be an S corporation under 26 U.S.C. Section 1362.

If you are a shareholder of an Alabama S corporation, you should receive an **Alabama Schedule K-1 (Form 20S)** from the S corporation. Do not attach the schedule to your return. Keep it for your records. Report your share of the income (whether you received it or not) or net loss (not to exceed your basis) of the corporation in Part II.

Estates and Trusts. If you are a beneficiary of an estate or trust, you should receive a statement from the fiduciary advising you of the amount to report. **Do not** attach the statement to your return. Keep it for your records. Report your taxable part of the income (whether you received it or not) in Part II.

Line 17. Combine the amounts on lines 15 and 16, and enter the total on line 17, Part II. This total should also be entered on Form 40, page 2, Part I, line 7.

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1996 Tax Table

Based on Taxable Income

This tax table is based on the taxable income shown on line 18 of Form 40 or 40NR and the filing status you checked on lines 1, 2, 3, or 4 of your return.

EXAMPLE:

Mr. and Mrs. Brown are filing a joint return and checked box 2 on their return. Their taxable income on line 18 of Form 40 or 40NR is $23,360. First, they find the $23,300 - 23,400 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and the filing status column meet is $1,088. This is the amount they must write on line 19 of Form 40 or line 19a of Form 40NR.

At least	But less than	Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
23,000			
23,000	**23,100**	1113	1073
23,100	**23,200**	1118	1078
23,200	**23,300**	1123	1083
23,300	**23,400**	1128	1088
23,400	**23,500**	1133	1093

