

What's New for 2025

Beginning on or after January 1, 2025, Act 2024-302 and Act 2024-303 created 4 new credits. These include the Alabama Workforce Housing Tax Credit, Employer Tax Credit, Childcare Facility Tax Credit, and Employer Provider Credit for employers who are childcare providers. Details about these credits are listed below in Parts Q-T.

Non-logged in MAT Option available:

Taxpayers who do not have an account with the Alabama Department of Revenue may make payments using MAT. Visit the Department's website at www.revenue.alabama.gov (click the MAT icon on the home page > Under Payments, click > Make a Payment). You will need to know your banking information, filing period, payment type and FEIN or Alabama Tax Account Number.

Technical assistance with making a payment using MAT call toll free (1-800-322-4106, option 5 or 334-242-1170, option 5) from 8:00 am through 5:00 pm (Central Standard Time).

Issues Concerning the Preparation of Schedule FC

Fiduciary taxpayers must apply through My Alabama Taxes (MAT) at www.myalabamataxes.alabama.gov and receive approval before claiming credits generated by the trust or estate and before distributing credits to the beneficiaries. Once logged into MAT, a taxpayer will need to locate the Fiduciary Tax as their account type then select "Submit a Credit Claim" and follow a short series of instructions/steps to claim a credit. Any supporting documentation for the credit certificate is required to be attached in MAT. The process of "Submitting a Claim" through MAT must be completed to allow the recipients a credit claim. Taxpayers needing assistance with signing up for a My Alabama Taxes Account or with reserving a tax credit may call (334) 242-1170 Option 6.

Note: Any tax credits originating from an ownership interest in a Pass Through Entity (partnership, S-Corporation or disregarded entity) that flow through to a Fiduciary taxpayer will not need to be pre-certified by the Fiduciary tax filer unless the credit will flow through to the beneficiary or the Fiduciary is generating the credit.

Part A – Income Taxes Paid to other States

In accordance with §40-18-25(c) resident estates and trusts are allowed a credit for taxes paid to another state, for tax years beginning after December 31, 2004, if the resident estate or trust conducts a trade or business both in Alabama and in one or more other states or territories. 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. When income tax is paid to more than one other state, the tax credit must be computed separately for each state. **A copy of the return as filed with the other state must be attached for the credit to be considered properly substantiated.**

- Line 1. Enter taxable income as shown on the other states return and list state.
- Line 2. Enter the tax due to the other state using Alabama tax rates.
- Line 3. Enter the tax due on the other state's return.

Line 4. Enter the lesser of line 2 or 3.

Lines 5-24: repeat the steps on each line

Line 25. Enter the sum of lines 4, 8, 12, 16, 20 and 24. Enter the amount here and on Section C, Part A, Column 3.

Part B – Coal Credit

For the tax years beginning on and after January 1, 1995, every corporation, whether a "subchapter S" corporation, as defined by the 1995 Internal Revenue Code, or not, foreign or domestic, that is doing business in Alabama, as a producer of coal mined in Alabama, shall be allowed a credit against the tax imposed by Section 40-18-2, in the amount of one dollar (\$1) per ton of increased production of coal over the previous year's production of coal as set out herein below. Such tax credit shall be based on coal produced after January 1, 1995, provided the coal was mined in Alabama as certified by the producer of the coal. The amount of the total credit in any one year shall be based on the number of tons of Alabama coal produced by the corporation in the year which exceeds the number of tons of Alabama coal produced by the corporation in calendar year 1994. In the event a corporation did not produce Alabama coal during calendar year 1994, such corporation must establish a base year by producing Alabama coal for 12 consecutive months. Thereafter, such corporation shall be eligible for the tax credit as specified herein above over the base year production. Acts 1995, No. 95-239, p. 403, §1.

Beginning with calendar year 2023, taxpayers may carry forward any unused coal credit for up to 5 years. The coal credit is required to be submitted through MAT (My Alabama Taxes) NOTE: If the credit you are claiming is from a Partnership or S Corporation, do not submit the credit claim through MAT. The credit claim will be submitted by the Partnership or S Corporation.

**Part C – Full Employment Act of 2011 Credit
(MAT Approval Required)**

Sections 40-18-290 through 40-18-293 provide for a tax credit against Alabama income tax for small businesses which employ 50 or fewer employees and create new jobs paying more than ten dollars (\$10) per hour. Employers will receive an income tax credit equal to one thousand dollars (\$1,000) and shall be available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full-time employees in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama as of the last day of the tax year immediately preceding the first employment year. The income tax credit may be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer's state tax liability for which the credit is claimed. This credit is not refundable or transferable.

