

Use This Schedule to Compute Credits Available on the Corporate Income Tax Return (Form 20C)

**Informational Requirements**

If the corporation receives distributions from Schedule K-1 income generated from a Pass-Through Entity, and the taxpayer has a credit that may be claimed on the Form 20C from the Pass-Through Entity, the taxpayer should enter the Allocable amount of the credit from the Schedule K-1 into the appropriate field on the Schedule BC and attach the Schedule K-1 to the return.

If the C-corporation will claim the Income Tax Capital Credit resulting from distributions from Schedule K-1 income generated from a Pass-Through Entity, the taxpayer must complete the Schedule BC, Section B, Part R, and attach the Form KRCC and KRCC-B to the Alabama Form 20C.

**Negative Numbers**

Enter all negative numbers with the negative sign. Do not use parenthesis when entering negative numbers. This does not pertain to those fields with the parenthesis ( ) displayed on the form.

**Specific Instructions**

**Section A – Current Year Tax Liability**

Enter tax due from Form 20C, page 1, line 17 here and on Section C, Part A, Column 4.

**Section B – Current Year Credits**

**Part A – Alabama Enterprise Zone Credit**

Certain tax incentives are available to qualifying businesses that locate or expand within a designated enterprise zone. These tax incentives are available under the provisions of Section 41-23-24. Business entities eligible for the tax credit must be approved by the Alabama Department of Economic and Community Affairs (ADECA). Business entities eligible for the tax exemption must have entered into a contract with the Governor of Alabama and ADECA and must also receive certification annually from ADECA. A taxpayer must compute its income tax exemption under the provisions of its specific contract.

For additional information on the Alabama Enterprise Zone Credit/Exemption, contact ADECA Community and Economic Development Division, 401 Adams Avenue, P.O. Box 5690, Montgomery, AL 36103-5690, 334-242-5370. Questions pertaining to the application of the tax credit should be addressed to Alabama Department of Revenue, P.O. Box 327001, Montgomery, AL 36132-7001, 334-242-1175.

The Certificate of Certification and computations must be attached to Form 20C to claim the exemption.

A1. Enter the amount of the Alabama Enterprise Zone Credit Available.

**Part B – Basic Skills Education Credit**

Sections 40-18-135 through 40-18-139 provide a tax credit to employers who provide approved basic skills education programs to Alabama resident employees. To qualify for the credit, (1) the program must have written approval from the Alabama Department of Education, (2) the employees shall have been continuously employed for at least 16 weeks for at least 24 hours per week, and (3) the employer cannot receive or require reimbursement or any form of remuneration for any cost of education. The credit is 20 percent of the actual costs limited to the employer's income tax liability. A copy of the document of approval along with a detailed schedule (including actual costs incurred and employee employment period) computing the credit should be provided. For further information, contact the Alabama Community College System, Adult Education Program, Workplace Education Tax

Credit, 135 South Union Street, Montgomery, AL 36104, Attn: David Walters or the Alabama Department of Revenue, P.O. Box 327430, Montgomery, AL 36132-7430, at (334) 242-1170, Option 6.

- B1. Enter the Certification Number assigned by the Department of Education.
- B2. Enter the name of the employer/firm sponsoring the education program.
- B3. Enter the name of the approved provider.
- B4. Mark the appropriate box to indicate whether all participants for whom you are claiming a tax credit, were continuously employed by you for at least 16 weeks.
- B5. If the box on line 4 is marked "yes", mark the appropriate box to indicate if employee(s) for whom you are claiming a tax credit work at least 24 hours each week.
- B6. If the box on line 4 and 5 is marked "yes", enter the total expenses available for credit.
- B7. Multiply line B6 by 20% (.20). CREDIT ALLOWABLE

**Part C – 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.) The credit is required to be submitted through MAT.

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.

- C1. Enter the number of tons of coal produced in 2025.
- C2. Enter the number of tons of coal produced in calendar year 1994 or base year chosen.
- C3. Subtract line C2 from line C1.
- C4. Multiply line C3 by \$1, if greater than zero.
- C5. Enter the Pro rata share of credit from Schedule K-1.
- C6. Enter the credit allowable. Add lines C4 and C5.

**Part D – Full Employment Act of 2011 Credit**

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 employ-

ment. 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. The credit is required to be submitted through MAT.

- D1. Enter the number of full time employees on 12-31-2024.
- D2. Enter the number of full time employees on 12-31-2023.
- D3. Subtract line D2 from line D1.
- D4. Enter the number of qualifying employees included in the number on D3 that completed their first 12 months of service in 2025.
- D5. Multiply line D4 by 1,000. Enter the amount.