If line 18 [taxable income] is —		And you are —		If line 18 [taxable income] is —		And you are —		If line 18 [taxable income] is —		And you are —		If line 18 [taxable income] is —		And you are —	
At least	But less than	Single • Married filing separately • Head of family	Married filing jointly	At least	But less than	Single • Married filing separately • Head of family	Married filing jointly	At least	But less than	Single • Married filing separately • Head of family	Married filing jointly	At least	But less than	Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—				Your tax is—				Your tax is—				Your tax is—	
UNDER 1,000				**4,000**				**8,000**				**12,000**			
$0	**50**	$0	$0												
50	**100**	1	1	**4,000**	**4,100**	163	142	**8,000**	**8,100**	363	323	**12,000**	**12,100**	563	523
100	**200**	3	3	**4,100**	**4,200**	168	146	**8,100**	**8,200**	368	328	**12,100**	**12,200**	568	528
200	**300**	5	5	**4,200**	**4,300**	173	150	**8,200**	**8,300**	373	333	**12,200**	**12,300**	573	533
300	**400**	7	7	**4,300**	**4,400**	178	154	**8,300**	**8,400**	378	338	**12,300**	**12,400**	578	538
400	**500**	9	9	**4,400**	**4,500**	183	158	**8,400**	**8,500**	383	343	**12,400**	**12,500**	583	543
500	**600**	12	11	**4,500**	**4,600**	188	162	**8,500**	**8,600**	388	348	**12,500**	**12,600**	588	548
600	**700**	16	13	**4,600**	**4,700**	193	166	**8,600**	**8,700**	393	353	**12,600**	**12,700**	593	553
700	**800**	20	15	**4,700**	**4,800**	198	170	**8,700**	**8,800**	398	358	**12,700**	**12,800**	598	558
800	**900**	24	17	**4,800**	**4,900**	203	174	**8,800**	**8,900**	403	363	**12,800**	**12,900**	603	563
900	**1,000**	28	19	**4,900**	**5,000**	208	178	**8,900**	**9,000**	408	368	**12,900**	**13,000**	608	568
1,000				**5,000**				**9,000**				**13,000**			
1,000	**1,100**	32	22	**5,000**	**5,100**	213	182	**9,000**	**9,100**	413	373	**13,000**	**13,100**	613	573
1,100	**1,200**	36	26	**5,100**	**5,200**	218	186	**9,100**	**9,200**	418	378	**13,100**	**13,200**	618	578
1,200	**1,300**	40	30	**5,200**	**5,300**	223	190	**9,200**	**9,300**	423	383	**13,200**	**13,300**	623	583
1,300	**1,400**	44	34	**5,300**	**5,400**	228	194	**9,300**	**9,400**	428	388	**13,300**	**13,400**	628	588
1,400	**1,500**	48	38	**5,400**	**5,500**	233	198	**9,400**	**9,500**	433	393	**13,400**	**13,500**	633	593
1 ,500	**1,600**	52	42	**5,500**	**5,600**	238	202	**9,500**	**9,600**	438	398	**13,500**	**13,600**	638	598
1 ,600	**1,700**	56	46	**5,600**	**5,700**	243	206	**9,600**	**9,700**	443	403	**13,600**	**13,700**	643	603
1,700	**1,800**	60	50	**5,700**	**5,800**	248	210	**9,700**	**9,800**	448	408	**13,700**	**13,800**	648	608
1,800	**1,900**	64	54	**5,800**	**5,900**	253	214	**9,800**	**9,900**	453	413	**13,800**	**13,900**	653	613
1,900	**2,000**	68	58	**5,900**	**6,000**	258	218	**9,900**	**10,000**	458	418	**13,900**	**14,000**	658	618
2,000				**6,000**				**10,000**				**14,000**			
2,000	**2,100**	72	62	**6,000**	**6,100**	263	223	**10,000**	**10,100**	463	423	**14,000**	**14,100**	663	623
2,100	**2,200**	76	66	**6,100**	**6,200**	268	228	**10,100**	**10,200**	468	428	**14,100**	**14,200**	668	628
2,200	**2,300**	80	70	**6,200**	**6,300**	273	233	**10,200**	**10,300**	473	433	**14,200**	**14,300**	673	633
2,300	**2,400**	84	74	**6,300**	**6,400**	278	238	**10,300**	**10,400**	478	438	**14,300**	**14,400**	678	638
2,400	**2,500**	88	78	**6,400**	**6,500**	283	243	**10,400**	**10,500**	483	443	**14,400**	**14,500**	683	643
2,500	**2,600**	92	82	**6,500**	**6,600**	288	248	**10,500**	**10,600**	488	448	**14,500**	**14,600**	688	648
2,600	**2,700**	96	86	**6,600**	**6,700**	293	253	**10,600**	**10,700**	493	453	**14,600**	**14,700**	693	653
2,700	**2,800**	100	90	**6,700**	**6,800**	298	258	**10,700**	**10,800**	498	458	**14,700**	**14,800**	698	658
2,800	**2,900**	104	94	**6,800**	**6,900**	303	263	**10,800**	**10,900**	503	463	**14,800**	**14,900**	703	663
2,900	**3,000**	108	98	**6,900**	**7,000**	308	268	**10,900**	**11,000**	508	468	**14,900**	**15,000**	708	668
3,000				**7,000**				**11,000**				**15,000**			
3,000	**3,100**	113	102	**7,000**	**7,100**	313	273	**11,000**	**11,100**	513	473	**15,000**	**15,100**	713	673
3,100	**3,200**	118	106	**7,100**	**7,200**	318	278	**11,100**	**11,200**	518	478	**15,100**	**15,200**	718	678
3,200	**3,300**	123	110	**7,200**	**7,300**	323	283	**11,200**	**11,300**	523	483	**15,200**	**15,300**	723	683
3,300	**3,400**	128	114	**7,300**	**7,400**	328	288	**11,300**	**11,400**	528	488	**15,300**	**15,400**	728	688
3,400	**3,500**	133	118	**7,400**	**7,500**	333	293	**11,400**	**11,500**	533	493	**15,400**	**15,500**	733	693
3,500	**3,600**	138	122	**7,500**	**7,600**	338	298	**11,500**	**11,600**	538	498	**15,500**	**15,600**	738	698
3,600	**3,700**	143	126	**7,600**	**7,700**	343	303	**11,600**	**11,700**	543	503	**15,600**	**15,700**	743	703
3,700	**3,800**	148	130	**7,700**	**7,800**	348	308	**11,700**	**11,800**	548	508	**15,700**	**15,800**	748	708
3,800	**3,900**	153	134	**7,800**	**7,900**	353	313	**11,800**	**11,900**	553	513	**15,800**	**15,900**	753	713
3,900	**4,000**	158	138	**7,900**	**8,000**	358	318	**11,900**	**12,000**	558	518	**15,900**	**16,000**	758	718