- Line 1. Enter the pro rata share of credit from Schedule K-1. Enter the FEIN number of the entity. If credit is from more than one entity attach schedule.
- Line 2. Enter the credit allocated to the beneficiaries.
- Line 3. Enter the credit allowable. Subtract line 2 from line 1. Enter the amount here and on Section C, Part C, Column 3.

Part D – Veteran’s Employment Act-Employer Credit (MAT Approval Required)

Act 2018-194 amends Sections 40-18-320 and 40-18-321 for all tax years beginning on or after January 1, 2018 to rename the Heroes for Hire Tax Credit Act of 2012 as the Veterans Employment Act. The act adds Sections 40-18-320.1 and 40-18-325 to the Code of Alabama, 1975. A qualified employer subject to the requirements of the act shall be eligible for an additional nonrefundable credit against the income tax or financial institution excise tax in the amount of \$2,000 for each new unemployed or combat veteran hired for a full-time position paying at least fourteen dollars per hour, where majority of the duties are at a business located within Alabama. The additional credit shall only be available in the tax year during which the employee has completed 12 months of consecutive employment.

- Line 1. Enter the pro rata share of credit from Schedule K-1. Enter the FEIN number of the entity. If credit is from more than one entity attach schedule.
- Line 2. Enter the credit allocated to the beneficiaries.
- Line 3. Enter the credit allowable. Subtract line 2 from line 1. Enter the amount here and on Section C, Part D, Column 3.

Part E – Veteran’s Employment Act-Business Start-up Expenses Credit (MAT Approval Required)

Section 40-18-323 allows for a nonrefundable credit against the income tax liability to unemployed veterans in an amount up to \$2,000 for expenses associated with one start-up business in which the veteran holds at least 50% ownership interest. The credit is only applicable for businesses: started after April 2, 2012, located within Alabama, and showing a net profit of at least \$3,000 for the year in which the credit is taken.

- Line 1. Enter the pro rata share of credit from Schedule K-1. Enter the FEIN number of the entity. If credit is from more than one entity attach schedule.
- Line 2. Enter the credit allocated to the beneficiaries.
- Line 3. Enter the credit allowable. Subtract line 2 from line 1. Enter the amount here and on Section C, Part E, Column 3.

Part F – Qualified Irrigation System/Reservoir System Tax Credit (MAT Approval Required)

Section 40-18-342 provides an income tax credit to any agricultural trade or business for the cost associated with the purchase, installation or conversion related to irrigation systems or the development of irrigation reservoirs and water wells. The credit is equal to 20 percent of the cost of the purchase and installation of any qualified irrigation equipment and any conversion costs related to the conversion of irrigation equipment from fuel to electricity or qualified reservoirs. This credit is limited to only one purchase and installation of qualified irrigation equipment or one qualified reservoir per taxpayer. The credit shall be equal to a percent of the accrued cost of the qualified irrigation equipment and the cost of constructing the qualified reservoir, as follows: Twenty percent of the accrued cost not to exceed ten thousand dollars (\$10,000). The credit shall not exceed the taxpayer's Alabama income tax liability computed without regard to the credit. The credit shall be taken in the year in which the qualified irrigation equipment or the qualified reservoir is placed in service. The credit may be carried forward for 5 years. Attach the certificate for the Irrigation / Reservoir System Credit.

- Line 1. Enter the purchase and installation costs of the irrigation system.
- Line 2. Enter the conversion costs to convert from fuel to electricity.

- Line 3. Add lines 1 and 2.
- Line 4. Multiply line 3 by 20% (.20).
- Line 5. Enter the cost of the construction reservoir.
- Line 6. Multiply line 5 by 20% (.20).
- Line 7. Enter the credit available. Enter the greater of line 4 or line 6.
- Line 8. Maximum Credit. The maximum credit is \$10,000.
- Line 9. CREDIT ALLOWABLE. Enter the amount from either line 7 or line 8.
- Line 10. Enter the pro rata share of credit from Schedule K-1. Enter the FEIN number of the entity. If credit is from more than one entity attach schedule.
- Line 11. Enter the total of lines 9 and 10.
- Line 12. Enter the credit allocated to the beneficiaries.
- Line 13. Enter the credit allowable. Subtract line 12 from line 11. Enter the amount here and on Section C, Part F, Column 3.

