

INSTRUCTIONS FOR THE PREPARATION OF
ALABAMA DEPARTMENT OF REVENUE
**Alabama Medical Cannabis Annual
Privilege Tax Return**

The annual Medical Cannabis Privilege tax return (MPT) is submitted to the Alabama Department of Revenue (ADOR) electronically through My Alabama Taxes at www.myalabamataxes.alabama.gov.

Section 20-2A-80, Code of Alabama 1975, commencing January 1, 2022, requires licensed medical cannabis entities (categories of cultivator, processor, dispensary, secure transporter, and testing laboratory, or integrated facility) to file an annual Medical Cannabis Privilege Tax Return and to pay the privilege tax reported on the return. Payment of the total tax due must be received on or before the original due date of the return.

Required Attachments to the Alabama Form MPT:

- A copy of pages 1 through 4 of the federal tax Form 1120S, pages 1 through 5 of the federal tax Form 1065 or pages 1 through 6 of the federal tax Form 1120.
- For taxpayers doing business in Alabama and outside the State of Alabama (multistate taxpayers), a copy of the Alabama apportionment schedule (from Form 20S, Form 65 or Form 20C for the taxpayer's determination period).
- Documentation to thoroughly support any exclusions claimed in the computation of the taxpayer's net worth.

The Medical Cannabis Tax Calculation Worksheet provided on page 4, along with line-by-line instructions below can be utilized as a guide to prepare for completing the tax form online.

Preparation Instructions:

Calendar Year Indicator – Check this box if the taxpayer has a December 31st tax year end. Then enter the determination period begin date in spaces provided.

Fiscal Year Indicator – Check this box if the taxpayer has a tax year end date other than a calendar year end. Then enter the determination period begin date and end date in the spaces provided.

52-53 Week Filer – Check this box if the company is a 52-53 week filer. A 52-53 week tax year is a tax year that varies from 52 to 53 weeks but does not have to end on the last day of the month.

Family LLE Election Indicator – Check the box and complete schedule MPT-E, if electing to file as a Family LLE. The Family Limited Liability Election must be made annually on or before the due date, including extensions, in accordance with Section 40-14A-1(h)(2), Code of Alabama 1975. Single-member LLCs that are treated as a disregarded entity for federal income tax purposes do not qualify as an electing family limited liability entity, in accordance with Section 40-14A-1(h), Code of Alabama 1975.

MPT-NW Worksheet – This worksheet is required to be completed to substantiate the net worth computation. The net worth computations required to compute the Alabama Medical Cannabis Privilege Tax for a taxable year are performed on information extracted from the balance sheet prepared as of the last day of the determination period. (Generally, the last day of the determination period is the last day of the taxable year that just ended and is the date of the balance sheet prepared that coincides with the taxable year that just ended.)

Part A – Net Worth Computation:

I. Corporations & Entities Taxed as Corporations

Line 1. Enter the total amount of the taxpayer's capital stock and additional

paid in capital, but not less than zero. The amount must not be reduced for any treasury stock owned by the corporation.

Line 2. Enter the amount of Retained Earnings, but not less than zero. Include any amounts designated for the payment of dividends until the amounts are definitely and irrevocably placed to the credit of the stockholders, subject to withdrawal on demand. If the taxpayer does not issue stock or if the taxpayer is either a business trust or a limited liability entity taxed as a corporation for federal tax purposes, enter the book value of the taxpayer's assets minus liabilities, but not less than zero.

Line 3. Enter the gross amount of related party debt exceeding the total of the amounts entered on line 1 and line 2, as required by Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amounts on line 1 and line 2 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, Code of Alabama 1975, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities. Note: The amount entered on line 3 must not be less than zero. Individual shareholders are not considered related parties. Related party debt and related party receivables **are not netted** in any circumstances. Exempt payables are defined as stated in Section 40-14A-23(e)(2)(b). They include trade debt, accounts payable, or deposit liabilities to related parties that are doing business in Alabama. Non-Exempt payables are all other related party debts.

Line 4. For the determination period, enter the excess amount (the amount in excess of \$500,000 for each shareholder) of compensation or similar amounts paid to (or accrued as a liability to) certain direct or indirect shareholders, as defined in Section 40-14A-23, Code of Alabama 1975. This amount will be added to lines 1, 2, and 3, in arriving at the taxpayer's net worth. Section 40-14A-23(f), Code of Alabama 1975, should be referred to for a more thorough explanation of this adjustment.

