

ALABAMA DEPARTMENT OF REVENUE
REVENUE PROCEDURE 97-002
(Supersedes Revenue Procedure 97-001)

DATE: July 10, 1997

SUBJECT: Limited Liability Company Treatment as a Partnership or Corporation

(1) **Scope.** This revenue procedure is issued pursuant to Section 40-2A-5 to provide guidance as to the applicability of this states taxing statutes in Section 40-1-1, et seq., Code of Alabama 1975, to both domestic and foreign limited liability companies and to the related documentation required to be filed pursuant to Sections 40-2A-7, 40-14-44, 40-18-28 and 40-18-55.

Definitions. The following terms have the meanings ascribed to them for purposes of this revenue procedure.

LIMITED Liability Company or LLC. A legal entity organized under the limited liability company act of this state of any other state, nation or territory.

Check-the-box regulations. Revised regulations issued by the Internal Revenue Service under I.R.C. 7701 to provide for the tax classification of a limited liability company as a partnership corporation or otherwise.

Applicability of taxing statutes.

For purposes of the taxing statutes in Title 40, Code of Alabama 1975, all limited liability companies (LLCs), including single member LLCs (SMLLCs), organized on or after January 1, 1997 will be classified as a partnership unless the LLC elects to be classified under the Internal Revenue Services check-the-box regulations as a corporation. The Alabama Department of Revenue will not follow the Internal Revenue Service s disregarded entity classification of SMLLCs. Instead, any SMLLC classified as a disregarded entity under the Internal Revenue Services check-the-box regulations will be classified as a partnership.

With respect to LLCs organized before Janaury 1, 1997, the Alabama Department of Revenue will conform to the LLC s classification under the Internal Revenue Service s check-the-box regulations for all tax years preceding Janary 1, 1997, and unless the entity elects otherwise, will conform to the LLC s federal tax classification for tax years beginning after December 31, 1996.

Procedure. Pursuant to Sections 40-2A-7, 40-14-44, 40-18-28 and 40-18-55, the taxpayer shall provide any documents the Department deems necessary in order to verify the taxpayer s election to the Internal Revenue Service as to the classification of a limited liability company.

Effective Date. This revenue procedure is effective immediately.

H. E. Monroe, Jr.
Commissioner of Revenue