Part G – 2013 Alabama Historic Rehabilitation Tax Credit (MAT Approval Required)

Act 2014-452 amends Act 2013-241. The act provides an income tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures. The credit is equal to 25% of the qualified rehabilitation expenditures for certified historic structures. The act also provides a tax credit equal to 10% of the qualified rehabilitation expenditures for qualified pre-1936 non-historic structures. No tax credit claimed for any certified rehabilitation may exceed \$5,000,000 for all allowable property types except a certified historic residential structure and \$50,000 for a certified historic residential structure. The entire credit may be claimed by the taxpayer in the taxable year in which the certified rehabilitation is placed in service. This credit is not refundable, but any unused portion of the credit may be carried forward for up to 10 additional tax years.

- Lines 1a-1c. Enter the Project Number(s), the date the project(s) were placed in service, and the amount of credit from the approved tax credit certificate.
- Line 2. Add lines 1a-1c of the Amount of Credit column.
- Line 3. Enter the credit allocated to beneficiaries.
- Line 4. Enter the credit allowable. Subtract line 3 from line 2. Enter here and on Section C, Part G, Column 3.

Part H – Credit for Taxes paid to a Foreign Country

This credit can only be taken by resident beneficiaries. Section 40-18-21 provides a tax credit for taxes paid to a foreign country by the pass through entity. The amount of the credit allowable is 50 percent of the taxpayer's proportionate share of the income taxes paid or accrued to a foreign country by the entity; or the tax calculated at the Alabama tax rates on the taxpayer's proportionate share of the entity's income derived from the foreign country, whichever is less. A schedule should be completed for each beneficiary detailing the amounts required for each beneficiary to complete Schedule OC on the Form 40 return. This statement should include the country's name, the beneficiary's pro rata share of the entity and of the foreign income, and the pro rata share of the foreign income tax allocated to that beneficiary. The amount of the deduction on Schedule K-1 should be 50% of the proportionate share of the income taxes paid or accrued to a foreign country by the entity.

- Line 1. Enter the name of the foreign country.
- Line 2. Enter income from foreign operations.
- Line 3. Enter tax due the foreign country as shown on that country's tax return.
- Line 4. Multiply line 3 by 50% (.50).

Line 5. Enter the amount of Credit Applicable to Nonresident Beneficiaries.

Line 6. Subtract Line 5 from Line 4.

Part I – Career-Technical Dual Enrollment Credit

Act 2014-147 passed the Alabama Legislature during the 2014 Regular Session. The act provides a state income tax credit to businesses that make contributions for qualifying educational expenses directly associated with the Career-Technical Dual Enrollment Program. The tax credit may be claimed by the taxpayer in an amount equal to 50 percent (50%) of the total contribution or contributions made to the Department of Postsecondary Education during the taxable year for which the credit is claimed, but such credit is not to exceed an amount greater than 50 percent (.50%) of the taxpayer's total Alabama income tax liability, and in no case more than five hundred thousand dollars (\$500,000) for any given tax year. A taxpayer may carry forward all or part of a tax credit granted under this act for up to three (3) years

Line 1. Enter the pro rata share of credit from Schedule K-1. Enter the FEIN number of the entity. If the credit is from more than one entity attach schedule.

Line 2. Enter the amount of credit distributed to beneficiaries.

Line 3. Enter the amount of credit applied to Form 41. Subtract line 2 from line 1.

Line 4. Multiply the current tax liability on Section A by 50% (.50).

Line 5. Credit Available. Enter the lesser of 3 or 4. Enter here and on Section C, Part I, Column 3.

Line 6. Enter the maximum credit.

Line 7. Enter the credit allowable. Enter the lesser of line 5 or line 6. Enter here and on Section C, Part I, Column 3.

Line 8. Maximum Credit Allowable For The Prior Year Credit Carryforward. Subtract line 7 from line 4. Enter here and on line 9a, Column 3.

Lines 9a-9c. Enter the calculation allowable of the prior year credit carryforward. If Part I, line 8 is equal to 0, do not complete this section.

Column 1. Enter the credit year.

Column 2. Enter the credit carryforward available.

Column 3. Enter the credit limitation. Part I, Line 9a, Column 3 equals Part I, line 8. Lines 9b and 9c Column 3 equals Column 5 of the prior row.

Column 4. Enter the lesser of Column 2 or Column 3.

Column 5. Enter Column 3 amount from Column 4 amount.

Line 9d. Maximum Credit Carryforward Available. Enter the sum of Column 4 lines 9a, 9b, and 9c.

