

**2011  
ALABAMA BUSINESS  
MeF HANDBOOK**



**For Electronic Filers who file Alabama Corporate and  
Pass-Through Entity Tax Returns/Reports Electronically  
via the Federal/State MeF System**



Alabama Department of Revenue  
Corporate/Partnership Income Tax Electronic Filing  
Publication AL4163 (11/29/2011)

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## Introduction & General Information

### ***Alabama Department of Revenue Mission Statement:***

The Alabama Department of Revenue will efficiently and effectively administer the revenue laws in an equitable, courteous and professional manner to fund governmental services for the citizens of Alabama.

### ***Overview of Modernized e-File Program (MeF):***

The Alabama Department of Revenue (ADOR), in conjunction with the Internal Revenue Service (IRS), is accepting Alabama Corporate Income Tax (20C), Alabama Consolidated Corporate Income Tax (20CC), S Corporation Information/Tax (20S), Alabama Partnership/LLC (65), and Non-Resident Composite (PTE-C) returns and corresponding forms and schedules for tax year 2010 by using the IRS' Modernized E-File system (MeF). The transmission method will be a Web Service using Simple Object Access Protocol (SOAP) with attachments messaging. The return data will be formatted using Extensible Markup Language (XML). Authorized E-File providers, also known as Electronic Return Originators (ERO's) can submit returns to the IRS MeF system for federal and state return processing. **Software developers must test with the ADOR and receive approval prior to submitting live Fed/State or State-Only returns.**

### ***General Information:***

The Department will accept the following return types:

- Fed/State Original
  - State Only
1. Fed/State Original - The E-File Program works best when the Federal and State returns are filed together in one transmission to the IRS (although this is not always possible). Upon receipt, the Internal Revenue Service will validate and verify the federal return data. The IRS will either accept or reject the federal return. The state return is only available to the Department after the federal return is accepted by the IRS. If a Fed/State submission is rejected by IRS, the state will not receive the state return portion. The Fed/State submission must be re-submitted.
  2. State-Only Electronic Return Transmissions - IRS provides the ability for an ERO or individual to transmit/retransmit a state return through the fed/state system without simultaneously transmitting a federal return. There is no difference in the transmission sequence. State-Only returns are transmitted to the IRS, validated and made available for states to download in the same fashion as with the traditional fed/state transmission. This provides a means for individuals who file multiple state returns to have each participating state's return electronically filed. However, each state return must be transmitted separately. The taxpayer's federal return must be completed, transmitted and accepted by the IRS before transmitting/re-transmitting a State-Only return.

### **Supported Alabama Forms:**

The Department will support the following forms and schedules for Corporate return processing:

- Alabama Form 20C (Schedules A, B, C, D-1, D-2, E, F, Other Information, and AB).
- Alabama Form 20CC (Schedules AS, B)
- Alabama Form 20S(Schedules A, B, C, D, E, F, G, H, K) with Alabama Schedule K-1 and Alabama Schedule NRA (NRA must also be included as a Binary Attachment)
- Alabama Form 65 (Schedules A, B, C, D,E, K) with Alabama Schedule K-1 and Form NMC if applicable (Form NMC must be included as a Binary Attachment)

- Alabama Form PTEC and Schedule PTE-CK1
- Other schedules as binary attachments

The **complete** federal return and the necessary supporting schedules (such as Schedule D and Form 4797) as filed with the IRS are required for the Alabama return to be considered complete. **\*\*New for 2010 the federal form should be submitted in XML format only. The PDF format is no longer needed.\*\***

Failure to attach the complete federal return with the necessary supporting schedules may result in the imposition of delinquent penalties. Form 20C Filing Status 5 is the **only** return that is not required to submit a copy of the federal return because it will be provided with their parent's Form 20CC return.

**Exclusions from Corporate/Partnership Electronic Filing include:**

- Returns for a Tax Year prior to 2006 (20C), prior to 2008 (20S, 65, PTE-C ), and prior to 2009 (20CC)
- Amended returns
- 52-53 week filer returns
- Name Change Returns
- Returns that cannot be e-file for federal purposes

Initially, Alabama will only accept one return each filing season, any subsequent filings such as additional short year returns and amended returns must be filed by paper.

Please note: The Department will generally not approve a request to waive the electronic filing requirement if the software purchased or licensed by a taxpayer or a return preparer does not include all of the features necessary to comply with the Modernized e-File requirements set forth in Department regulations, revenue procedures, publications, and other instructions posted to the [alabama.revenue.gov](http://alabama.revenue.gov) website.

**The Department of Revenue encourages electronic filing; however, we neither support nor recommend any software company. You must address technical and support issues with the company whose product you select.**

**Please see the approved e-file Providers list at the following web address:**

<http://www.revenue.alabama.gov/incometax/corpefilevendors.htm#2009>

**Updates for Tax Year 2011 / Filing Season 2012:**

1. **Mandatory e-filing for Corporate/Partnership returns** - Regulations 810-3-39-.12, 810-3-39-.13, 810-3-28-.07, and 810-3-28-.08 were approved by the Alabama Department of Revenue's Research Division and became effective March 4, 2010. On page 11 of this publication is a list of common questions and answer regarding the e-file mandate regulations.
2. The complete federal return and the necessary supporting schedules and documents as filed with the IRS **are required to be submitted in XML format** with each submission. Failure to submit the **complete** federal return with the necessary supporting schedules in XML format may result in the imposition of delinquent penalties and the return filed will be considered incomplete. *Form 20C Filing Status 5 is the only return that is not required to submit a copy of the federal return because it will be provided with the parent consolidated Form 20CC return.*
3. For TY2011/Filing Season 2012 a **Direct Debit** option for payments and **Direct Deposit** option for refunds is **currently under development** and will be available soon for Corporate/Partnership returns. **\*\*UPDATE: Direct Debit and Direct Deposit are now available for 2010/2011 forms 11/2/2011\*\***

4. All returns must be transmitted through the software vendor. The State of Alabama does not allow independent filing at this time.
5. Taxpayers with foreign addresses are able to e-file. This includes all addresses on the Schedule K-1, PTEC, for any company who is incorporated outside if the US, and for a nonresident located in a foreign country.
6. The max occurrence for K-1s, CK-1s and NRA forms is 5000.
7. The max occurrence for form AS is 500.
8. The maximum size per submission is 300MB. This includes the Alabama return, federal xml data and all attachments.

**The Form AL8453-C must be completed and signed by all required parties. The ERO will retain Form AL8453-C along with a copy of the electronic tax return. Do not submit this form to the Alabama Department of Revenue unless requested to do so. See [www.revenue.alabama.gov/incometax/corpefilemain.htm](http://www.revenue.alabama.gov/incometax/corpefilemain.htm) for Corporate/Partnership Income Tax Declaration for Electronic Filing (AL8453-C).**

9. The state of Alabama allows a **10 BUSINESS** day period to re-transmit the corrected return. **The perfection period starts from the date the State of Alabama rejects the original submission.** The original submission id must be transmitted with the perfected return. This way the original submission date can be populated in our system to prevent any late filing penalties being assessed.
10. For a company filing a form 20C who files as part of a consolidated federal return and all form 20CC, Consolidated Corporate Income Tax Returns, the following information is required to be attached:
  - a. Federal Form 851, Affiliations Schedule, please identify all corporations subject to tax in Alabama (Federal851.pdf)
  - b. Pages 1-5 of the consolidated form 1120 (Consolidated1120.pdf)
  - c. Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules (ConsolidatedIncome.pdf)
  - d. Consolidated Balance Sheets by separate company for the beginning and end of year (ConsolidatedBalance.pdf)
  - e. Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year (FederalK1.pdf)
  - f. Federal Schedule UTP (FederalUTP.pdf)
  - g. Federal form M-3 for the entire federal consolidated group (FederalM3.pdf)

