

Use This Schedule to Compute Credits Available on the Financial Institution Excise Tax Return (Form ET-1)

Informational Requirements

If the Financial Institution 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 ET-1 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 EC and attach the Schedule K-1 to the return.

If the Financial Institution 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 Schedule EC, Section D, Part H, and attach Form KRCC and Schedule KRCC-B to the ET-1 return.

SPECIFIC INSTRUCTIONS

Section A – CURRENT YEAR TAX LIABILITY

Enter Alabama Financial Institution Excise Tax due from Form ET-1, page 1, line 16 here.

Section B – CURRENT YEAR CREDITS - Pre-Distribution

Part A – AL Taxes Used as Credits

The taxpayer must provide a complete listing of the taxes used as credits, in the format required by the Alabama Department of Revenue, upon receiving a written request from the Department. Attach additional schedules as needed.

- A1. Enter Sales Taxes: Supplies, etc. used as Credits
- A2. Enter Furniture, Fixtures used as Credits
- A3. Enter Use Taxes used as Credits
- A4. Enter State Tax on Utilities used as Credits
- A5. Enter State Tax on Telephone used as Credits
- A6. Enter Other Allowable Taxes used as Credits
- A7. Add lines A1 through A6. CREDIT ALLOWABLE.
- A8. TOTAL ALABAMA TAXES USED AS CREDITS UTILIZED. If A7 is less than (<) Section A, enter the amount from A7 on A8. If A7 is greater than (>) Section A, enter the amount from Section A on A8 and zero (0) on A9.
- A9. Remaining Tax Liability Due: If Section A is greater than (>) A8, enter the difference on A9 (Section A – A8 = A9) and proceed to Part B.

Part B – 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 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 and cannot be taken in conjunction with the Alabama Small Business and Agribusiness Jobs Credit. This credit is required to be submitted through MAT.

- B1. Enter the number of full time employees on 12-31-2021.
- B2. Enter the number of full time employees on 12-31-2020.
- B3. Subtract line B2 from line B1.
- B4. Enter the number of qualifying employees included in the number on B3 for which the credit is claimed.
- B5. Multiply line B4 by 1,000. Enter the amount.

- B6. TOTAL FULL EMPLOYMENT ACT CREDIT UTILIZED. If B5 is less than (<) A9, enter the amount from B5 on B6. If B5 is greater than (>) A9, enter the amount from A9 on B6 and zero (0) on B7.
- B7. Remaining Tax Liability Due: If Section B, Part A, Line A9 is greater than (>) B6, enter the difference on B7 (Section B, Part A, Line A9 - B6 = B7) and proceed to Part C

Part C – Investment Credit (Alabama Jobs Act)

Act Number 2015-27 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 of 1.5 percent of a qualified capital investment annually, for a period of 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 carry-forward 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.

- C1a-C1c Enter the Project Number(s) and the amount of the credit claimed from the certification issued by the Alabama Department of Commerce
- C2. Add lines C1a through C1c. CREDIT ALLOWABLE.
- C3. TOTAL INVESTMENT CREDIT (ALABAMA JOBS ACT) UTILIZED. If C2 is less than (<) B7, enter the amount from C2 on C3. If C2 is greater than (>) B7, enter the amount from B7 on C3 (Section B, Part B, Line B7 = C3) and zero (0) on Section C, Line 1.
- C4. If C2 is greater than (>) C3, this is the amount of Investment Credit (Alabama Jobs Act) remaining to CARRYFORWARD. Enter the amount on C4 and skip to Section C
- C5. Remaining Tax Liability Due: If Section B, Part B, Line B7 is greater than (>) C3, enter the difference on C5 (Section B, Part B, Line B7 – C3 = C5) and proceed to Part C, Line C6.
- C6. Investment Credit (Alabama Jobs Act) Credit Forward Prior Years
C6a-C6c. Enter the Project Number(s), Year Carryforward Generated (MM/DD/YYYY) and the amount of the credit claimed from prior year(s).
- C7. Add lines C6a through C6c. CREDIT ALLOWABLE.
- C8. TOTAL INVESTMENT CREDIT (ALABAMA JOBS ACT) UTILIZED. If C7 is less than (<) C5, enter the amount from C7 on C8.
- C9. Alabama Financial Institution Excise Tax less Pre-Distribution Credits (Net Alabama Financial Institution Excise Tax): If C5 is greater than (>) C8, enter the difference on C9 (C5 – C8 = C9).

Section C – Allocable Amount to General Fund

- 1. Net Alabama Financial Institution Excise Tax less Pre-Distribution Credits multiplied by 50% (C9 x .50).
- 2. Total Amount allocated to General Fund. Enter amount here and Section E, Part D, Column 3.

Section D – CURRENT YEAR CREDITS – Limited to the General Fund Portion of Distribution

Part D – 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 add 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. This credit is required to be submitted through MAT.

- D1. Enter the number of unemployed veterans included in Section B, Part B, B4 – Full Employment Credit.
- D2. Multiply line D1 by \$2,000. Enter the amount.