Part J – Investment Credit(Alabama Jobs Act) (MAT Approval Required)

Act Number 2023-34 and Section 40-18-376 provide for an investment credit to certain businesses for approved projects that create new jobs in Alabama. The credit is an amount up to 1.5 percent of a qualified capital investment annually, for a period not to exceed 10 years to be applied against the income tax, estimated income taxes, the financial institution excise tax, or the insurance premium tax, with additional offsets of utility gross receipts and utility service use taxes. The investment credit, provided for by the Alabama Jobs Act, may be claimed as a credit against taxes paid with a carryforward for earned but unused amounts to the extent allowed in the project agreement. Any unused portion of this credit may be carried forward for up to five years. The approval of this credit is managed through the Department of Commerce. Once they have approved and issued the certificate, you will be notified to fill out an allocation schedule through MAT.

Lines 1a-1g. Enter the Project Numbers and Amount of Credit allocated to Fiduciary Tax.

Line 2. Enter the total available credit.

Line 3. Enter the credit allocated to the beneficiaries.

Line 4. Enter the credit allowable. Subtract line 3 from line 2. Enter here and on Section C, Part J, Column 3.

Part K – Alabama Accountability Act Credit (MAT Approval Required)

Act 2022-390 amends Act 2015-434. The act authorizes a tax credit for contributions to entities that provide educational scholarships to qualifying schools. The credit is equal to 100% of the total contributions made to a scholarship granting organization for educational scholarships during the taxable year for which the credit is claimed up to 100% of the tax liability of the taxpayer. The credit may be carried forward for 3 years.

Note: Reserving a tax credit requires the use of the Department's online portal for taxpayers, My Alabama Taxes. Once logged into MAT, a taxpayer will need to select "Report a donation to an SGO" from the menu on the right margin of the page and follow a short series of instructions/steps to record their donation and reserve their portion of the credit.

Line 1. Enter the name of the Scholarship Granting Organization.

Line 2. Enter the full address of the Scholarship Granting Organization.

Line 3. Enter the credit allocated to beneficiaries.

Part L – Port Credit

Acts 2023-419 and 2016-102 provide an income tax credit in an amount equal to appropriate amount shown in table below multiplied by the port user's cargo volume in the 12 month period for which the commission has granted approval for the port user to claim the port credit minus the port users base cargo volume.

Port Credit Amount Table

| Increase in cargo volume over base cargo volume | TEU | Net Ton | Kilogram for Air Freight | VEU |
|-------------------------------------------------|-------|---------|--------------------------|--------|
| Under 4.99 percent | \$ 50 | \$3 | \$0.04 | \$2.91 |
| 5 to 14.99 percent | \$ 75 | \$4.5 | \$0.06 | \$4.37 |
| 15 to 24.99 percent | \$100 | \$6 | \$0.08 | \$5.82 |
| 25 percent or greater | \$125 | \$7.5 | \$0.1 | \$7.28 |

The port credit shall only be available to the extent that a port facility user ships more than 105 percent of its cargo volume from the 12 month period immediately preceding the port facility user's application. The port credit shall only be available to the extent a port facility user ships more than 10 TEUs, for cargo measured by TEU, more than 75 net tons, for cargo measured by net ton, or more than 15,000 kilograms for air cargo measured by kilograms. This credit is not refundable, but any unused portion of the credit may be carried forward for up to 5 additional tax years.

Line 1. Enter the amount of the Port Credit certified by the Department of Commerce.

Line 2. Enter the credit allocated to beneficiaries.

Line 3. Enter the credit allowable. Subtract line 2 from line 1. Enter here and on Section C, Part L, Column 3.

Part M – Growing Alabama Credit (MAT Approval Required)

Act Number 2023-34 and Section 40-18-417.4 authorize a tax credit to fiduciaries that make cash contributions to local economic

development organizations approved by the Renewal of Alabama Commission. The credit is the amount of the cash contribution made not to exceed 50% of the fiduciary's income tax liability for the current year. The cash contribution cannot exceed the amounts approved by the commission. This credit is nontransferable and may be carried forward for up to five years.