**See Binary Attachments chart in Publication AL4163 and/or AL4164 for correct attachment naming.**

**\*\*To avoid the most common cause of error rejections ensure you are using the most current version of your Vendor's software and any required or conditional binary attachments are physically attached and correctly named.\*\***

## Contact Information:

**\*\*\*\*Please always contact your software vendor first for assistance.\*\*\*\***

### FOR TECHNICAL QUESTIONS REGARDING:

- The web site
- The XML Schema
- The Summary of the XML Schema (spreadsheet)
- Additional detail of schema elements
- The sample return
- The sample xml instance document
- Software testing and approval
- Missing acknowledgements

### CONTACT:

Business MeF Coordinator  
Individual & Corporate Tax Division  
Alabama Department of Revenue  
P.O. Box 327450  
Montgomery, AL 36132-7450

Missy Gillis, Business MeF Coordinator at 334-353-9178

**EMAIL:** [Corporate.Efile@revenue.alabama.gov](mailto:Corporate.Efile@revenue.alabama.gov) or [melissa.gillis@revenue.alabama.gov](mailto:melissa.gillis@revenue.alabama.gov)  
**FAX:** 334-353-8068

### ***For Forms Questions regarding:***

- Form/schedule development
- Substitute forms approval

### CONTACT:

Forms Officer  
Individual & Corporate Tax Division  
50 N Ripley St, Room 4212  
Montgomery AL 36104

Andrea Wyatt, Forms Officer @ 334-353-9447

**EMAIL:** [Andrea.Wyatt@revenue.alabama.gov](mailto:Andrea.Wyatt@revenue.alabama.gov)  
**FAX:** 334-242-0064

### ***For Corporate Income Tax questions regarding:***

- Corporate Income Tax Laws and Regulations
- Filing requirements
- General correspondence
- Billings
- Refunds
- Name and address changes
- Preliminary and Final Assessments

**CONTACT:**

Corporate Income Tax Section  
Individual & Corporate Tax Division  
Alabama Department of Revenue  
P.O. Box 327430  
Montgomery, AL 36132-7430

**TELEPHONE:** 334-242-1200

**EMAIL:** [www.revenue.alabama.gov/mailform.cfm](http://www.revenue.alabama.gov/mailform.cfm)

Select Corporate Income Tax from the dropdown list

**FAX:** 334-242-2537

***For Pass-Thru Entity Questions (S Corporation or Partnership) regarding:***

- Income Tax Laws and Regulations
- Filing requirements
- General correspondence
- Billings
- Refunds
- Name and address changes
- Preliminary and Final Assessments

**CONTACT:**

Pass-Thru Entity Unit  
Individual & Corporate Tax Division  
Alabama Department of Revenue  
P.O. Box 327441  
Montgomery, AL 36132-7441

**TELEPHONE:** 334-242-1033

**EMAIL:** [www.revenue.alabama.gov/mailform.cfm](http://www.revenue.alabama.gov/mailform.cfm)

Select Partnerships/S Corps/Estates, Trusts from the dropdown list

**FAX:** 334-242-1030

**Other information:**

**Alabama's website -** [www.alabama.gov](http://www.alabama.gov)

Alabama Department of Revenue website – [www.revenue.alabama.gov](http://www.revenue.alabama.gov)

**Corporate Income Tax Electronic Filing Information –**

[www.revenue.alabama.gov/incometax/corpefilemain.htm](http://www.revenue.alabama.gov/incometax/corpefilemain.htm)

Internal Revenue Service (IRS) – [www.irs.gov](http://www.irs.gov)

IRS 1120/1120S e-file information website - [www.irs.gov/efile/article/0,,id=103789,00.html](http://www.irs.gov/efile/article/0,,id=103789,00.html)

IRS 1065 Modernized e-file website - <http://www.irs.gov/efile/article/0,,id=153999,00.html>

Federation of Tax Administrators (FTA) – [www.taxadmin.org](http://www.taxadmin.org)

# State of Alabama MeF Program Rules and Regulations

## ***Participation in the MeF Program:***

Those who wish to participate in the Federal/State Electronic Filing Program must first apply to the IRS by submitting Form 8633, Application to Participate in the Electronic Filing Program. IRS Publication 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers of Forms 1120/1120S and Publication 3112, IRS e-file Application and Participation specifies the application process and requirements for federal participation. In order to begin e-filing tax returns, you must apply and be accepted as an Authorized IRS e-file Provider. The quickest way to apply is to use the IRS e-file Application On-Line. For more information go to the link below:

<http://www.irs.gov/efile/article/0,,id=131140,00.html>

The ADOR automatically accepts electronic filers (electronic return originators and transmitters) which have been accepted to participate in the Federal Electronic Filing Program. No additional registration is required on the part of electronic filers. This document, **Publication AL4163 Alabama Handbook for Electronic Filers of Corporate/Partnership Income Tax Returns** is to be used in conjunction with **IRS Publication 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers of Forms 1120/1120S.**

IRS Publication 4163 provides detailed instructions on policies and procedures for the federal electronic filing program. All rules, regulations, and requirements governing tax preparers, transmitters, and originators of returns specified by the IRS are in effect for the ADOR. This document sets forth the requirements unique to the filing of Alabama corporate income tax returns. Together the documents specify the requirements for the joint electronic filing of Alabama corporate or partnership income tax returns and federal corporate or partnership income tax returns. **Therefore, electronic filers are encouraged to become thoroughly familiar with both documents.**

## ***ERO and Transmitters Responsibilities:***

Electronic Return Originators (EROs) and transmitters must be approved with the IRS in order to submit Fed/State or State-Only returns. EROs and transmitters must maintain a high degree of integrity, compliance, and accuracy to continue participation in the Alabama Electronic Filing Program.

### **1. Confidentiality:**

Unauthorized access or disclosure of confidential taxpayer information will result in severe Federal and Alabama criminal and civil penalties. In accordance with Code of Alabama, 1975 §40-2A-10 disclosure of confidential information in violation of this statute is a class A misdemeanor.

### **2. Compliance:**

Alabama participates in the federal/state electronic filing program. Therefore, all **EROs and transmitters must meet *all* federal *and* state requirements.** The following guidelines compliment the IRS' guidelines.

- Comply with all federal and state procedures, requirements and specifications as defined in the following publications:
  - IRS Publications 4163 - Modernized e-File Information for Authorized IRS e-file Providers of Forms 1120/1120S
  - IRS Publication 4164 - Modernized e-File Guide for Software Developers and Transmitters
  - Alabama Publication AL4163 – Alabama Handbook for Electronic Filers of Corporate/Partnership Income Tax Returns

- Alabama Publication AL4164 - Software Developers and Transmitters Guidelines and Schemas for Alabama Corporate/Partnership Income Tax Returns
- Alabama Publication AL4162 - Alabama Corporate/Partnership Income Test Package

Alabama publications are not intended to alter or amend the IRS requirements and guidelines.

- Provide accurate Alabama income tax returns in correct electronic format for transmission.