If line 18 [taxable income] is — At least	But less than	And you are — Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
16,000			
16,000	**16,100**	763	723
16,100	**16,200**	768	728
16,200	**16,300**	773	733
16,300	**16,400**	778	738
16,400	**16,500**	783	743
16,500	**16,600**	788	748
16,600	**16,700**	793	753
16,700	**16,800**	798	758
16,800	**16,900**	803	763
16,900	**17,000**	808	768
17,000			
17,000	**17,100**	813	773
17,100	**17,200**	818	778
17,200	**17,300**	823	783
17,300	**17,400**	828	788
17,400	**17,500**	833	793
17,500	**17,600**	838	798
17,600	**17,700**	843	803
17,700	**17,800**	848	808
17,800	**17,900**	853	813
17,900	**18,000**	858	818
18,000			
18,000	**18,100**	863	823
18,100	**18,200**	868	828
18,200	**18,300**	873	833
18,300	**18,400**	878	838
18,400	**18,500**	883	843
18,500	**18,600**	888	848
18,600	**18,700**	893	853
18,700	**18,800**	898	858
18,800	**18,900**	903	863
18,900	**19,000**	908	868
19,000			
19,000	**19,100**	913	873
19,100	**19,200**	918	878
19,200	**19,300**	923	883
19,300	**19,400**	928	888
19,400	**19,500**	933	893
19,500	**19,600**	938	898
19,600	**19,700**	943	903
19,700	**19,800**	948	908
19,800	**19,900**	953	913
19,900	**20,000**	958	918
20,000			
20,000	**20,100**	963	923
20,100	**20,200**	968	928
20,200	**20,300**	973	933
20,300	**20,400**	978	938
20,400	**20,500**	983	943
20,500	**20,600**	988	948
20,600	**20,700**	993	953
20,700	**20,800**	998	958
20,800	**20,900**	1,003	963
20,900	**21,000**	1,008	968
21,000			
21,000	**21,100**	1,013	973
21,100	**21,200**	1,018	978
21,200	**21,300**	1,023	983
21,300	**21,400**	1,028	988
21,400	**21,500**	1,033	993
21,500	**21,600**	1,038	998
21,600	**21,700**	1,043	1,003
21,700	**21,800**	1,048	1,008
21,800	**21,900**	1,053	1,013
21,900	**22,000**	1,058	1,018