### **Part E – Veterans Employment Act - Employer Credit**

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. The credit is required to be submitted through MAT.

- E1. Enter the number of unemployed veterans included in Part D, line D4 – Full Employment Credit.
- E2. Multiply line F1 by \$2,000. Enter the amount.

### **Part F – Veterans Employment Act - Business Start-Up Expense Credit**

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. The credit is required to be submitted through MAT.

- F1. Enter the name of the Business.
- F2. Enter the business ID number.
- F3. Enter the total amount of business start-up expenses.
- F5. Enter the lesser of line F3 or line F4. CREDIT ALLOWABLE.

### **Part G – Qualified Irrigation System/ Reservoir System Tax Credit**

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 Ala-

bama 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.

- G1. Enter the purchase and installation costs of the irrigation system.
- G2. Enter the conversion costs to convert from fuel to electricity.
- G3. Add lines G1 and G2.
- G4. Multiply line G3 by 20% (.20).
- G5. Enter the cost of the construction reservoir.
- G6. Multiply line G7 by 20% (.20).
- G7. Enter the greater of line G4 or G6.
- G8. MAXIMUM CREDIT. The maximum credit is \$10,000.
- G9. CREDIT ALLOWABLE. Enter the amount from either line G7 or G8.

### **Part H – Alabama Accountability Act Credit**

Alabama Act 2022-390 amends Act 2013-64. The act increased the percentage of tax liability that a credit can be claimed from 50% to 100%. The credit may be carried forward for 3 years. The donation report is required to be submitted through MAT. To report a donation to an SGO, log in to your MAT account and from the BIT account Tax Incentives tab select "Report a donation to an SGO" and complete the donation submission.

- H1. Enter the name of the Scholarship Granting Organization.
- H2. Enter the full address of the Scholarship Granting Organization.
- H3. CREDIT ALLOWABLE. Enter the amount of contribution made to the Scholarship Granting Organization.

### **Part I – 2013 Alabama Historic Rehabilitation Tax Credit**

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. The credit is required to be submitted through MAT.

- I1a-I1c. Enter the Project Number(s) assigned by the Alabama Historic Tax Commission, the date the project(s) were placed in service, and the amount of credit.
- I2. Total 2013 Alabama Historic Rehabilitation Tax Credit. Enter the sum of all project credits. CREDIT ALLOWABLE.

### **Part J – 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.

- J1. Enter amount from the Department of Postsecondary Education Tax Certificate.
- J2. Multiply line J1 by 50% (.50)
- J3. Multiply the current tax liability (Section A) by 50% (.50).
- J4. Maximum Credit.
- J5. CREDIT AVAILABLE. Enter the lesser of J2 or J3 here and on Section C, Part J, Column 2.
- J6. CREDIT ALLOWABLE. Enter the lesser of line J2, J3 or line J4.
- J7. MAXIMUM CREDIT ALLOWABLE FOR PRIOR YEAR CREDIT CARRYFORWARD. Subtract line J6 from line J3. Enter here and line J8a, column 3.
- J8a-J8c. Enter the calculation of allowable prior year credit carryforward. If Part J, line J7 is equal to zero, do not complete this section.
  - Column 1. Enter the credit year (MM/DD/YYYY) of the carryforward.
  - Column 2. Enter the amount of Credit Carryforward Available.
  - Column 3. Enter the Credit Limitation. Line J8a, Column 3 equals the amount from line J7. Lines J8b and J8c, Column 3 equals the amount from Column 5 of prior row.
  - Column 4. Enter the lesser of Column 2 or Column 3.
  - Column 5. Subtract Column 3 amount from Column 4 amount.
- J8d. Maximum Credit Carryforward Available. Enter the sum of Column 4, lines J8a, J8b, and J8c here and on Section D.

**Part K – Investment Credit (Alabama Jobs Act)**

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 up to 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.

- K1a-K1c. Enter the Project Numbers(s) and the amount of the credit claimed from the certification issued by the Alabama Department of Commerce.
- K2. Total Investment Credit (Alabama Jobs Act). Enter the sum of all project credits. CREDIT ALLOWABLE.

**Part L – Port Credit**

Act Number 2023-419, 2016-102 and Section 40-18-403 establish a tax credit for corporations that utilize Alabama’s port facilities. The port credit allowable is 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

To qualify, the port user must ship more than 10 TEUs, more than 75 net tons, or more than 15,000 kilograms for air cargo. Also, the port user must ship more than 105 percent of its cargo volume in the 12-month period preceding the submission of the port credit application to the commission. This credit is nonrefundable, but any unused portion of the credit may be carried forward for up to five years.