### 3. Timeliness of Filing:

EROs must ensure that electronic returns are filed in a timely manner (See Filing Chart below for due dates). The receipt date of the electronic transmission is based on the IRS received date. **Any return not acknowledged by the Department as “accepted” is considered not filed. PLEASE NOTE: The System will stop accepting 2010 tax returns September 3rd 2012.**

#### FILING CHARTS:

Return Due Date Chart Forms 20C, 20CC, 20S, and PTEC for 20S Tax Year 2011					
Tax Period Beginning & Ending Dates	Tax Period	*Due Date (Weekends Considered)	6 Month Extension Due Date (Weekends Considered)	Tax Year of Return	
1/1/2011 - 12/31/2011	201112	3/15/2012	9/17/2012	2011	
2/1/2011 - 1/31/2012	201201	4/16/2012	10/16/2012	2011	
3/1/2011 - 2/29/2012	201202	5/15/2012	11/15/2012	2011	
4/1/2011 - 3/31/2012	201203	6/15/2012	12/17/2012	2011	
5/1/2011 - 4/30/2012	201204	7/16/2012	1/16/2013	2011	
6/1/2011 - 5/31/2012	201205	8/15/2012	2/15/2013	2011	
7/1/2011 - 6/30/2012	201206	9/17/2012	3/18/2013	2011	
8/1/2011 - 7/31/2012	201207	10/15/2012	4/15/2013	2011	
9/1/2011 - 8/31/2012	201208	11/15/2012	5/15/2013	2011	
10/1/2011 - 9/30/2012	201209	12/17/2012	6/17/2013	2011	
11/1/2011 - 10/31/2012	201210	1/15/2013	7/15/2013	2011	
12/1/2011 - 11/30/2012	201211	2/15/2013	8/15/2013	2011	
Legal Due Date is the 15 <sup>th</sup> of each month.					

Return Due Date Chart Form 65 Tax Year 2011				
Tax Period Beginning & Ending Dates	Tax Period	*Due Date (Weekends Considered)	5 Month Extension Due Date (Weekends Considered)	Tax Year of Return
1/1/2011 - 12/31/2011	201112	4/16/2012	9/17/2012	2011
2/1/2011 - 1/31/2012	201201	5/15/2012	10/15/2012	2011

3/1/2011 - 2/29/2012	201202	6/15/2012	11/15/2012	2011
4/1/2011 - 3/31/2012	201203	7/16/2012	12/17/2012	2011
5/1/2011 - 4/30/2012	201204	8/15/2012	1/15/2013	2011
6/1/2011 - 5/31/2012	201205	9/17/2012	2/18/2013	2011
7/1/2011 - 6/30/2012	201206	10/15/2012	3/15/2013	2011
8/1/2011 - 7/31/2012	201207	11/15/2012	4/15/2013	2011
9/1/2011 - 8/31/2012	201208	12/17/2012	5/17/2013	2011
10/1/2011 - 9/30/2012	201209	1/15/2013	6/17/2013	2011
11/1/2011 - 10/31/2012	201210	2/15/2013	7/15/2013	2011
12/1/2011 - 11/30/2012	201211	3/15/2013	8/15/2013	2011
Legal Due Date is the 15 <sup>th</sup> of each month.				

**After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted or changed in any manner. If either the ERO or taxpayer wishes to change any entries on an accepted electronic return, an amended paper return must be filed.**

#### **4. Responsibility to Clients:**

EROs are entrusted with the task of filing a client's tax return and must assume the responsibility of ensuring that the return arrives at the Alabama Department of Revenue. In the event that the electronic Alabama return fails to arrive at its destination, EROs must notify their clients of the requirement to file a paper return.

#### **5. Form Retention Requirements:**

The ERO is required to retain an electronic copy of all returns, form 8453-C, forms and schedules submitted for a period of three years from the due date of the return or the date the return was filed, whichever is later. If the need arises, the Department may request any of the documents, in writing, and the ERO must provide a copy of the document within five working days of the request. Should an ERO decide to no longer remain in the business, the Department must be notified, in order to, determine the proper resolution of electronic filing program documents and records.

#### ***ADOR Monitoring and Suspension of Electronic Submission Policy:***

The Department will monitor the quality of electronic transmissions. If the quality is unacceptable, The Department will contact the ERO, software developer or transmitter. The Department will also monitor complaints about electronic filers and issue warning or suspension letters as appropriate. **The Department reserves the right to suspend the electronic filing privilege of any electronic filer, software developer or transmitter who varies from the requirements, specifications and procedures stated in this guide or any corresponding administrative rules, or who does not consistently transmit error-free returns.** When suspended, the electronic filer, software developer, or transmitter will be advised of the requirements for reinstatement into the program.

#### ***ADOR E-File Waiver Policy:***

**Software Limitations:** The Department will generally not approve a request to waive the electronic filing requirement if the software purchased or licensed by a taxpayer or a return preparer does not include all of the features necessary to comply with the Modernized e-File

requirements set forth in Department regulations, revenue procedures, publications, and other instructions posted to the [alabama.revenue.gov](http://alabama.revenue.gov) website.

### ***Alabama Electronic Filing Regulations:***

Please visit the following website for the most current Alabama E-File regulations:

<http://www.revenue.alabama.gov/incometax/celfmandate.html>

### ***Frequently Asked Questions Regarding the Corporate/Partnership Mandate Regulations:***

#### **Q. When is the Corporate/Partnership Income Tax e-file mandate effective?**

A. March 4th, 2010 and applies to acceptable corporate/partnership income tax returns required to be filed for taxable years beginning on and after January 1, 2009.

#### **Q. How does a preparer know if he or she is required to electronically file a corporate/partnership return this year?**

A. If an income tax return preparer prepares 125 or more acceptable, original corporate/partnership income tax returns using tax preparation software in calendar year 2009, and 50 or more acceptable corporate/partnership income tax returns using tax preparation software in calendar year 2010, then for the calendar year 2010 all acceptable corporate/partnership income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act", as codified in Chapter 30 of Title 40, Code of Alabama 1975.

#### **Q. How does a preparer know if he or she is required to electronically file a corporate/partnership return next year?**

A. If an income tax return preparer prepares 25 or more acceptable, original corporate/partnership income tax returns using tax preparation software in calendar year 2011, then for that calendar year and for each subsequent calendar year thereafter, all acceptable corporate/partnership income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act", as codified in Chapter 30 of Title 40, Code of Alabama 1975.

#### **Q. If there an Opt-Out provision?**

A. No, there is no opt-out provision for corporate/partnership mandate.

#### **Q. Are there any penalties associated with non-compliance to the corporate/partnership mandate?**

A. No, the first year of the mandate there are no associated penalties.

#### **Q. When is a self-prepared corporate or partnership return included in the mandate?**

For a Tax Year 2009 Corporation with assets of \$5 million or more, or partnerships with 50 or more partners are mandated to e-file Tax Year 2010 Alabama corporate/partnership income tax returns, and all subsequent tax years.

## Information Applicable to All Forms

### ***Transmitting the Returns:***

Authorized E-File providers can transmit returns to the IRS MeF system for Federal and State return processing. State submissions can be made as a Federal return with a State Return attached, a linked Fed/State return, or just a State return, known as a State Only or unlinked submission (*a complete copy of the federal return as filed with the IRS must also be attached to a state only submission*). Each return (Fed/State or State Only) must be in a separate submission. Multiple submissions can be contained in a single message payload.

Packaging of data and transmission payload must be in the proper format.

Returns filed in XML format with SOAP attachments allow for binary attachments to the submission. These attachments may consist of Signature documents, balance sheets, statement records, or other types of documentation. The allowed file type for attachments is file extension .PDF. The file order of attachments and procedures must follow IRS requirements for binary attachments as found in IRS publication 4163. The Department will allow for binary attachments to the state return.

Send data elements only if they contain data values. Do not send empty data elements (i.e., zero financial fields, unused elements, etc.)

### Other Packaging Guidelines:

- A submission contains either an IRS return or a state return
- Each submission is a separate file.
- Each federal return must be submitted in the agreed upon IRS XML format.
- Each state return must be submitted in the XML format specified and agreed to by IRS, state agencies, transmitters, and software developers. The Fed/State 1120 Deployment Team Super-schema can be downloaded from <http://www.irs.gov/efile/article/0..id=140378.00.html>.
- Each state return must include a copy of the FEDERAL RETURN as submitted to the IRS and any attachments associated with that federal return. **If the taxpayer is included in the federal return of a consolidated group, a copy of the pro-forma FEDERAL RETURN for the company must be included along with the first four pages of the consolidated federal return.**
- If the IRS rejects a Fed/State submission, the state will NOT receive the state return portion. The Fed/State submission must be resubmitted.
- Each submission must be in Zip Archive format.
- No nesting of Zip archive files or returns will be allowed. (i.e. one submission, one zip.)
- The SOAP message itself must not be compressed or zipped.
- The message contains a header, a body, and an attachment. See Modernized E-File Logical ICD Model for message layout and message technical specifications.
- ERO's and transmitters must be approved with the IRS in order to submit Fed/State or State Only returns.
- The Department will produce an acknowledgement of acceptance or rejection for each state submission. The transmitter may then retrieve the Department's acknowledgement from the IRS.