If line 18 [taxable income] is — At least	But less than	And you are — Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
22,000			
22,000	**22,100**	1,063	1,023
22,100	**22,200**	1,068	1,028
22,200	**22,300**	1,073	1,033
22,300	**22,400**	1,078	1,038
22,400	**22,500**	1,083	1,043
22,500	**22,600**	1,088	1,048
22,600	**22,700**	1,093	1,053
22,700	**22,800**	1,098	1,058
22,800	**22,900**	1,103	1,063
22,900	**23,000**	1,108	1,068
23,000			
23,000	**23,100**	1,113	1,073
23,100	**23,200**	1,118	1,078
23,200	**23,300**	1,123	1,083
23,300	**23,400**	1,128	1,088
23,400	**23,500**	1,133	1,093
23,500	**23,600**	1,138	1,098
23,600	**23,700**	1,143	1,103
23,700	**23,800**	1,148	1,108
23,800	**23,900**	1,153	1,113
23,900	**24,000**	1,158	1,118
24,000			
24,000	**24,100**	1,163	1,123
24,100	**24,200**	1,168	1,128
24,200	**24,300**	1,173	1,133
24,300	**24,400**	1,178	1,138
24,400	**24,500**	1,183	1,143
24,500	**24,600**	1,188	1,148
24,600	**24,700**	1,193	1,153
24,700	**24,800**	1,198	1,158
24,800	**24,900**	1,203	1,163
24,900	**25,000**	1,208	1,168
25,000			
25,000	**25,100**	1,213	1,173
25,100	**25,200**	1,218	1,178
25,200	**25,300**	1,223	1,183
25,300	**25,400**	1,228	1,188
25,400	**25,500**	1,233	1,193
25,500	**25,600**	1,238	1,198
25,600	**25,700**	1,243	1,203
25,700	**25,800**	1,248	1,208
25,800	**25,900**	1,253	1,213
25,900	**26,000**	1,258	1,218
26,000			
26,000	**26,100**	1,263	1,223
26,100	**26,200**	1,268	1,228
26,200	**26,300**	1,273	1,233
26,300	**26,400**	1,278	1,238
26,400	**26,500**	1,283	1,243
26,500	**26,600**	1,288	1,248
26,600	**26,700**	1,293	1,253
26,700	**26,800**	1,298	1,258
26,800	**26,900**	1,303	1,263
26,900	**27,000**	1,308	1,268
27,000			
27,000	**27,100**	1,313	1,273
27,100	**27,200**	1,318	1,278
27,200	**27,300**	1,323	1,283
27,300	**27,400**	1,328	1,288
27,400	**27,500**	1,333	1,293
27,500	**27,600**	1,338	1,298
27,600	**27,700**	1,343	1,303
27,700	**27,800**	1,348	1,308
27,800	**27,900**	1,353	1,313
27,900	**28,000**	1,358	1,318

If line 18 [taxable income] is — At least	But less than	And you are — Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
28,000			
28,000	**28,100**	1,363	1,323
28,100	**28,200**	1,368	1,328
28,200	**28,300**	1,373	1,333
28,300	**28,400**	1,378	1,338
28,400	**28,500**	1,383	1,343
28,500	**28,600**	1,388	1,348
28,600	**28,700**	1,393	1,353
28,700	**28,800**	1,398	1,358
28,800	**28,900**	1,403	1,363
28,900	**29,000**	1,408	1,368
29,000			
29,000	**29,100**	1,413	1,373
29,100	**29,200**	1,418	1,378
29,200	**29,300**	1,423	1,383
29,300	**29,400**	1,428	1,388
29,400	**29,500**	1,433	1,393
29,500	**29,600**	1,438	1,398
29,600	**29,700**	1,443	1,403
29,700	**29,800**	1,448	1,408
29,800	**29,900**	1,453	1,413
29,900	**30,000**	1,458	1,418
30,000			
30,000	**30,100**	1,463	1,423
30,100	**30,200**	1,468	1,428
30,200	**30,300**	1,473	1,433
30,300	**30,400**	1,478	1,438
30,400	**30,500**	1,483	1,443
30,500	**30,600**	1,488	1,448
30,600	**30,700**	1,493	1,453
30,700	**30,800**	1,498	1,458
30,800	**30,900**	1,503	1,463
30,900	**31,000**	1,508	1,468
31,000			
31,000	**31,100**	1,513	1,473
31,100	**31,200**	1,518	1,478
31,200	**31,300**	1,523	1,483
31,300	**31,400**	1,528	1,488
31,400	**31,500**	1,533	1,493
31,500	**31,600**	1,538	1,498
31,600	**31,700**	1,543	1,503
31,700	**31,800**	1,548	1,508
31,800	**31,900**	1,553	1,513
31,900	**32,000**	1,558	1,518
32,000			
32,000	**32,100**	1,563	1,523
32,100	**32,200**	1,568	1,528
32,200	**32,300**	1,573	1,533
32,300	**32,400**	1,578	1,538
32,400	**32,500**	1,583	1,543
32,500	**32,600**	1,588	1,548
32,600	**32,700**	1,593	1,553
32,700	**32,800**	1,598	1,558
32,800	**32,900**	1,603	1,563
32,900	**33,000**	1,608	1,568
33,000			
33,000	**33,100**	1,613	1,573
33,100	**33,200**	1,618	1,578
33,200	**33,300**	1,623	1,583
33,300	**33,400**	1,628	1,588
33,400	**33,500**	1,633	1,593
33,500	**33,600**	1,638	1,598
33,600	**33,700**	1,643	1,603
33,700	**33,800**	1,648	1,608
33,800	**33,900**	1,653	1,613
33,900	**34,000**	1,658	1,618