- L1. Enter the amount of the Port Credit certified by the Department of Commerce.

**Part M – Growing Alabama Credit**

Act Number 2023-24 and Section 40-18-417.4 authorize a tax credit to corporations 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 corporation’s income tax liability for the current year. The corporation’s cash contribution cannot exceed the amounts approved by the commission. This credit is nontransferable and may be carried forward for up to five years. To report a donation to an EDO, log in to your MAT account and from the BIT account Tax Incentives tab select “Report a donation to an Economic Development Organization” and complete the donation submission.

- M1. Enter the name of the Economic Development Organization Approved by the Alabama Renewal Commission.
- M2. Enter the Pro rata share of credit from Schedule K-1. Enter the FEIN number of the entity. If credit is from more that one entity, attach schedule.
- M3. Enter the amount approved for contribution.
- M4. CREDIT AVAILABLE. Add line M2 and M3.
- M5. MAXIMUM CREDIT ALLOWABLE. Multiply the current tax liability (Section A) by 50% (.50). Enter here.
- M6. CREDIT ALLOWABLE. Enter the lesser of line M4 or M5.
- M7. MAXIMUM CREDIT ALLOWABLE FOR PRIOR YEAR CREDIT CARRYFORWARD. Subtract line M6 from line M5. Enter here and line M8a, column 3.
- M8a-M8c. Enter the calculation of allowable prior year credit carryforward here. If Part M, line M7 is equal to zero, do not complete this section.
  - Column 1. Enter the credit year (MM/DD/YYYY) of the carryforward.
  - Column 2. Enter the amount of Credit Carryforward Available.
  - Column 3. Enter the Credit Limitation. Line M8a, Column 3 equals the amount from line M7. Lines M8b, M8c, M8d, and M8e, Column 3 equals the amount from Column 5 of prior row.
  - Column 4. Enter the lesser of Column 2 or Column 3.
  - Column 5. Subtract Column 3 amount from Column 4 amount.
- M8f. Maximum Credit Carryforward Available. Enter the sum of Column 4, lines M8a, M8b, M8c, M8d, and M8e here and on Section D.

**Part N — 2017 Alabama Historic Rehabilitation Tax Credit**

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.

- N1. Enter the Project Number(s) assigned by the Alabama Historic

Tax Commission, the date the project(s) were placed in service, and the amount of credit.

N2. Total 2017 Alabama Historic Rehabilitation Tax Credit. Enter the sum of all project credits. CREDIT ALLOWABLE.

### Part O – Railroad Modernization

The Railroad Modernization Act of 2019 created 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 through 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. This credit is required to be submitted through MAT.

O1a. Check the box if a certificate was received.

O1b. Check the box if a Transfer Credit certificate was received. The refundable credit is not allowed, if this box is checked.

O2. Enter the amount of credit reported on the certificate. CREDIT ALLOWABLE.

### Part P – Innovate Alabama Tax Credit

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, not to 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.

P1. Enter the name of the Economic Development Organization Approved by Innovate Alabama.

P2. 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.

P3. Enter the amount approved by Innovate Alabama.

P4. CREDIT AVAILABLE. Add line P2 and line P3 Enter here and on Section C, Part P, Column 2.

P5. MAXIMUM CREDIT ALLOWABLE. Multiply the current tax liability (Section A) by 50% (.50). Enter here.

P6. CREDIT ALLOWABLE. Enter the lesser of line P4 or line P5. Enter here and on Section C, Part P, Column 3.

P7. MAXIMUM CREDIT ALLOWABLE FOR PRIOR YEAR CREDIT CARRYFORWARD. Subtract line P6 from line P5. Enter here and line P8a, column 3.

P8a-P8c. Enter the calculation of allowable prior year credit carry-forward- enter here and Section D. If Part P, line P7 is equal to zero, do not complete this section.

Column 1. Enter the credit year (MM/DD/YYYY) of the carry-forward.

Column 2. Enter the amount of Credit Carryforward Available.

Column 3. Enter the Credit Limitation. Line P8a, Column 3 equals the amount from line P7. Lines P8b, P8c, P8d, and P8e, Column 3 equals the amount from

Column 5 of prior row.

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

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

P8f. Maximum Credit Carryforward Available. Enter the sum of Column 4, lines P8a, P8b, P8c, P8d, and P8e here and on Section D.

### 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.

Q1. Enter Project Name.

Q2. Enter Project Number of Qualified Project.

Q3. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule.

Q4. Enter amount from Alabama Workforce Housing Credit Certificate issued by Alabama Housing Finance Authority.