## **Attachments to the Electronic return:**

The tax return may also include non-XML documents, known as “binary attachments”, submitted in PDF format. Approved tax preparation software must provide the necessary instructions for creating and submitting all required attachments. These attachments include items from the following sources:

- Required by the return. Example – a line on the form states “attach itemized schedule”
- Required by the form instructions. Example – instructions state “attach a statement to line XX...”

Approved MeF tax preparation software should provide the necessary instructions for creating, scanning or exporting documents in PDF format and submitting these documents as attachments that are required by Alabama and IRS Publications, Code, and/or Regulations. Preparers will create the binary attachments as pdf documents and submit them as electronic files attached to the MeF return. Check with your software provider to see if your software will support binary attachments. These binary attachments are included to allow taxpayers the ability to provide requested documentation that includes required signatures and third party documents as required by forms and instructions (signed copy of lease, signed appraisal statement, etc).

MeF tax preparation software must use the following names for binary attachments because they will be validated by Alabama Department of Revenue business rules.

Conditional Binary Attachments	Required Binary Attachment Title
Consolidated 1120 Pages 1-5 (If applicable)	Consolidated1120.pdf
Federal Form 851 (if applicable)	Federal 851.pdf
Signed Schedule NRAs – Non-resident Agreements (if applicable) (20S)	ALNRA.pdf
Alabama 20CCRE – Election to File Consolidated Income Tax Return (if applicable)	AL20CCRE.pdf
If the Multistate Corporation Separate Accounting checkbox (MultiStateCorpSepAcct) is checked. A copy of the Separate Accounting Approval letter signed by the Commissioner of Revenue must be attached	SeparateAccountingApproval.pdf
If the taxpayer is a member of an affiliated group which files a consolidated federal return the parent company’s current Federal Income Tax Deduction Election (1552) letter must be attached along with the Federal Income Tax Deduction Calculations	1552ElectionCalculations.pdf
.PDF copy of each Alabama corporate income tax return (page 1 only) where the Net Operating Loss listed on Schedule B that is more than six years old	NOLYYYYAL20CPg1.pdf
Alabama 20C/20S/65 additional depreciation allowed by Economic Stimulus Act of 2008 (computation for the difference)	Section179AddBack.pdf
Alabama Form 2220AL Underpayment of Estimated Tax for Corporations (if applicable)	Form2220AL.pdf
Enterprise Zone Capital Credit calculations (if applicable) - This PDF should include Schedule EZ, Certificates and all calculations.	EnterpriseZoneCredit.pdf or CreditStatements.pdf if combined with other credit statements

Employer Education Credit calculations (if applicable) - This PDF should include a copy of the document of approval along with a detailed schedule computing the credit.	EmployerEducationCredit.pdf or CreditStatements.pdf if combined with other credit statements
Income Tax Credit calculations (if applicable) - This PDF should include certificate/document of approval, computation of income generated from project, support for amount paid, and computation of the credit.	IncomeTaxCredit.pdf or CreditStatements.pdf if combined with other credit statements
Tax Increment Fund Payment Credit calculations (if applicable) - This PDF should include the document of approval along with proof of payment(s) into the fund relative to corporate income tax and a detailed schedule computing income generated from the project.	TaxIncrementFundPymtCredit.pdf or CreditStatements.pdf if combined with other credit statements
Coal Tax Credit calculations (if applicable) - This PDF should include a detailed schedule computing the coal tax credit.	CoalTaxCrdt.pdf or CreditStatements.pdf if combined with other credit statements
Capital Tax Credit (if applicable) - This PDF must include Form AR (Annual Report of Project) and Form K-RCC if applicable.	CapitalTaxCredit.pdf or CreditStatements.pdf if combined with other credit statements
Other Reconciliation Items (20S if applicable)- This PDF must clearly explain the nature and amounts of the reconciling items.	OtherReconciliationItems.pdf or Statements.pdf if combined with other statements
Other Separately Stated Items (20S if applicable)- This PDF must clearly explain the nature and amounts of the other separately stated items.	OtherSeparatelyStatedItems.pdf or Statements.pdf if combined with other statements
Separate Non-Business Income/Loss (20S/65 if applicable) This PDF must identifying the nature and amounts of the separately stated non-business items.	SeparateNonBusiness.pdf or Statements.pdf if combined with other statements
Other Expense Portfolio Income (20S/65 if applicable)- This PDF must identify the nature and amounts of the other expenses related to portfolio income.	OtherExpenses.pdf or Statements.pdf if combined with other statements
If there is Tax Due on the 20S return - A PDF with a computation schedule must be submitted.	StateIncomeTaxSCorp.pdf or Statements.pdf if combined with other statements
Form NMC must be completed by each qualifying nonresident member of certain affordable rental housing developments	ALNMC.pdf
If QIPIndicator is populated then a .pdf attachment named "ScheduleQIPC.pdf" must be attached (for forms 65 and PTEC)	ScheduleQIPC.pdf
Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules.	ConsolidatedIncome.pdf
Consolidated Balance Sheets by separate company for the beginning and end of year.	ConsolidatedBalance.pdf
Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year.	FederalK1.pdf

Federal Schedule UTP	FederalUTP.pdf
Federal form M-3 for the entire federal consolidated group	FederalM3.pdf
Reemployment Act of 2010, Effective for tax years 2011 and 2012	ReemploymentAct2010.pdf
If Depreciation Adjustment is greater than \$500 on 20S or 65.	DepreciationAdjustment.pdf

For all other binary attachments, the tax preparation software must provide the taxpayer the ability to enter a meaningful name. The following table provides a few examples of meaningful names.

CONDITION	BINARY ATTACHMENT TITLE
If the regulations require you to attach a merger agreement.	1120 Merger Agreement for XYZ Corporation or Statements.pdf if combined with other statements
If required to attach a detailed schedule of Other Income.	OtherIncome.pdf or Statements.pdf if combined with other statements
If required to attach a schedule of Other Property for Schedule C (Forms 20S/65).	SchedCOtherProperty.pdf or Statements.pdf if combined with other statements
If required to attach a schedule of Other Property for Schedule D1 (Form 20C).	SchedD1OtherProperty.pdf or Statements.pdf if combined with other statements
If shareholder notes are more than 40 characters (20S/65 – K-1)	ShareholderNotes.pdf or K1Statements.pdf
If state notes are more than 20 characters (20S/65 K-1)	StateAdditionalInformation.pdf or K1Statements.pdf

### ***Signing An Electronic Return (AL8453-C):***

As with any corporate/partnership income tax return submitted to the Department on paper, an electronic corporate/partnership income tax return must be signed by an authorized corporate officer/partner and the paid preparer, if applicable.