If line 18 [taxable income] is — At least	But less than	And you are — Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
34,000			
34,000	**34,100**	1,663	1,623
34,100	**34,200**	1,668	1,628
34,200	**34,300**	1,673	1,633
34,300	**34,400**	1,678	1,638
34,400	**34,500**	1,683	1,643
34,500	**34,600**	1,688	1,648
34,600	**34,700**	1,693	1,653
34,700	**34,800**	1,698	1,658
34,800	**34,900**	1,703	1,663
34,900	**35,000**	1,708	1,668
35,000			
35,000	**35,100**	1,713	1,673
35,100	**35,200**	1,718	1,678
35,200	**35,300**	1,723	1,683
35,300	**35,400**	1,728	1,688
35,400	**35,500**	1,733	1,693
35,500	**35,600**	1,738	1,698
35,600	**35,700**	1,743	1,703
35,700	**35,800**	1,748	1,708
35,800	**35,900**	1,753	1,713
35,900	**36,000**	1,758	1,718
36,000			
36,000	**36,100**	1,763	1,723
36,100	**36,200**	1,768	1,728
36,200	**36,300**	1,773	1,733
36,300	**36,400**	1,778	1,738
36,400	**36,500**	1,783	1,743
36,500	**36,600**	1,788	1,748
36,600	**36,700**	1,793	1,753
36,700	**36,800**	1,798	1,758
36,800	**36,900**	1,803	1,763
36,900	**37,000**	1,808	1,768
37,000			
37,000	**37,100**	1,813	1,773
37,100	**37,200**	1,818	1,778
37,200	**37,300**	1,823	1,783
37,300	**37,400**	1,828	1,788
37,400	**37,500**	1,833	1,793
37,500	**37,600**	1,838	1,798
37,600	**37,700**	1,843	1,803
37,700	**37,800**	1,848	1,808
37,800	**37,900**	1,853	1,813
37,900	**38,000**	1,858	1,818
38,000			
38,000	**38,100**	1,863	1,823
38,100	**38,200**	1,868	1,828
38,200	**38,300**	1,873	1,833
38,300	**38,400**	1,878	1,838
38,400	**38,500**	1,883	1,843
38,500	**38,600**	1,888	1,848
38,600	**38,700**	1,893	1,853
38,700	**38,800**	1,898	1,858
38,800	**38,900**	1,903	1,863
38,900	**39,000**	1,908	1,868
39,000			
39,000	**39,100**	1,913	1,873
39,100	**39,200**	1,918	1,878
39,200	**39,300**	1,923	1,883
39,300	**39,400**	1,928	1,888
39,400	**39,500**	1,933	1,893
39,500	**39,600**	1,938	1,898
39,600	**39,700**	1,943	1,903
39,700	**39,800**	1,948	1,908
39,800	**39,900**	1,953	1,913
39,900	**40,000**	1,958	1,918

1996 Tax Table – *Continued*

If line 18 [taxable income] is — At least	But less than	And you are — Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
40,000			
40,000	**40,100**	1,963	1,923
40,100	**40,200**	1,968	1,928
40,200	**40,300**	1,973	1,933
40,300	**40,400**	1,978	1,938
40,400	**40,500**	1,983	1,943
40,500	**40,600**	1,988	1,948
40,600	**40,700**	1,993	1,953
40,700	**40,800**	1,998	1,958
40,800	**40,900**	2,003	1,963
40,900	**41,000**	2,008	1,968
41,000			
41,000	**41,100**	2,013	1,973
41,100	**41,200**	2,018	1,978
41,200	**41,300**	2,023	1,983
41,300	**41,400**	2,028	1,988
41,400	**41,500**	2,033	1,993
41,500	**41,600**	2,038	1,998
41,600	**41,700**	2,043	2,003
41,700	**41,800**	2,048	2,008
41,800	**41,900**	2,053	2,013
41,900	**42,000**	2,058	2,018
42,000			
42,000	**42,100**	2,063	2,023
42,100	**42,200**	2,068	2,028
42,200	**42,300**	2,073	2,033
42,300	**42,400**	2,078	2,038
42,400	**42,500**	2,083	2,043
42,500	**42,600**	2,088	2,048
42,600	**42,700**	2,093	2,053
42,700	**42,800**	2,098	2,058
42,800	**42,900**	2,103	2,063
42,900	**43,000**	2,108	2,068