Line 5. For the determination period, enter the excess amount (the amount in excess of \$500,000 for each shareholder) of compensation or similar amounts paid to (or accrued as a liability to) certain direct or indirect shareholders, as defined in Section 40-14A-23, Code of Alabama 1975. This amount will be added to lines 1, 2, and 3, in arriving at the taxpayer's net worth. Section 40-14A-23(f), Code of Alabama 1975, should be referred to for a more thorough explanation of this adjustment.

Line 6. Total Net Worth – Enter the sum of lines 1 through 5.

II. Limited Liability Entities (LLEs)/General Partnerships

Line 7. Enter the total amount of the partner/member capital accounts, but not less than zero.

Line 8. Enter the excess amount (the amount in excess of \$500,000 for each partner/member) of compensation, distributions or similar amounts paid to (or accrued as a liability to) certain direct or indirect partners/members during the determination period, as defined in Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amounts entered on lines 7 and 9, in arriving at the taxpayer's net worth. Section 40-14A-23(f), Code of Alabama 1975, should be referred to for a more thorough explanation of this adjustment.

Line 9. Enter the gross amount of related party debt exceeding line 7, as required by Section 40-14A-23, Code of Alabama 1975. This amount will be added to the amount on line 7 in arriving at the taxpayer's net worth. Related

parties are defined in Section 40-14A-1, *Code of Alabama 1975*, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities. Note: The amount entered on line 9 must not be less than zero. Individual shareholders are not considered related parties. Related party debt and related party receivables **are not netted** in any circumstances. Exempt payables are defined as stated in Section 40-14A-23(e)(2)(b). They include trade debt, accounts payable, or deposit liabilities to related parties that are doing business in Alabama. Non-Exempt payables are all other related party debts.

Line 10. Total Net Worth – Enter the sum of lines 7 through 9.

III. Disregarded Entities/Individuals/Other Entities

Line 11. Enter the name and Federal Employer Identification Number (FEIN) or Social Security Number (SSN) of the single member of the disregarded entity.

Line 12. If the taxpayer is a disregarded entity that has as its single member a taxpayer that IS subject to the Alabama Medical Cannabis Privilege Tax, then the disregarded entity pays only the minimum tax. Enter \$100, the amount of the minimum Medical Cannabis Privilege Tax, in Part B, line 12. The form can then be completed from that point, in accordance with the instructions for this form. The name and FEIN of the single member must be provided on line 11, or the form will be considered incomplete.

Line 13. If the taxpayer is a disregarded entity that has as its single member a taxpayer that IS NOT subject to the Alabama Medical Cannabis Privilege Tax, then the disregarded entity must compute its own net worth, and pay the Alabama Medical Cannabis Privilege Tax accordingly. Enter the amount the taxpayer's assets exceed its liabilities, but not less than zero. The name and FEIN/SSN of the single member must be provided on line 11, or the form will be considered incomplete. A statement must be attached to the Medical Cannabis Privilege Tax Return explaining why the owner is not subject to the Alabama Medical Cannabis Privilege Tax.

Line 14. Enter the gross amount of related party debt exceeding the amount entered on line 13, as required by Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to the amount on line 13 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, *Code of Alabama 1975*, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities. Note: The amount entered on line 14 must not be less than zero. Individual shareholders are not considered related parties. Related party debt and related party receivables **are not netted** in any circumstances. Exempt payables are defined as stated in Section 40-14A-23(e)(2)(b). They include trade debt, accounts payable, or deposit liabilities to related parties that are doing business in Alabama. Non-Exempt payables are all other related party debts.

Line 15. Enter the excess amount (the amount in excess of \$500,000 for the owner) of compensation, distributions or similar amounts paid to (or accrued as a liability to) certain direct or indirect owners during the determination period, as defined in Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to the amounts entered on lines 13 and 14, in arriving at the taxpayer's net worth. Section 40-14A-23(f), *Code of Alabama 1975*, should be referred to for a more thorough explanation of this adjustment.

Line 16. Total Net Worth – Enter the sum of lines 13 through 15 and go to Part B, line 1.

Part B – Privilege Tax Exclusions:

Exclusions are allowed by Section 40-14A-23(g), *Code of Alabama 1975*.

Line 1. Enter the Total Net Worth from line 6, 10, or 16, Part A.