**Corporation/Partnership** - The Corporation/Partnership (taxpayer) must designate an officer/partner responsible for signing the income tax return. **The officer/partner must sign and date the AL8453-C “Corporate/Partnership Income Tax Declaration for Electronic Filing” to authorize the origination of the electronic submission of the return prior to the transmission of the return.** The Declaration includes the taxpayer’s declaration that the return is true, correct and complete, as well as the taxpayer’s Consent to Disclosure. The Consent to Disclosure authorizes the Department to disclose information to the taxpayer’s Authorized IRS e-file Providers. Intermediate Service Providers, Transmitters and EROs are authorized by taxpayers to receive acknowledgement of receipt or reason for rejection of the electronic return from IRS. **If the electronic return data on a corporate income tax return is changed after the taxpayer has signed the Declaration, the taxpayer must sign a new declaration if the amounts differ.**

**ERO** - The ERO must sign and complete the requested information in the “Declaration of Electronic Return Originator (ERO) and Paid Preparer section after thoroughly reading the declaration. An ERO may authorize members of its firm or designated employees to sign for the ERO, but the ERO is still responsible for all electronically filed returns originated by its firm. EROs do not have to disclose their

EIN or SSN on the copies they provide to taxpayers.

**Paid Preparer** - If the return was prepared for a fee, the paid preparer must also sign the AL8453-C. If the paid preparer is also the ERO, the preparer may check the "Also the Paid Preparer" box and not complete the "Paid Preparer's Use Only" section. Paid Preparers do not have to disclose their SSNs or EINs on the copies they provide to taxpayers.

**The Form AL8453-C must be completed and signed by all required parties. Do not submit this form to the Alabama Department of Revenue unless requested to do so.**

The ERO is required to retain a copy of this form along with an electronic copy of all returns, forms and schedules submitted for a period of three years from the due date of the return or the date the return was filed, whichever is later. If the need arises, the Department may request any of the documents, in writing, and the ERO must provide a copy of the document within five working days of the request. See Section 5 ERO and Transmitters Responsibilities, Form Retention Requirements and Appendix I for the AL8453-C

### ***Electronic Payment Options:***

Taxpayers who file their return electronically can elect to pay their balance due by two different electronic funds transfer methods for full payment when filing their return and choose a debit date up to the due date of the return.

#### **1. ACH DEBIT PAYMENT METHOD (<http://www.revenue.alabama.gov/eft/eftdebit.pdf>):**

The ACH Debit payment method is the primary method used by taxpayers to make payments for a tax under the Alabama EFT Tax Payment Program. The process is safe, simple, and convenient, and the cost of processing ACH Debit payment transactions is borne by the Department. Each individual EFT payment is only initiated upon the express authorization of the taxpayer. There are three methods of filing an ACH Debit Payment: 1) Operated Assisted, 2) Touchtone Telephone Method, 3) Internet Method.

#### **2. ACH CREDIT PAYMENT METHOD (<http://www.revenue.alabama.gov/eft/eftcredit.pdf>):**

The Department will allow taxpayers to use the ACH Credit payment method only if certain qualifying conditions are met. A taxpayer must request permission from the Department to use the ACH Credit method and submit a written request, accompanying the EFT001 form, which demonstrates the existence of a valid business operational reason for using the ACH Credit payment method in lieu of the ACH Debit payment method. Taxpayer requests to use the ACH Credit method will be reviewed on a case-by-case basis. A taxpayer who is already using the ACH Credit method to pay taxes for other states is deemed to have a valid business reason for using the ACH Credit method to make payments for Alabama taxes.

The Department reserves the right to revoke the ACH Credit method payment privilege of any taxpayer for the following reasons:

- a) Failure to transmit consistently error-free payments
- b) Substantial variation from the requirements and specifications of the rules of the Alabama EFT Tax Payment Program;
- c) Failure to make timely EFT payments or to provide timely payment information; or,
- d) Failure to provide the addenda record, required by the Alabama EFT Tax Payment Program, with the EFT payment.

To register for EFT taxpayers must complete the EFT:001 form entitled EFT Authorization Agreement Form, and mail or fax it to the Department's EFT Unit. The mailing address and fax number are given at the top of the form. The EFT:001 form and instructions can be downloaded from the Department's Web site at <http://www.ador.state.al.us/eft/eftindex.html>.

### ***Acknowledgement Types:***

The Department will generate an acknowledgement for all returns received. The acknowledgement record/XML schema format is included in this publication.

The Alabama acknowledgement types are:

- 1. ACCEPTED:** This acknowledgement indicates the electronic return was received and successfully completed the pre-entry validation process. No further action is required regarding the transmission. **Any return not acknowledged by the Department as "accepted" is considered not filed.**
- 2. REJECTED:** This acknowledgement indicates the electronic return was received and failed to successfully complete the pre-entry validation process. **The acknowledgement will contain an error rejection code number followed by a message indicating the error causing the rejection, or in the case of a schema validation error only the schema error message will be displayed.** The error conditions must be corrected and the return can then be re-transmitted as a "State-Only" return. If a rejection occurs on the due date of the return it will be considered timely filed if it is corrected and re-transmitted **within the 10 business day perfection period.** Only after all attempts to correct the return and re-transmit have failed may the return be filed as a paper return. In order for the paper return to be considered timely it must be filed by the later of the due date of the return or ten (10) business days after the date Alabama gives notification the return is rejected. The paper return should include (1) an explanation of why the return is being filed after the due date (2) a copy of the reject notification from Alabama to avoid late filing penalties and interest and (3) a signed copy of the AL8453C in lieu of a signature on the paper return.

Returns prepared with software that is not approved by the Department will be rejected. Unless authorized by the taxpayer to discuss the return with the preparer, the Department will communicate directly with the taxpayer if additional information is needed to correct a return. EROs and transmitters will only be given limited information about the tax return, including acknowledgment of receipt by the Department through the IRS and the reason for any processing delay. See Publication AL4165 for Alabama Error Reject Codes. Also see the business rules document for field length specifications and other business rules including **Validation Error Codes** and descriptions on the department's web site at [www.revenue.alabama.gov/incometax/corpefilemain.htm](http://www.revenue.alabama.gov/incometax/corpefilemain.htm).

**EROs and Transmitters should allow 5 business days to receive the State acknowledgement before contacting the Department.**

### ***ERROR CATEGORIES:***

All MeF business rules are divided into 12 error categories. The first eight categories validate the XML data:

1. Missing Document – a tax return document is required but was not included in the tax return.
2. Data Mismatch – the data in two fields should be the same but is not. For example, if MultiSateCorpPercentage is checked on AL Form 20C, Lines 1-14 should be blank; Line 15 (StateIncomeTax) shall equal Schedule D-2 Line 4 (TaxDueOnGrossReceipts). If MultiSateCorpPercentage is checked and StateIncomeTax is not equal to TaxDueOnGrossReceipts then you will receive error message: MultiSateCorpPercentage was checked, Lines 1-14 should be blank and Line 15 (StateIncomeTax) shall equal Schedule D-2

Line 4 (TaxDueOnGrossReceipts).

3. Duplicate Condition – the tax return or the transmission file was previously received and accepted by the Department.
4. Math Error – results when a computation is incorrect.
5. Incorrect Data – data violates a business rule even though it is syntactically correct. That is, the data values for elements must conform to the format specified and the data type. Also, the data values for elements must contain only values allowed for them in the schema.
6. Missing Data – data is not provided for a required field.
7. Database Validation Error – data provided does not match the IRS database or the data provided should be present in the IRS database but is not. (e.g. the SoftwareID in the Return Header must be listed in the MeF database and in accepted status.)
8. XML Error – the data violates Schema specification. The return and transmission documents must conform to the version of the XML schema they specify.
9. System Error – a return encounters a problem with the IRS systems that prevents the return from being processed electronically.
10. Unsupported – a submitted item(s) is sent to a location that does not accept it or an unusual condition is encountered in the data.

## **Special Instructions For Specific Forms**

Calendar year 2011 and fiscal years or short-years that begin on or after January 1, 2011 may be electronically filed. The tax year begin date and the tax year end date must be completed if the Fiscal Year (FY) or Short Year (SY) check box is selected. If the Calendar year (CY) check box is selected the tax year begin date and tax year end date will be January 1, 2011 and December 31, 2011 respectively. Currently, Alabama only accepts one return each filing season, any subsequent filings such as additional short year returns and amended returns must be filed by paper.