If line 18 [taxable income] is — At least	But less than	And you are — Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
43,000			
43,000	**43,100**	2,113	2,073
43,100	**43,200**	2,118	2,078
43,200	**43,300**	2,123	2,083
43,300	**43,400**	2,128	2,088
43,400	**43,500**	2,133	2,093
43,500	**43,600**	2,138	2,098
43,600	**43,700**	2,143	2,103
43,700	**43,800**	2,148	2,108
43,800	**43,900**	2,153	2,113
43,900	**44,000**	2,158	2,118
44,000			
44,000	**44,100**	2,163	2,123
44,100	**44,200**	2,168	2,128
44,200	**44,300**	2,173	2,133
44,300	**44,400**	2,178	2,138
44,400	**44,500**	2,183	2,143
44,500	**44,600**	2,188	2,148
44,600	**44,700**	2,193	2,153
44,700	**44,800**	2,198	2,158
44,800	**44,900**	2,203	2,163
44,900	**45,000**	2,208	2,168
45,000			
45,000	**45,100**	2,213	2,173
45,100	**45,200**	2,218	2,178
45,200	**45,300**	2,223	2,183
45,300	**45,400**	2,228	2,188
45,400	**45,500**	2,233	2,193
45,500	**45,600**	2,238	2,198
45,600	**45,700**	2,243	2,203
45,700	**45,800**	2,248	2,208
45,800	**45,900**	2,253	2,213
45,900	**46,000**	2,258	2,218

If line 18 [taxable income] is — At least	But less than	And you are — Single • Married filing separately • Head of family	Married filing jointly
		Your tax is—	
46,000			
46,000	**46,100**	2,263	2,223
46,100	**46,200**	2,268	2,228
46,200	**46,300**	2,273	2,233
46,300	**46,400**	2,278	2,238
46,400	**46,500**	2,283	2,243
46,500	**46,600**	2,288	2,248
46,600	**46,700**	2,293	2,253
46,700	**46,800**	2,298	2,258
46,800	**46,900**	2,303	2,263
46,900	**47,000**	2,308	2,268
47,000			
47,000	**47,100**	2,313	2,273
47,100	**47,200**	2,318	2,278
47,200	**47,300**	2,323	2,283
47,300	**47,400**	2,328	2,288
47,400	**47,500**	2,333	2,293
47,500	**47,600**	2,338	2,298
47,600	**47,700**	2,343	2,303
47,700	**47,800**	2,348	2,308
47,800	**47,900**	2,353	2,313
47,900	**48,000**	2,358	2,318
48,000			
48,000	**48,100**	2,363	2,323
48,100	**48,200**	2,368	2,328
48,200	**48,300**	2,373	2,333
48,300	**48,400**	2,378	2,338
48,400	**48,500**	2,383	2,343
48,500	**48,600**	2,388	2,348
48,600	**48,700**	2,393	2,353
48,700	**48,800**	2,398	2,358
48,800	**48,900**	2,403	2,363
48,900	**49,000**	2,408	2,368

Over $49,000

If line 18 (taxable income) is over $49,000, use the following worksheets to figure your tax.