Line 2. Enter the total book value amount for the investment the taxpayer

has in the equity of other taxpayers. Attach a listing providing for each separate investment, the name of the taxpayer, the taxpayer's FEIN, the taxpayer's address and the book value of the investment. This exclusion is not available for the book value of securities (as defined in Internal Revenue Code Section 1236) primarily for sale to customers in the ordinary course of its trade or business.

Line 3. Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of goodwill and core deposit intangibles that resulted from a direct purchase of another corporation or limited liability entity. For goodwill, attach a listing showing for each direct purchase the goodwill originally acquired, the date the direct purchase occurred, accumulated amortization, the name and location of the business acquired, and the name and FEIN of the entity that acquired the business and goodwill.

Line 4. Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of post-retirement benefits, which the taxpayer elected to amortize under Financial Accounting Standards Board (FASB) Statement Number 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. The statement was issued in December 1990, and focuses principally on postretirement health care benefits. The supporting documentation should include a description of benefits, amortization schedule, and the line detail of the post-retirement benefits on the balance sheet.

Line 5. Total Exclusions – Enter the total of lines 2 through 4.

Net Worth Apportionment

Line 6. Net Worth Subject to Apportionment – Enter the difference between line 1 (Total Net Worth) and line 5 (Total Exclusions).

Line 7. Alabama Apportionment Factor as of the Date of License – Alabama Medical Cannabis Privilege Tax Returns require an apportionment factor. The ratio of Alabama sales to total sales should be used as the apportionment factor for returns. Section 40-14A-24(a), *Code of Alabama 1975*, establishes the net worth apportionment requirements for the Alabama Medical Cannabis Privilege Tax.

Line 8. Total Alabama Net Worth – Multiply line 6 (Net Worth Subject to Apportionment) by line 7 (Apportionment Factor).

Line 9a. Federal Taxable Income Apportioned to AL – Multiply federal taxable income (from federal tax form) by line 7 (Apportionment Factor).

Line 9b. Tax Rate – The tax rate is variable, see table at bottom of form.

Line 10. Privilege Tax Due – Multiply line 8 (Taxable Alabama Net Worth) by line 9b (Tax Rate), but not less than \$100, the minimum amount of the tax.

Example:

Line 8. Total Alabama Net Worth	\$1,000,000
Line 9b. Tax Rate	00025
Line 10. Privilege Tax Due	\$250

Computation of the Medical Cannabis Privilege Tax Due:

The Alabama Medical Cannabis Privilege tax is due, in full, by the original due date of the Medical Cannabis Privilege tax return, without consideration for any filing extensions.

Payment of the tax may be made electronically at the time of filing. Payments of \$750 or more are required to be remitted electronically. If payment is to be made by check or money order, it should be submitted with a completed payment voucher (MPT-V). The MPT-V can be downloaded from the Department's website at www.revenue.alabama.gov.

If the Alabama Medical Cannabis Privilege Tax is paid after the payment due date, late payment penalty and interest will be due.

Penalty Due – Enter the total amount of the penalty for failure to timely file the return and the penalty for failure to timely pay the tax shown due on the return, as specified in Section 40-2A-11, *Code of Alabama 1975*. The penalty for failure to timely file an Alabama Medical Cannabis Privilege Tax return by the due date is 10% of the tax shown due with the return or \$50, whichever is

greater. The penalty for failure to timely pay the amount of tax shown due on an Alabama Medical Cannabis Privilege Tax return equals to 1% of the amount of tax shown due on the return for each month the tax is unpaid – not to exceed 25% of the amount shown due on the return.

Interest Due – Enter the amount of interest due on any Medical Cannabis Privilege Tax that remains unpaid as of the payment due date. Section 40-1-44(a), *Code of Alabama 1975*, specifies the interest rate to be used in computing the amount of interest due (Section 40-1-44 references Internal Revenue Code Section 6621 for the interest rates to be used for underpayments).

Maximum Privilege Tax:

C-corporations and LLEs taxed as corporations have a \$15,000 maximum levy for the Alabama Medical Cannabis Privilege Tax. See Section 40-14A-22, *Code of Alabama 1975*.

S-corporations, LLEs, and Disregarded Entities have a \$15,000 maximum levy for the Alabama Medical Cannabis Privilege Tax. See Section 40-14A-22(d), *Code of Alabama 1975*.