The Alabama Corporate Income Tax Return - Form 20C, Alabama Consolidated Corporate Income Tax Return - Form 20CC, S Corporation Information/Tax Return - Form 20S and Alabama Partnership Information Return – Form 65 are not considered complete and properly filed unless a complete copy of the appropriate federal return (Form 1120, 1120A, 1120F, 990T, 1120S, 1065 etc) is attached in XML format only. The Alabama Department of Revenue **will no longer require** a copy of the **federal return** as a **binary attachment in .pdf format** for returns in the Business MeF Program (Forms 20C, 20CC, 20S, and 65). Failure to attach the complete federal return with the necessary supporting schedules (such as Schedule D, Form 4797 and spreadsheet of income statements for all corporations included in the Federal Consolidated Return) can result in rejection of the return and may result in the imposition of delinquent penalties.

The total amount of the corporation's income tax liability for the period is due on or before the unextended due date of the return. Any balance of tax due and not paid on or before the due date will be subject to a failure to timely pay penalty and will accrue interest at the rate established by the Secretary of the Treasury under the authority of 26 U.S.C. §6621. For tax year 2008 and forward an extension to file will be automatically granted with **no request required by the taxpayer**. **Please refer to Section 5 "Return Due Date Charts" for the appropriate form's due date.**

## **FORM 20C – ALABAMA CORPORATE INCOME TAX RETURN**

### **SPECIAL ISSUES REGARDING FILING STATUS:**

1. Filing Status 1 (Corporation operating only in Alabama) – If checked, then Alabama Apportionment Factor must be 100%.
2. Filing Status 2 (Multistate Corporation – Apportionment)
  - Schedule A - Multistate Corporations must not use Schedule A to make adjustments for nonapportionable (nonbusiness) items. Adjustments for these items must be made on Schedule C.
  - Schedule C (Allocation of Nonbusiness Income, Loss, and Expense ) - This schedule should only be used if Filing Status 2, Multistate Corporation Apportionment, is checked. This schedule is used to report all items of nonbusiness income, nonbusiness loss, and nonbusiness expense. These items are excluded from apportionable income and are allocated either to Alabama or to another state.
  - **\*\*CHANGED FOR TAX YEAR 2011\*\*** Schedule D -1 (Apportionment Factor Schedule) - This schedule is only used for Filing Status 2 and must be completed and attached to report the corporation's business activity in Alabama represented by the apportionment percentage. The Alabama apportionment factor must equal the sum of the Alabama property factor, Alabama payroll factor and twice Alabama Sales factor divided by 4. If the total average property-everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if payroll everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if total sales everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 2.
3. Filing Status 3 (Multistate Corporation – Percentage of Sales)
  - Schedule D-2 Percentage of Sales should only be used if Filing Status 3 is checked. This schedule should be used by taxpayers whose **only activity** in Alabama consists of **sales and does not include owning or renting real estate or tangible personal property, and whose gross Alabama sales do not exceed \$100,000.**
4. Filing Status 4 (Multistate Corporation-Separate Accounting) – If checked then the prior written approval document signed by the Alabama Department of Revenue Commissioner must be attached (SeparateAccountingApproval.pdf).
5. Filing Status 5 (Proforma Return) - This filing status is not an available option for taxpayers who do not have a valid election to file a consolidated Alabama return. Please see our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for instructions on filing a Consolidated Corporate Income Tax Return. *This filing status has the ability to utilize any schedule on the form 20C that is applicable to their filing needs.*

### **SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule A (Reconciliation Adjustments of Federal Taxable Income to Alabama Taxable Income) – Multistate Corporations must not use Schedule A to make adjustments for nonapportionable (nonbusiness) items. Adjustments for these items must be made on Schedule C.

Schedule B (Alabama Net Operating Loss Carryforward Calculation) - The Alabama net operating loss deduction is limited to net operating losses incurred by a corporation which did business in Alabama and filed Alabama corporate income tax returns in prior taxable years. **You must attach copies of the Alabama corporate income tax returns (page 1 only) for all applicable years that are more than six years old.** This includes tax periods where the net operating loss was used.

Schedule C (Allocation of Nonbusiness Income, Loss and Expenses) - Only used for filing status 2 ( Multistate Corporation – Apportionment).

Schedule D-1 (Apportionment Factor Schedule) - Only used for filing status 2 ( Multistate Corporation – Apportionment).

Schedule D-2 (Percentage of Sales) - Only used for filing status 3 ( Multistate Corporation – Percentage of Sales).

Schedule E (Federal Income Tax (FIT) Deduction/ (Refund) – This schedule should be used to compute the amount of the corporation’s federal income tax deduction allowed for Alabama corporate income tax purposes.

- Corporations filing a consolidated federal return - complete the entire schedule.
- Corporations filing separate company federal returns - complete lines 6-12 of this schedule only. Lines 1-5 are used to compute the amount of the consolidated federal tax liability attributable to the company filing Form 20C. Taxpayers utilizing method 1552(a)(3) must attach a copy of the corporation’s federal income tax deduction workpapers. Even if the taxpayer is filing as part of a consolidated federal return, taxpayer’s utilizing method 1552(a)(3) should skip to line 6. **Lines 1-5 of this schedule will only work for those taxpayers using methods 1552(a)(1) or 1552(a)(2).**

Schedule F (Credits/Exemptions) -

1. Alabama Enterprise Zone Credit/Exemption: Corporations eligible for the tax credit must be approved by the Alabama Department of Economic and Community Affairs (ADECA) and must also receive certification annually from ADECA. **Each corporation qualified for and receiving an Alabama Enterprise Zone Credit is required to complete and file Schedule EZ and the certificate of Certification and computations with the Form 20C return. If a C corporation is a member or partner of a pass through entity that is eligible for the enterprise zone credit, the credit is distributed to each partner or member based on the percentage of ownership; Schedule EZ-K1 is required to be attached to the C corporation Form 20C return.**
2. Employer Education Credit: Corporations eligible for the tax credit must have written approval from Alabama Department of Education. *A copy of the document of approval along with a detailed schedule (including actual costs incurred, employee employment period) computing the credit must be filed with form 20C (EmployerEducationCredit.pdf).*
3. Income Tax Credit: Corporations eligible for the tax credit must have written approval. The credit cannot exceed the lesser of (1) tax due, or (2) the amount paid pursuant to the

financing agreement in the year for which tax is due, corresponding to debt service on the project obligations. *A copy of the certificate/document of approval, computation of income generated from project, support for amount paid, and computation of credit must be filed with form 20C (IncomeTaxCredit.pdf).*

4. Tax Increment Fund Payment Credit: Corporations eligible for the tax credit must have written approval. The credit is allowed for any payments into the fund with respect to corporate income tax due, for the year, on income generated by or arising from the project. Such credit cannot exceed the lesser of the amount of income tax due or the amount (exclusive of job development fees) paid into the tax increment funds. *The document of approval along with proof of payment(s) into the fund relative to corporate income tax and a detailed schedule computing income generated from the project must be filed with form 20C (TaxIncrementFundPaymentCredit.pdf)*
5. Coal Tax Credit: Corporations doing business in Alabama as a producer of coal mined in Alabama are allowed a credit against the Alabama income tax liability. The credit is one dollar per ton of the increase in Alabama coal produced for the year over the Alabama coal produced in the prior year. *A detailed schedule computing the coal tax credit must be filed with form 20C (CoalTaxCredit.pdf)*
6. Capital Tax Credit: Corporations eligible for the tax credit must have written approval from the Alabama Department of Revenue prior to the project entity taking the credit. The credit allowable is up to 5 percent of the qualifying project's allowable capital costs for each of 20 years, limited to the tax liability generated by or arising out of the qualifying project, and is applied after all deductions, exemptions and other credits have been taken. The corporation is required to complete and attach Form AR with the Form 20C return to be eligible to receive the capital credit. If the C Corporation is a member or partner of an investing company that has a qualifying project, the C Corporation must complete and attach Form K-RCC with Form 20C. *All documentations should be scanned into one pdf (CapitalTaxCredit.pdf) and filed with form 20C. If a capital credit is claimed on Form 20C, the project number must be entered in the space provided on line 6 of Schedule F.*

**Other Information Schedule - This schedule should be used by all taxpayers without regard to Filing Status.** This schedule request additional information, and requires additional forms and/or attachments as applicable to each corporate taxpayer.