- **Single**
- **Married filing separately**
- **Head of family**

1 Enter taxable income as shown on line 18 ..... _____

2 Less ..... – 49,000.00

3 Subtract line 2 from line 1 ..... _____

4 Multiply line 3 by .05 ..... x .05

5 Enter result here ..... _____

6 Plus ..... + 2,408.00

7 Add lines 5 and 6. **Your tax is** ..... ▶ _____

- **Married filing jointly**

1 Enter taxable income as shown on line 18 ..... _____

2 Less ..... – 49,000.00

3 Subtract line 2 from line 1 ..... _____

4 Multiply line 3 by .05 ..... x .05

5 Enter result here ..... _____

6 Plus ..... + 2,368.00

7 Add lines 5 and 6. **Your tax is** ..... ▶ _____

Notes

How To Obtain Forms

Generally, we mail forms and schedules directly to you based on what seems right for you. Additional booklets, forms, and schedules are listed below. These booklets and forms may be obtained by visiting the Alabama Taxpayer Service Center nearest you or by mailing the order blank below.

CAUTION

The Order Blank below should not be used to request bulk forms. Accountants, banks, post offices, military bases, libraries, and businesses needing bulk forms must use Form 2300 which lists all Alabama forms and instructions available for individuals, partnerships, fiduciaries, employers, etc. If you need bulk forms, please write and request Form 2300.

BOOKLETS

Form 40 Booklet. This booklet contains 2 each of the following forms and schedules with instructions: Form 40, Schedules A, B, CR, D, & E.

Form 40A Booklet. This booklet contains 2 Form 40As with instructions.

Form 40NR Booklet. This booklet contains 3 each of the following forms and schedules with instructions: Form 40NR, Schedules A, B, D, & E.

Note: *See* ***Which Form To File*** *on page 6 of this booklet for requirements you must meet to file Form 40, Form 40A, and Form 40NR.*

NOL Booklet. This booklet contains 2 each of the following forms with instructions: Form NOL-85, Form NOL-85A, and Form 40X.

FORMS

Form 40 Individual Income Tax Return for full year residents of Alabama and also part-year residents of Alabama.

Form 40A Individual Income Tax Return (Short Form) for full year residents of Alabama.

Form 40NR Nonresident Individual Income Tax Return for nonresidents of Alabama.

Form 40X Amended Return or Application for Refund of Alabama income tax paid through mistake or error.

Form 40ES to make estimated tax payments.

Form 4868A Application for requesting an extension of time to file Alabama Individual Income Tax Return.

Form 4952A for claiming investment interest as an itemized deduction.

Form NOL-85 for computing a net operating loss deduction.

Form NOL-85A for carrying back or forward the net operating loss as determined in Form NOL-85.

SCHEDULES

Schedule A for itemized deductions.

Schedule B for interest and dividend income.

Schedule CR for computation of credit for taxes paid to other states.

Schedule D for reporting income from the sale or exchange of capital assets.

Schedule E for reporting income from pensions, annuities, rents, royalties, partnerships, estates, and trusts.

Schedule OC for computation of basic skills credit, rural physicians credit, and/or capital credit.

Alabama **does not** provide the following forms and schedules and requests that the appropriate federal schedule be used making the modifications as required by Alabama law.

Schedule C for reporting income from a personally owned business.

Schedule F for reporting income from farming.

Schedule 2119 for reporting the sale or exchange of a personal residence.

Form 2106 for claiming employee business expenses.

Form 3903 for claiming moving expenses.

Form 4684 for reporting casualty and theft losses.

Form 8283 for reporting noncash contributions.

Order Blank

The booklets, forms, and instructions listed here are available at no cost.

One booklet, or two forms and instructions for each item you check will be mailed to you.

To help reduce waste, please order only the forms and instructions you need to prepare your return. Attach a separate sheet of paper listing additional forms you may need not listed on the order blank. Please allow 3 weeks to receive your order.

Use this Order Blank to order only current forms. This form must be properly completed or your request for forms will not be processed.

Please detach the order blank on the dotted line, and **be sure to write your name and address on the other side.** Enclose this order blank in your own envelope, and mail to the address shown.

ORDER ONLY THE FORMS YOU NEED TO PREPARE YOUR INDIVIDUAL RETURN. SEE ABOVE FOR DESCRIPTION OF FORMS.

DO NOT use this order blank to request bulk forms.