- Line 1. Enter the name of the Economic Development Organization Approved by the Alabama Renewal Commission.
- Line 2. Enter the Pro rata share of credit from Schedule K-1. Also enter the FEIN of the entity. If credit is from more than one entity attach schedule.
- Line 3. Enter the amount approved for contribution.
- Line 4. Add line 2 and line 3.
- Line 5. Enter the total amount of credit distributed to beneficiaries.
- Line 6. Credit available. Enter the Amount of credit applied to Form 41(Subtract line 5 from line 4). Enter here and on Section C, Part M, Column 2.
- Line 7. Maximum credit allowable. Multiply the current tax liability (Section A) by 50% (.50). Enter here.
- Line 8. Credit allowable. Enter the lesser of line 6 or line 7. Enter here and on Section C, Part M, Column 3.
- Line 9. Maximum Credit Allowable For The Prior Year Credit Carryforward. Subtract line 8 from line 7. Enter here and on Part M, line 10a, Column 3.
- Lines 10a-10e. Enter the calculation allowable of the prior year credit carryforward. If Part M, line 9 is equal to 0, do not complete this section.
- Column 1. Enter the credit year.
- Column 2. Enter the credit carryforward available.
- Column 3. Enter the credit limitation. Part M, Line 10a, Column 3 equals Part M, line 9. Lines 10b, 10c, 10d, and 10e Column 3 equals Column 5 of the prior row.
- Column 4. Enter the lesser of Column 2 or Column 3.
- Column 5. Subtract Column 3 amount from Column 4 amount.
- Line 10f. Maximum Credit Carryforward Available. Enter the sum of Column 4 lines 10a, 10b, 10c, 10d, and 10e.

Part N – 2017 Alabama Historic Rehabilitation Tax Credit (MAT Approval Required)

Act 2017-380 provides a refundable income tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures. The tax credits can only be claimed by taxpayers holding a Tax Credit Certificate or a Transfer Tax Credit Certificate. The credit is equal to 25% of the qualified rehabilitation expenditures for certified historic structures. No tax credit claimed for any certified rehabilitation may exceed \$5,000,000 for all allowable property types except a certified historic residential structure, and \$50,000 for a certified historic residential structure. The entire credit must be claimed by the taxpayer in the taxable year in which the certified rehabilitation is placed in service. This credit is refundable and transferable but cannot be carried forward. The credit is required to be submitted through MAT.

- Lines 1a-1c. Enter the Project Number(s) assigned by the Alabama Historic Tax Commission, the date the project(s) were placed in service, and the credit amount of each project.
- Line 2. Credit Allowable. Enter the sum of all project credits. Enter here and on Section C, Part N, Column 3.

Part O – Railroad Modernization Act of 2019 Credit (MAT Approval Required)

The Railroad Modernization Act of 2019 creates a refundable income tax credit beginning with tax years on or after December 31, 2019, for eligible taxpayers with qualified railroad reconstruction or replacement expenditures. Railroads that are classified as a Class II or Class III are eligible for the credit. Alabama Act 2022-341 changes the administering agency from the Department of Commerce to the Department of Revenue, extends the sunset date for five years through tax year 2027 and increase the annual cap on income tax credits. Taxpayers must obtain pre-certification from the Department of Revenue prior to claiming the credit on their income tax return. For the calendar years 2023-2027, the aggregate amount of all tax credits that may be reserved in any year shall not exceed four million five hundred thousand dollars (\$4,500,000) plus any amount of previous reservations of tax credits that were rescinded during the calendar year. However, that in no event shall a total of more than twenty-two million five hundred thousand dollars (\$22,500,000) be reserved by the department during the period of August 1, 2022 through August 1, 2027. The credit is required to be submitted through MAT.

Check applicable box for Department of Commerce Certificate or Transfer Credit Certificate received. If Transfer Credit Certificate was received, the taxpayer is not eligible for the refundable credit.

- Line 2. Credit allowable. Enter the amount of credit reported on the Department of Commerce certificate. Enter here and on Section C, Part O, Column 3.

Part P – Innovate Alabama Tax Credit (MAT Approval Required)

Act Number 2023-33 authorizes a tax credit to corporations that make cash contributions to economic development organizations (EDO) approved by Innovate Alabama. The act allows the approved tax credit to be taken against the state portion of the financial institution excise tax. Approved tax credits are granted up to the amount of cash contributed, however, total cash contributions cannot exceed the amount approved by Innovate Alabama for a specific EDO. The credit cannot exceed 50% of the corporation's income tax liability for the current year and any unused credit may be carried forward for up to five years. The tax credit is not transferable to another taxpayer. To report a cash contribution to an approved Innovate Alabama EDO, log in to your MAT account to complete the contribution submission.