**For a company filing a form 20C who files as part of a consolidated federal the following information is required to be attached:**

- Federal Form 851, Affiliations Schedule, please identify all corporations subject to tax in Alabama (Federal851.pdf)
- Pages 1-5 of the consolidated form 1120 (Consolidated1120.pdf)
- Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules (ConsolidatedIncome.pdf)
- Consolidated Balance Sheets by separate company for the beginning and end of year (ConsolidatedBalance.pdf)
- Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year (FederalK1.pdf)
- Federal Schedule UTP (FederalUTP.pdf)
- Federal form M-3 for the entire federal consolidated group (FederalM3.pdf)

For more information please see Form 20C instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

## **FORM 20CC – ALABAMA CONSOLIDATED CORPORATE INCOME TAX RETURN**

### **SPECIAL ISSUES REGARDING FILING STATUS:**

Who should file a Form 20CC?

The Form 20CC must be filed by all Alabama Affiliated Group's (AAG) with a binding consolidated election (Form 20C-CRE). **Do not use Alabama Consolidated Corporate Income Tax Return Form 20CC if you are not the parent of the Alabama Affiliated Group.** All transactions between and among members of the AAG shall be reported on an arms length basis. In addition to the separate company calculation, there may be additional expense items with limitations based on Alabama consolidated taxable income. Credits are not allowed to exceed Alabama consolidated taxable income.

Proforma Return (Filing Status 5 on the 20C form) – This is only available for companies who have a valid election to file a consolidated Alabama return. A Proforma Form 20C should be completed for each member of the AAG and the parent should file the Consolidated Corporate Income Tax Return Form 20CC.

If a corporation is a member of an affiliated group which files a consolidated federal return, additional schedules are required. See "Other Information" on page 4 of the Form 20C for these filing requirements.

Note: If any payments were made by any corporation other than the AAG parent corporation, please attach a detailed list showing the name of the corporation who made the payment, including the FEIN of the corporation and the amount paid.

### **SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule AS (Affiliations Schedule) - Currently, the State of Alabama allows up to 500 affiliates to be listed on the Schedule AS for electronic MEF filing purposes.

Please attach a copy of Federal Form 851 (Federal 851.pdf), Affiliations Schedule. And, Complete Schedule AS, Alabama Affiliations Schedule for each year a consolidated return is filed.

Schedule B (Alabama Consolidated Net Operating Loss Carryforward Calculation) - For taxable years beginning after December 31, 1984, a net operating loss (NOL) may be carried forward for a maximum of 15 years. *There is no provision in Alabama tax law that allows corporations to carry a net operating loss back to prior taxable years. This schedule must be completed in order to claim the NOL deduction.* **Copies of the Alabama corporate income tax returns (page 1 only) for all applicable years more than six years old must be attached (NOLYYYYAL20CPg1.pdf), including tax periods where the NOL's were utilized.**

**The Alabama net operating loss deduction is limited to net operating losses incurred by a corporation which did business in Alabama and filed Alabama corporate income tax returns in prior taxable years.**

Note1: Please complete Form 20CC Schedule B for the AAG Consolidated portion of the NOL only. The separate company Proforma Form 20C, Schedule B, should be used to compute the separate company NOL's.

Note 2: Please begin the net operating loss schedule with the oldest loss year first, ending with the most current loss year. Please list loss years only. Tax years that utilize net operating losses should not be listed. The utilized losses are shown in column 3.

**The Form 20CC Consolidated Corporate Income Tax Return requires the following information to be attached:**

1. Federal Form 851, Affiliations Schedule, please identify all corporations subject to tax in Alabama (Federal851.pdf)
2. Pages 1-5 of the consolidated form 1120 (Consolidated1120.pdf)
3. Consolidated Income Spreadsheet including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules (ConsolidatedIncome.pdf)
4. Consolidated Balance Sheets by separate company for the beginning and end of year (ConsolidatedBalance.pdf)
5. Copy of federal Schedule K-1 for each tax entity that the corporation holds an interest in at any time during the taxable year (FederalK1.pdf)
6. Federal Schedule UTP (FederalUTP.pdf)
7. Federal form M-3 for the entire federal consolidated group (FederalM3.pdf)

For more information see Form 20CC instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

**FORM 20S – S CORPORATION INFORMATION / TAX RETURN**

**SPECIAL ISSUES REGARDING FILING STATUS:**

Form 20S requires that an Alabama Schedule K-1 be completed for any entity that was a shareholder at any time during the taxable year. The Alabama Form 20S is not considered complete and properly filed unless a copy of the federal Form 1120S with all federal K-1s are attached. Failure to attach the complete federal return (in XML format only) with the necessary supporting schedules and all applicable Nonresident Shareholder Agreement forms (Sch NRA) will result in rejection of the return and may result in the imposition of delinquent penalties.

The Alabama Form 20S is due by the 15<sup>th</sup> day of the 3<sup>rd</sup> month after the end of the tax year. If the return cannot be filed by the due date an automatic 6 month extension of time to file the return (up to a maximum of 6 months) will be granted if the return is filed within the six-month automatic extension period.

Multistate Operations – If the S Corporation operates in more than one state Schedule B, C, and D must be completed. Section 40-18-22, Code of Alabama 1975, requires partnerships and limited liability companies that are doing business both within and without the State of Alabama to allocate and apportion their income in accordance with Chapter 27, Title 40, Code of Alabama 1975 (also known as the Multistate Tax Compact). See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

**SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule A (Computation of Separately Stated and Nonseparately Stated Income/Tax) – Multistate Corporations must not use Schedule A to make adjustments for non-apportionable (non-business) items. Adjustments for these items must be made on Schedule B.

Schedule B (Allocation of Non-business Income, Loss, and Expense) – This schedule should only be used if Multistate Operation, page 1 is checked. Nonbusiness items are not subject to the

multistate apportionment requirements of Chapter 27, Title 40, Code of Alabama 1975, but are allocated directly to Alabama or another state, in accordance with the Multistate Tax Compact. See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

**Schedule C** (Apportionment Factor Schedule) – **Do not complete this schedule if entity operates exclusively in Alabama.**

**\*\*CHANGED FOR TAX YEAR 2011\*\*** Schedule C (Apportionment Factor Schedule) - This schedule is only used for Multistate Operations and must be attached to report the business activity in Alabama represented by the apportionment percentage. The Alabama apportionment factor must equal the sum of the Alabama property factor, Alabama payroll factor and twice Alabama Sales factor divided by 4. If the total average property-everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if payroll everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if total sales everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 2.

**Schedule D** (Apportionment of Federal Income Tax) – This schedule should be completed to compute the amount of the corporation's federal income tax deduction allowable for/apportioned to Alabama. **If the corporation operates only in Alabama, completion of Schedule D past line 1 is not required. The amount from Line 1 should also be entered on Schedule K, Line 13. Please see instructions for more details**

**Schedule G** (Tax Credits) – This schedule should be completed only if any tax credit detailed below will be taken at the S corporation level. All credits detailed below are provided on a pass-through basis for all shareholders of eligible S corporations.