Check ☑ Desired Forms And Instructions For 1996

- ☐ **Form 40 Booklet** (includes Form 40, Schedules A, B, CR, D, E, and instructions).
- ☐ **Form 40A Booklet** (includes Form 40A and instructions).
- ☐ **Form 40NR Booklet** (includes Form 40NR, Schedules A, B, D, E, and instructions).
- ☐ **NOL Booklet** (includes Forms NOL-85, NOL-85A, 40X, and instructions).
- ☐ **Form 40X**
- ☐ **Form 4868A**
- ☐ **Form 40ES** for 1997
- ☐ **Form 4952A**

Mail to: **ALABAMA DEPARTMENT OF REVENUE**
INCOME TAX FORMS
P.O. BOX 327470
MONTGOMERY, AL 36132-7470

Alabama Commission On Aging

AGING IN ALABAMA

It's in Your future!

Your generous donation of all or part of your refund to the – ALABAMA AGING FUND will provide additional services to older Alabamians

Form 40

31a

OR CONTRIBUTE DIRECTLY TO: *Alabama Commission on Aging*
RSA Plaza
770 Washington Avenue – Suite 470
Montgomery, Alabama 36130
Telephone: (334) 242-5743

Donation of Refund

You may elect to donate all or part of your refund to one or more funds shown on this page.

See Lines 31a, b, c, d, e, f, g, and h on Form 40

"Listen to the Drum"

Your contribution will assure an Indian child's future. Donate all or part of your refund to the —

Alabama Indian Children's Scholarship Fund
Form 40 line 31f
Alabama Indian Affairs Commission
(334) 242-2831

ALABAMA ARTS DEVELOPMENT FUND

GIVE, AND OUR CHILDREN RECEIVE.

Your tax-deductible gift of $5, $10, $25 or more can give your child and thousands of others the chance to experience the arts in person. Your gift makes all the difference.

PLEASE SEE LINE 31B

WRITE: ALABAMA STATE COUNCIL ON ARTS
ONE DEXTER AVENUE
MONTGOMERY, AL 36130

Help Fight Child Abuse!

Your contribution will provide funds for community based child abuse and neglect prevention programs all across Alabama. For more information or to make a direct donation contact the Children's Trust Fund, P.O. Box 4251, Montgomery, Alabama 36103, (334) 242-5710.

Children's Trust Fund OF ALABAMA
Preventing Child Abuse and Neglect

Penny Trust Fund

For the Children of Alabama

*Reduce infant deaths
*Health care for seriously ill children
*Immunizations and children's disease prevention

The state of Alabama will match every dollar you donate with an additional two dollars.

See Line 31g

HELP SAVE ALABAMA'S WILDLIFE

See line 31c of Form 40 to donate to the Alabama Nongame Wildlife Fund. Your donation will help bring back bluebirds, eagles, ospreys, and many other nongame wildlife species in Alabama. With a $5 donation we can raise $20 for wildlife restoration and management. The Nongame Wildlife Fund does not receive state tax dollars. For information write or call the Nongame Wildlife Coordinator, Game and Fish Division, 64 North Union Street, Montgomery, AL 36130. Telephone 334 / 242-3469.

Alabama's Disabled Veterans Need Your Support

"FREEDOM IS NOT FREE"

Alabamians proudly answered the call to arms to defend this nation from agression! Now it's your turn to express your appreciation for the sacrifices these proud men and women made while defending freedom around the World! All donations are gratefully accepted; checks can be made payable to: Veterans Home Trust Fund, P.O. Box 1509, Montgomery, AL 36102.

See Line 31e for Alabama Veterans Home Program

Alabama Foster Care Trust Fund

Helping Alabama's Foster Children

AFCTF

Contributions provide educational, athletic, artistic, and special occasion opportunities to children in the custody of the Alabama Department of Human Resources. Direct contributions may be made to the Department of Human Resources, 50 Ripley St., Montgomery, AL 36130. For information, call (334) 242-9500.

PLEASE SEE OTHER SIDE FOR ORDER BLANK

DETACH AT THIS LINE

Name

Number and Street or Rural Route

City, Town or Post Office, and State Zip Code

Type or print your name and address on this label. It will be used to expedite your order.