- 1. Enter the name of the Economic Development Organization Approved by Innovate Alabama.
- 2. Enter the Pro rata share of credit from Schedule K-1. Also enter the FEIN of the entity. If credit is from more than one entity, attach schedule.
- 3. Enter the amount approved by Innovate Alabama.
- 4. Add line 2 and line 3
- 5. Enter the Amount of credit distributed to beneficiaries.
- 6. Credit available. Enter the amount of credit applied to Form 41(subtract line 5 from line 4) Enter here and on Section C, Part P, Column 2.
- 7. Maximum credit allowable. Multiply the current tax liability (Section A) by 50% (.50) Enter here.
- 8. Credit allowable Enter the lesser of line 6 or line 7. Enter here and Section C, Part P, Column 3.
- 9. Maximum Credit Allowable For The Prior Year Carryforward. Subtract line 8 from line 7. Enter here and on Part P, line 10a, Column 3.
- 10a-10c. Enter the calculation allowable of the prior year credit carryforward. If Part P, line 9 is equal to 0, do not com-

plete this section.

Column 1. Enter the credit year.

Column 2. Enter the credit carryforward available.

Column 3. Enter the credit limitation. Part P, Line 10a, Column 3 equals Part P, line 9. Lines 10b and 10c, Column 3 equals Column 5 of the prior row.

Column 4. Enter the lesser of Column 2 or Column 3.

Column 5. Subtract Column 3 amount from Column 4 amount.

10d. Maximum Credit Carryforward Available. Enter the sum of Column 4 lines 10a, 10b, and 10c.

Part Q – Alabama Workforce Housing Tax Credit

Act 2024-302 and Section 40-18-533 provide a workforce housing project tax credit to cover the construction, rehabilitation, or both, of multifamily housing units located in Alabama for tax years beginning on or after January 1, 2025. The Alabama Housing Finance Authority (AHFA) is the administering agency for determining each qualifying project. For inquiries regarding qualifying for the tax credit, please contact the AHFA at ahfa.au.audit@ahfa.com or (334) 244-9200. To qualify for the Alabama Workforce Housing Tax Credit, the project must first qualify as a federal low-income housing project and receive an eligibility certificate from the AHFA. This certificate will specify the annual credit amount and award period which can extend up to 10 years. A qualifying taxpayer is eligible to receive a tax credit of up to \$2M per project that can be applied against income tax, the state portion of the financial institution excise tax or the insurance premium tax. Pass through entities may allocate the credit to some or all its partners, members or shareholders. The credit may be claimed for each year of the award period. The credit is non-refundable and cannot be transferred. Any unused credit may be carried forward up to 5 years. The project owner or pass through entity will receive a letter from the Alabama Department of Revenue outlining the steps to claim or allocate the credit.

Qualifying taxpayers who receive the credit through a pass-through entity must allocate the credit to the appropriate tax type through My Alabama Taxes before filing their tax return.

1. Enter the Project Name.
2. Enter the Project Number.
3. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule.
4. Enter amount from Alabama Workforce Housing Credit Certificate issued by the Alabama Housing Finance Authority.
5. Add lines 3 and 4.
6. Enter the amount of credit to be distributed to the beneficiaries.
7. Credit allowable. Subtract line 6 from line 5. Enter here and on Section C, Part Q, Column 3.

Part R – Employer Tax Credit

Act 2024-303 and Section 40-18-542 provide a tax incentive to Alabama employers who support their employees' childcare needs by offering financial assistance for the provision of childcare or for employers who incur eligible expenses for the operation, maintenance, and/or updates of a qualified childcare facility for tax years beginning on or after January 1, 2025. The Alabama Department of Revenue is the administering agency for the employer tax credit. For inquiries regarding eligibility and qualifying for the tax credit, please contact incentives@revenue.alabama.gov. The credit may be applied against income tax, the state portion of the financial institution excise tax, insurance premium tax, or utility license tax (for utility companies only). The credit is equal to a percentage of eligible expenses incurred by an employer to support the provision of childcare services at childcare facilities for employees' children. Eligible employers include for-

profit businesses operating in Alabama who can demonstrate that they prioritize the payment of eligible expenses for employees who qualify for the earned income tax credit. Qualifying children are children five years of age or less. The tax credit shall be claimed in the tax year during which eligible expenses are incurred by an employer. The Employer Tax Credit is non-refundable for all employers except qualifying childcare providers. Only those childcare providers who meet the eligibility criteria for the employer credit can receive a refund if the credit amount exceeds their tax liability. The tax credit may be passed to the owner of a pass-through entity based on their pro rata share but cannot otherwise be transferred to another taxpayer. To receive a credit, eligible taxpayers must first secure a credit reservation through My Alabama Taxes. At the close of the tax year, taxpayers who received a credit reservation must submit a credit claim substantiating their reservation to be awarded a credit. Only taxpayers who received a credit reservation will be eligible to submit a credit claim.

1. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule.
2. Enter the amount from Employer Tax Certificate issued by the Department of Revenue.
3. Add lines 1 and 2.
4. Enter the amount of credit to be distributed to the beneficiaries.
5. Credit allowable. Subtract line 4 from line 3. Enter here and on Section C, Part R, Column 3.

Part S – Childcare Facility Tax Credit

Act 2024-303 and Section 40-18-543 provide a tax incentive for Alabama childcare providers who own and operate a qualified childcare facility. For tax years beginning on or after January 1, 2025, a childcare provider in Alabama that owns and operates a childcare facility may be eligible to claim a facility tax credit of up to \$25,000 per year based on the average monthly number of eligible children enrolled and the facility's quality rating under the Alabama Quality STARS program. The Alabama Department of Revenue is the administering agency for the facility tax credit. For questions regarding eligibility and qualifying for the credit, please contact incentives@revenue.alabama.gov. The credit may be applied against income tax, the state portion of the financial institution excise tax, insurance premium tax, or utility license tax (For utility companies only). Qualifying childcare facilities must be an eligible for-profit entity, licensed by the Alabama Department of Human Resources (DHR), and participate in the quality rating and improvement system. Eligible children must be five years of age or younger and participate in the Childcare Subsidy Program. The tax credit shall be claimed in the tax year during which the childcare facility's quality rating is in effect and eligible children are enrolled. The tax credit is refundable but may not be carried forward to subsequent years. The tax credit may be passed to the owner of a pass-through entity based on their pro rata share but cannot otherwise be transferred to another taxpayer. To receive a credit, eligible taxpayers must first secure a credit reservation through My Alabama Taxes. At the close of the tax year, taxpayers who received a credit reservation must submit a credit claim substantiating their reservation to be awarded a credit. Only taxpayers who received a credit reservation will be eligible to submit a credit claim.

1. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule
2. Enter amount from Childcare Facility Tax Credit Certificate issued by Department of Revenue.
3. Add lines 1 and 2.
4. Enter the amount of credit to be distributed to the beneficiaries.
5. Credit allowable. Subtract line 4 from line 3. Enter here and on Section C, Part S, Column 3.

Part T – Employer Provider Credit* for employers who are childcare providers

The Employer Provider Credit is the Employer tax credit for qualifying childcare providers. Only those childcare providers who meet the eligibility criteria for the employer tax credit are eligible to receive a refund if their credit amount exceeds their tax liability. The tax credit may be passed to the owner of a pass-through entity based on their pro rata share but cannot otherwise be transferred to another taxpayer. To receive a credit, eligible taxpayers must first secure a credit reservation through My Alabama Taxes. At the close of the tax year, taxpayers who received a credit reservation must submit a credit claim substantiating their reservation to be awarded a credit. Only taxpayers who received a credit reservation will be eligible to submit a credit claim.

1. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule.
2. Enter amount from Employer Provider Credit Certificate issued by Department of Revenue.
3. Add lines 1 and 2.
4. Enter the amount of credit to be distributed to the beneficiaries.
5. Credit allowable. Subtract line 4 from line 3. Enter here and on Section C, Part T, Column 3.

Part U – Income Tax Capital Credit (MAT Approval Required)

The capital credit is available to investing companies and their recipients involved in a qualified project undertaken by certain new businesses to be located in the state and certain expansions of certain existing businesses. To qualify for the capital credit, the project entity must be registered with and approved by the Commissioner's Office of the Alabama Department of Revenue by 12/31/2015. The capital credit claimed for the tax year shall not exceed 5 percent of the actual capital costs, as defined in the law, of the new business or expansion of an existing business for each of 20 years. The capital credit shall be provided to each investing company and its shareholders, partners, members, owners, or beneficiaries on Form K-RCC provided by the reporting company. Each recipient in the investing company will be allowed a capital credit according to the distributive share, whether or not distributed, of the project's Alabama taxable apportionable income. This capital credit CANNOT be carried forward or back by any recipient. The capital credit is limited to the individual's current tax year liability and is applied after all other deductions, losses, or credits permitted under Titles 40 and 41, Code of Alabama 1975. If the Capital Credit will be claimed on Form 41, the fiduciary must complete and attach Schedule KRCC-B with Schedule FC when filing their return. The return should include a copy of the Form K-RCC that was received from the distributing entity to verify the credit.

