

810-2-8-.09 Business Privilege Tax Filing Requirements for Disregarded Entities and Owners of Disregarded Entities.

(1) Scope. This regulation provides guidance concerning the Alabama business privilege tax filing requirements for certain disregarded entities and the owners of the disregarded entities.

(2) Net Worth Computation of Disregarded Entities. Section 40-14A-23, Code of Alabama, 1975, establishes the net worth computation for business entities subject to the Alabama business privilege tax. In accordance with the section, the net worth computations of a disregarded entity differ based upon whether the owner of the disregarded entity is subject to the Alabama business privilege tax. See Section 40-14A-1, Code of Alabama, 1975, for a definition of “disregarded entity.”

(a) Disregarded Entity Net Worth Computation if the Owner of the Disregarded Entity is Subject to the Alabama Business Privilege Tax. The net worth of the disregarded entity shall be zero, and the items that would enter into determining the net worth of the disregarded entity shall be used in computing the net worth of the owner of the disregarded entity.

1. Both the disregarded entity and the disregarded entity’s owner would be required to file an Alabama business privilege tax return.

2. The disregarded entity must disclose the owner’s name and Federal Employer Identification Number (FEIN) as required by the Alabama business privilege tax form.

(b) Disregarded Entity Net Worth Computation if the Owner of the Disregarded Entity Is Not Subject to the Alabama Business Privilege Tax. The net worth of the disregarded entity shall be equal to the amount of the disregarded entity’s assets less its liabilities.

1. Since, the owner of the disregarded entity is not subject to the Alabama business privilege tax, the owner would not be required to file an Alabama business privilege tax return.

2. Disregarded entity owners that are not subject to the Alabama business privilege tax include, but are not limited to: resident individual taxpayers; nonresident individual taxpayers; general partnerships; and, foreign business entities not doing business in the state of Alabama and not registered with the Alabama Secretary of State’s Office to do business in the state of Alabama.

3. The disregarded entity must disclose the owner’s name and FEIN as required by the Alabama business privilege tax form. A statement must be attached to

the business privilege tax return explaining why the owner is not subject to the Alabama business privilege tax.

Authors: Brenda J. Russ and Cathy McCary

Authority: Sections 40-2A-7(a)(5), 40-14A-22, and 40-14A-23, Code of Alabama 1975

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