LLEs meeting the definition of “electing family limited liability entity” as stated in Section 40-14A-1, *Code of Alabama 1975*, have a maximum levy for the Alabama Medical Cannabis Privilege Tax of \$500.

Minimum Privilege Tax:

Section 40-14A-22(c), *Code of Alabama 1975*, establishes a minimum Medical Cannabis Privilege Tax levy of \$100 for C-corporations, LLEs taxed as corporations, insurance companies, REITs, S-corporations, LLEs, and Disregarded Entities – even for Medical Cannabis Privilege tax years that are short years.

Medical Cannabis Tax Calculation worksheet – Return Calculation

(This is not a return, the return is required to be submitted online through My Alabama Taxes)

1a. FEIN ▶ _____	1b. LEGAL NAME OF BUSINESS ENTITY _____	1c. LICENSE DATE (MM/DD/YYYY) _____
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PART A – NET WORTH COMPUTATION (COMPLETE I, II OR III ONLY)

I. Corporations & Entities Taxed as Corporations

1 Issued capital stock and any additional paid in capital, but without reduction for treasury stock.	1	
2 Retained earnings, but not less than zero, including dividends payable. For LLC's taxed as corporations and non-stock issuing entities such as business trusts, enter assets minus liabilities.	2	
3 Gross amount of related party debt exceeding the sums of line 1 and 2.	3	
4 For C corporations, all payments for compensation or similar amounts in excess of \$500,000.	4	
5 For S corporations, all payments for compensation, distributions or similar amounts in excess of \$500,000.	5	
6 Total net worth (add lines 1-5 and go to Part B, line 1.)	6	

II. Limited Liability Entities (LLE's)/General Partnerships

7 Sum of the partners'/members' capital accounts, but not less than zero.	7	
8 All compensation, distributions, or similar amounts paid to a partner/member in excess of \$500,000.	8	
9 Gross amount of related party debt exceeding the amount of line 7.	9	
10 Total net worth (add lines 7, 8, and 9 and go to Part B, line 1.)	10	

III. Disregarded Entities/Individuals/Other Entities

11 Single Member Name: _____ FEIN/SSN: _____

12 If a disregarded entity has as its single member a taxpayer that is subject to the Medical Cannabis Privilege Tax, then the disregarded entity pays the minimum tax. (Go to Part B, line 10.)

13 Assets minus liabilities (attach documentation). Complete only if single member is not subject to Medical Cannabis Privilege Tax.	13	
14 Gross amount of related party debt exceeding the amount on line 13.	14	
15 All payments for compensation, distributions, or similar amounts in excess of \$500,000.	15	
16 Total net worth (add lines 13, 14, and 15 and go to Part B, line 1.)	16	

PART B – PRIVILEGE TAX EXCLUSIONS

Exclusions (Attach Supporting Documentation)

1 Net worth from Part A – line 6, 10, or 16.	1	
2 Book value of the investments by the taxpayer in the equity of other taxpayers.	2	
3 Unamortized portion of goodwill and core deposit intangibles resulting from a direct purchase.	3	
4 Unamortized balance of properly elected post-retirement benefits pursuant to FASB 106.	4	
5 Total exclusions (sum of lines 2 - 4).	5	
6 Net worth subject to apportionment (line 1 less line 5).	6	
7 Apportionment Factor (see instructions).	7	. %
8 Total Alabama net worth (multiply line 6 by line 7).	8	
9a Federal Taxable Income Apportioned to AL	9a	
9b Tax rate	9b	
10 Privilege tax due (multiply line 8 by line 9b) (minimum \$100, for maximum see instructions). Enter also on Form MPT, page 1, line 6, Privilege Tax Due.	10	

Part B, Line 9b Tax Rate –			
The tax rate is specified in Section 40-14A-22(b), <i>Code of Alabama 1975</i> , and is determined using the following table:			
Federal Taxable Income Apportioned and Allocated to Alabama			
More Than or Equal to	But Less Than	Tax Rate	Amount of tax per \$1,000 of Taxable Alabama Net Worth
–	\$ 1	.00025	\$.25 per \$1,000
\$ 1	\$ 200,000	.00100	\$ 1.00 per \$1,000
\$ 200,000	\$ 500,000	.00125	\$ 1.25 per \$1,000
\$ 500,000	\$ 2,500,000	.00150	\$ 1.50 per \$1,000
\$ 2,500,000	–	.00175	\$ 1.75 per \$1,000