Part E – 2013 Alabama Historic Rehabilitation Tax Credit

Act Number 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. This credit is required to be submitted through MAT.

- E1a- E1c. 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.
- E2. Enter the amount of the 2013 Alabama Historic Rehabilitation Tax Credit from the Alabama Historical Commission Tax Credit Certificate. CREDIT ALLOWABLE.

Part F – Apprenticeship Tax Credit

Act Number 2019-506 amends Act Number 2016-314. The act increased the credit for eligible employers that employ an apprentice for at least 7 full months of the prior taxable year, not to exceed 10 apprentices, from \$1,000 to \$1,250; provides an additional \$500 tax credit to eligible employers for hiring in school youth apprentices for 90 days, under the age of 18; and extend the tax credit through 2025. For eligibility requirements see §§40-18-422, 40-18-423 and 40-18-424. Credits are nontransferable, nonrefundable, and not available for an individual apprentice for more than four taxable years. These credits are required to be submitted through MAT.

- F1. Enter the amount from the Apprenticeship Tax Credit Certificate issued by the Workforce Development Division of the Department of Commerce.

Part G – Growing Alabama Credit

Act Number 2016-102 and Section 40-18-413 authorize a tax credit to corporations that make cash contributions to economic development organizations (EDO) approved by the Renewal of Alabama Commission. Act Number 2021-2 extends the tax credit to be taken against the state portion of the financial institution excise tax. The credit is the amount of the cash contribution made not to exceed the reservation amount as verified by the EDO. The credit cannot exceed 50% of the corporation's income tax liability for the current year. 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 FIE account under "I Want To" select "Report a donation to an EDO". Then complete the donation submission.

- G1. Enter the name of the Economic Development Organization Approved by the Alabama Renewal Commission.
- G2. CREDIT AVAILABLE. Enter the total contribution amount approved.
- G3. MAXIMUM CREDIT ALLOWABLE. Multiply Total Amount allocated to General Fund by 50% (.50), (Section C, line 2 x .50). Enter here.
- G4. CREDIT ALLOWABLE. Enter the lesser of line G2 or line G3.
- G5. MAXIMUM CREDIT ALLOWABLE FOR PRIOR YEAR CARRYFORWARD. Subtract line G4 from line G3. Enter here and line G6a, Column 3.
- G6a- G6e. Enter the calculation of allowable prior year credit carryforward here.

If Part G, line G5 is equal to zero, do not complete this section.

- Column 1. Enter the credit year of the carryforward.
- Column 2. Enter the amount of Credit Carryforward Available.

Column 3. Enter the Credit Limitation. Line G6a, Column 3 equals the amount from line G5. Lines G6b, G6c, G6d, and G6e, Column 3 equals the amount in 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.

G6f. Maximum Credit Carryforward Available. Enter the sum of Column 4, line G6a, G6b, G6c, G6d, and G6e here and on Section F.

Part H – Income Tax / Capital Credit

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 up to 5 percent of the qualifying project's allowable capital costs for each of 20 years, limited to the tax liability generated by or arising out of the qualifying project, and is applied after all deductions, exemptions and other credits have been taken.

A project entity that is a financial institution must complete Form AR-C on their MAT account prior to filing Alabama Form ET-1. The AR-C replaces both the Forms AR and KRCC.

However, if the project entity is a pass-through entity where the financial institution is a member or partner, the pass-through will complete Form KRCC for each member/partner allocating the project income and income tax capital credit available based on ownership. The financial institution 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 Schedule EC and the boxes checked on Schedule EC, Part I.

H1a – H1g. Enter the Project Number(s) assigned by the Alabama Department of Revenue and the amount of the Capital Credit claimed from Form AR-C, line 10 or Schedule KRCC-B, Part II, line 4.

H2. Total Income Tax Capital Credit Available. CREDIT ALLOWABLE.

For further information regarding the income tax/ 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 under the Tax Incentives page, or contact the Department at P.O. Box 327001, Montgomery, AL 36132-7001 or 334-242-1175.

Section E – Current Credit Summary

Part C through Part I. 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. Enter the amount of the credit generated by the corporation for the tax period from Section D.
- Column 3. Enter the amount of the remaining tax to be offset.
- Column 4. Enter the amount of the current credit utilized to offset the remaining tax due.
- Column 5. Subtract Column 3 amount from Column 4 amount.
- Column 6. Subtract Column 2 amount from Column 4 amount.

Section F – Credit Carry Forward Prior Years

Lines 1 through 10. For each carryforward available for utilization, repeat the steps on each line by row 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 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 D, Part G, line G6f. For all other credits, Column 6 equals the amount in Column 5.

Columns 7-9. Subtract the Remaining Tax to be Offset (Section E, Part H, Column 5) from the Allowable Credit Carryforward (Section F, 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 F, 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 G – Total Credits

- Line 1. Enter the Total Pre-Distribution and Current Credits from Section B, Lines A8, B6, C3, C8 and Section E, Column 4.
- Line 2. Enter the Total Prior Year Credit Carryforward from Section F, Column 7.
- Line 3. Add line 1 and line 2. Enter the total here and on Form ET-1, page 1, line 17.