Q5. CREDIT ALLOWABLE. Total Alabama Workforce Housing Credit. Add line Q3 and line Q4. Enter here and 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 can-

not 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.

- R1. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule.
- R2. Enter amount from Employer Tax Certificate issued by Department of Revenue.
- R3. CREDIT ALLOWABLE. Total Employer Tax Credit. Add line R1 and line R2. 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](mailto: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.

- S1. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule.
- S2. Enter amount from Childcare Facility Tax Credit Certificate issued by Department of Revenue.
- S3. CREDIT ALLOWABLE. Total Childcare Facility Tax Credit. Add line S1 and line S2. Enter here and Section C, Part S, Column 3.

### **Part T – Employer Provider Credit**

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. See the Part AA instruction for more information on this credit.

- T1. Enter pro rata share of credit from Schedule K-1 and FEIN of entity. If credit from more than one entity, attach schedule.
- T2. Enter amount from Employer Provider Credit Certificate issued by Department of Revenue.
- T3. CREDIT ALLOWABLE. Total Employer Provider Credit. Add line

T1 and line T2. Enter here and Section C, Part T, Column 3.

### **Part U – Income Tax/Capital Credit**

Sections 40-18-240 through 40-18-250 provide for a tax credit against Alabama income tax liability with respect to income generated by or arising out of a qualifying project undertaken by certain existing businesses and certain new businesses to be located in the state. Written approval by the Governor, Finance Director, and Alabama State Port Authority is required, and a written statement of intent must be filed with the Alabama Department of Revenue prior to the project being placed in service. For further information regarding the capital docks credit, contact the Alabama Department of Revenue at P.O. Box 327001, Montgomery, AL 36132-7001 or 334-242-1175.

Sections 40-18-190 through 40-18-203 provide for a tax credit against Alabama income tax with respect to income generated by or arising out of a qualifying project undertaken by certain existing businesses and certain new businesses to be located in the state. A statement of intent to invest in a qualifying project must be filed prior to the qualifying project being placed in service and must be approved by the Alabama Department of Revenue prior to the project entity taking the credit. The credit allowable is 5 percent of the qualifying project's allowable capital costs for each year up to 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.

A project entity that is organized as a C-corporation must file the Form AR-C through their MAT account prior to filing the Alabama Form 20C. The Form AR-C replaces both the Forms AR and KRCC.

However, if the project entity is a pass-through entity where the C-corporation is a member or partner, the pass-through entity will complete Form KRCC for each member/partner allocating the project income and income tax capital credit available based on ownership. The C-corporation that is claiming the income tax capital credit will receive Form KRCC from the pass-through entity and complete Form KRCC-B. Both these forms must be attached to the Schedule BC and the boxes checked on Schedule BC, Section B, Part U.

U1a-U1g. Enter the Project Number(s) assigned by the Alabama Department of Revenue and the amount of the Capital Credit claimed from Schedule KRCC-B, Part III, line 4 or Form AR-C, Capital credit eligible to be applied to project entity's tax liability.

U2. Total Capital Credit. Enter the sum of all project credits. CREDIT ALLOWABLE.

For further information regarding the capital credit and the necessary forms to claim the capital credit, visit the Alabama Department of Revenue's Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) under the Tax Incentives page, or contact the Department at P.O. Box 327001, Montgomery, AL 36132-7001 or 334-242-1175.

### **Section C – Current Credit Summary**

Part A through Part U. 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 corporation 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 – Credit Carry Forward Prior Years

Lines 1 through 10. 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 corporation 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, Growing Alabama Credit, Innovate Alabama Tax 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 J, line J8, Section B, Part M, line M8 and Section B, Part P, line P8. 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 Allowable Credit Carryforward

this Period (Section D, Column 6). If the Remaining Tax to be Offset is less than or equal to the Allowable Credit Carryforward, enter the Remaining Tax to be Offset in Column 7 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 6, enter the Allowable Credit Carryforward 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 E – Total Nonrefundable Credits

- Line E1. Enter the Total Current Credit from Section C, Column 5.
- Line E2. Enter the Total Prior Year Credit Carryforward from Section D, Column 7.
- Line E3. Add lines E1 and E2. Enter total here and on Form 20C, page 1, line 18.

## Section F – Total Refundable Credits.

- Line F1. Enter amount from Section C, Part N, Column 7.
- Line F2. If Section B, Part O, line O1a is checked, enter amount from Section C, Part O, Column 7.
- Line F3. Enter amount from Section C, Part S, Column 7.
- Line F4. Enter amount from Section C, Part T, Column 7.
- Line F5. Add lines F1, F2, F3, and F4. Enter the total amount of refundable credits here and on Form 20C, page 1, line 20f.