1. Employer Education Tax Credit - corporations eligible for the tax credit must have written approval from Alabama Department of Education. A copy of the document of approval along with a detailed schedule (including actual costs incurred, employee employment period) computing the credit must be filed with Form 20S (EmployerEducationCredit.pdf).
2. Coal Tax Credit - corporations doing business in Alabama as a producer of coal mined in Alabama are allowed a credit against the Alabama income tax liability. The credit is one dollar per ton of the increase in Alabama coal produced for the year over the Alabama coal produced in the prior year. A detailed schedule computing the coal tax credit must be filed with form 20S (CoalTaxCredit.pdf)

Total Credits must equal the sum of Employer Education Tax Credit, and Coal Tax Credit.

**Schedule H** (Other Information Schedule) - **All S corporations must complete this schedule providing the requested additional information as applicable to each corporate taxpayer.**

**Schedule K** (Distributive Share Items) - Amounts entered in the Alabama Amount column must equal the product of the Amount entered in the Federal Amount column multiplied by the Apportionment Factor.

**Alabama Schedule K-1** - *To be considered a complete return, the Alabama Form 20S MUST be accompanied by a properly completed Alabama Schedule K-1 for each tax entity that was a shareholder at any time during the taxable year.* An Alabama Schedule K-1 must be included for each partner/shareholder in the partnership during the tax period.

**\*\*\*New for tax year 2011\*\*\***The Alabama K-1 has two columns in some boxes of Part III. The first column should be completed for both residents and nonresident partners/shareholders. The second column of Part III should be completed for resident partners/shareholders only. This column should include the resident's share of income (loss) from all sources, including income (loss) earned from other states.

Example: A multistate entity has \$100,000 of income. 27% is allocated to Alabama. The entity has a nonresident and resident partner/shareholder each receiving 50% of income (loss). On schedule K-1, the entity would report \$13,500 in Column 1, Box M, *for both the nonresident partner/shareholder and resident partner/shareholder*. The entity would report 50,000, income (loss) from all sources, in Column 2, Box M for the resident partner/shareholder.

Schedule NRA Non-resident Agreement - An Alabama S Corporation may file the agreement of each non-resident shareholder of the entity to file a return and make timely payments of all taxes imposed on the shareholder with respect to the income of the Alabama S corporation, and to be subject to personal jurisdiction in this State for the purpose of collection of unpaid income tax, together with related interest and penalties, from the non-resident owner/shareholder. If applicable a copy of the Alabama Schedule NRA must be attached.

See Form 20S Instructions

Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

## **FORM 65 – ALABAMA PARTNERSHIP / LIMITED LIABILITY COMPANY RETURN OF INCOME**

### **SPECIAL ISSUES REGARDING FILING STATUS:**

The Alabama Form 65 requires that an Alabama Schedule K-1 be completed for any entity that was a partner or owner during the taxable year. *The Alabama Form 65 is not considered complete and properly filed unless a copy of the federal Form 1065 with all federal K-1s are attached.* Failure to attach the complete federal return with the necessary supporting schedules will result in rejection of the return and may result in the imposition of delinquent penalties.

Returns made on the basis of calendar year shall be filled on or before the 15<sup>th</sup> day of April following the close of the calendar year. Returns made on the basis of fiscal year shall be filed on or before the 15<sup>th</sup> day of the fourth month following the close of the fiscal year. If the return cannot be filed by the due date an automatic **five month extension** of time to file the return (up to a maximum of **five months**) will be granted if the return is filed within the **five month** automatic extension period.

Multistate Operations – If the Partnership/LLC operates in more than one state Schedule B, C, and D must be completed. Section 40-18-22, Code of Alabama 1975, requires partnerships and limited liability companies that are doing business both within and without the State of Alabama to allocate and apportion their income in accordance with Chapter 27, Title 40, Code of Alabama 1975 (also known as the Multistate Tax Compact). See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

### **SPECIAL ISSUES PERTAINING TO SPECIFIC SCHEDULES:**

Schedule A (Computation Of Separately Stated And Nonseparately Stated Income/Tax) - Multistate Corporations must not use Schedule A to make adjustments for nonapportionable (nonbusiness) items. Adjustments for these items must be made on Schedule B.

Schedule B (Allocation of Nonbusiness Income, Loss, and Expense) – This schedule should only be used if Multistate Operation, page 1 is checked. Nonbusiness items are not subject to the multistate apportionment requirements of Chapter 27, Title 40, Code of Alabama 1975, but are

allocated directly to Alabama or another state, in accordance with the Multistate Tax Compact. See the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) for Alabama's multistate taxation laws and regulations.

**Schedule C** (Apportionment Factor Schedule) –**Do not complete this schedule if entity operates exclusively in Alabama.**

**\*\*CHANGED FOR TAX YEAR 2011\*\*** Schedule C (Apportionment Factor Schedule) - This schedule is only used for Multistate Operations and must be attached to report the business activity in Alabama represented by the apportionment percentage. The Alabama apportionment factor must equal the sum of the Alabama property factor, Alabama payroll factor and twice Alabama Sales factor divided by 4. If the total average property-everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if payroll everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 1; if total sales everywhere is equal to zero then the factor is not utilized in the production of income, it shall be eliminated and the denominator reduced by 2.

**Schedule E** (Required Information Schedule) – All partnerships and limited liability companies must provide all required information on this schedule.

**Schedule K** (Distributive Share Items) - Amounts entered in the Alabama Amount column must equal the product of the amount entered in the Federal Amount column multiplied by the Apportionment Factor.

**Required Entity Information** – This form is required for the Alabama Form 65. All Partnerships must complete this section providing the additional required information.

**Alabama Schedule K-1** - *To be considered a complete return, the Alabama Form 65 MUST be accompanied by a properly completed Alabama Schedule K-1 for each tax entity that was a shareholder at any time during the taxable year.* An Alabama Schedule K-1 must be included for each partner/shareholder in the partnership during the tax period.

**\*\*\*New for tax year 2011\*\*\***The Alabama K-1 has two columns in some boxes of Part III. The first column should be completed for both residents and nonresident partners/shareholders. The second column of Part III should be completed for resident partners/shareholders only. This column should include the resident's share of income (loss) from all sources, including income (loss) earned from other states.

Example: A multistate entity has \$100,000 of income. 27% is allocated to Alabama. The entity has a nonresident and resident partner/shareholder each receiving 50% of income (loss). On schedule K-1, the entity would report \$13,500 in Column 1, Box M, *for both the nonresident partner/shareholder and resident partner/shareholder.* The entity would report 50,000, income (loss) from all sources, in Column 2, Box M for the resident partner/shareholder.

See Form 65 Instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.

### **FORM PTEC – NONRESIDENT COMPOSITE PAYMENT RETURN**

An Alabama Subchapter K entity/S corporation may file composite returns and make composite payments on behalf of some or all of its non-resident owners/shareholders if there are one or more non-resident owners/shareholders during any part of the taxable year. By filing Form PTE-C no further filing may then be required by an individual owner/shareholder. If an individual non-resident

owner/shareholder has other income in Alabama or is due a refund a Form 40NR, Alabama Individual Nonresident Income Tax Return must be filed by that owner/shareholder.

Required Entity Information – This form is required for the Alabama Form PTE-C. All Subchapter K entities, S Corporations and Qualified Investment Partnerships must complete this section providing the additional required information.

Please refer to **Section 5 “Return Due Date Charts”** for the due dates and extended due dates for Form PTE-C used for S Corporations, and the due dates and extended due dates for Form PTE-C used for Partnerships since these dates will differ.

A completed Alabama Schedule K-1 for each owner/shareholder included on Form PTE-C should be submitted with Form 65/Form 20S.

Schedule PTE-CK1 should be completed for each non-resident owner/shareholder for whom the company is making a composite payment.

See Form PTE-C Instructions. Visit our Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information or current law changes.