Check applicable box for KRCC received or KRCC issued.

Lines 1a-1g. Enter the project number and capital credit allowable for each project.

Line 2. Enter the total capital credit amount.

Line 3. Enter the credit allocated to beneficiaries.

Line 4. Credit allowable. Enter here and on Section C, Part U, Column 3.

Section C – Current Credit Summary

For each credit available for utilization, repeat the steps on each line by row until all available current year credits have been used or no tax remains to be offset.

Column 1. Type of Credit generated.

Column 2. For applicable credits, enter the Credit Available from Section B.

Column 3. Enter the amount of credit allowable generated by the trust or estate from Section B.

Column 4. Enter the amount of the remaining tax to be offset.

Column 5. Enter the amount of the current credit utilized to offset the remaining tax due.

Column 6. Subtract Column 5 amount from Column 4 amount.

Column 7. Subtract Column 5 amount from Column 3 amount.

Column 8. For applicable credits, subtract Column 3 amount from Column 2 amount and add the difference to Column 7 amount.

Section D – Total Credits Allocated to Beneficiaries

Enter the total of Section B, Part B, line 4, Part C, line 2, Part D, line 2, Part E, line 2, Part F, line 12, Part G, line 3, Part H, line 6, Part I, line 2, Part J, line 3, Part K, line 3, Part L, line 2, Part M, line 5, Part P, line 5, Part Q, line 6, Part R, line 4, Part S, line 4, Part T, line 4, and Part U, line 3. Enter total credits here and on Form 41, Schedule K, line 16 or Schedule G, line 24.

Section E– Credit Carry Forward Prior Years

For each carryforward available for utilization, repeat the steps on each line by column until all available prior year credit carry forward credits have been used or no tax remains to be offset. Begin Credit Carry Forward from Prior Years with the oldest year first and ending with the most current year. Tax years for which a credit was utilized should not be listed. The utilized credits are shown in column 4.

Column 1. Enter the Type of Credit generated.

Column 2. Enter the tax year end (MM/DD/YYYY) in which the credit was generated.

Column 3. Enter the amount of the credit generated by the trust or estate for the tax period in Column 2.

Column 4. Enter the amount of the credit utilized in years prior for the Credit listed in Column 3.

Column 5. Subtract Column 4 amount from Column 3 amount. Enter the amount of the Credit available to be utilized in the current tax period, not to exceed the remaining tax to be offset.

Column 6. Enter the amount of allowable credit carryforward. For the Career - Technical Dual Enrollment Credit, and Growing Alabama Credit carryforward computation, the Allowable Credit Carryforward in Column 6 is limited to the Maximum Credit Carryforward Available This Year in Column 4 of Section B, Part I, line 9 and Section B, Part M, line 9. For all other credits, Column 6 equals the amount in Column 5.

Columns 7-9. Subtract the Remaining Tax to be Offset (Section C, Column 7) from the Amount Available to use this Period (Section D, Column 5). If the Remaining Tax to be Offset is less than or equal to the Amount Available to use this Period, enter the Remaining Tax to be Offset in Column 6 and enter the excess of the Amount Available to use this Period in Column 8. If the Remaining Tax to be Offset is greater than Section D, Column 5, enter the Amount Available to use this Period in Column 7 and enter the difference of the Remaining Tax to be Offset and the Amount used this Period in Column 9, then proceed to the next available prior year credit. For the remaining rows, the Amount used this Period in Column 7 is limited to the Remaining Tax to be Offset in Column 9 of the preceding row.

Section F – Total Nonrefundable Credits

- Line 1. Enter the Total Current Credit from Section C, Column 5.
- Line 2. Enter the Total Prior Year Credit Carryforward from Section E, Column 7.
- Line 3. Add lines 1 and 2. Enter total here and on Form 41, line 8a.

Section G – Total Refundable Credits

- Line 1. Enter the refundable amount of 2017 Alabama Historic Rehabilitation Tax Credit from Section C, Part O, Column 7 here and on Form 41, line 8h.

- Line 2. If Section B, Part P, line 1a is checked, enter the refundable amount of Railroad Modernization Act of 2019 from Section C, Part P, Column 7 here and on Form 41, line 8i.
- Line 3. Enter the refundable amount of Childcare Facility Tax Credit from Section C, Part S, Column 7 here and on Form 41, line 8j.
- Line 4. Enter the refundable amount of Employer Provider Credit from Section C, Part T, Column 7 here and on Form 41, line 8k.