

What's New

Fiduciary taxpayers must apply through My Alabama Taxes (MAT) at www.myalabamataxes.alabama.gov and receive approval before claiming the Rehabilitation, Preservation and Development of Historic Structure Credit of 2017 and before distributing the Capital Credit. Once logged into MAT, a taxpayer will need to select Fiduciary Tax as their account type then select "Submit a Credit Claim" from the "I Want to" menu on the right margin of the page 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) 242-1033.

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.
- Line 25. Enter the sum of lines 4, 8, 12, 16, 20 and 24.
- Line 26. Enter Alabama tax due from Form 41, line 7.
- Line 27. Enter the lessor of line 25 or line 26.

Part B – Credit for Taxes Paid to Foreign Country

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 coun-

try'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. Enter on Form 41, Schedule K, line 16.

Part C – Rehabilitation, Preservation and Development of Historic Structures Credit of 2017 (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 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. Any tax credits granted to or transferred to a pass-through entity shall be claimed at the entity level.

- Line 1. Enter your Project Number assigned by the Alabama Historic Tax Commission.
- Line 2. Add Lines 1a, 1b, and 1c.
- Line 3. Enter tax due from Form 41 page 1, line 7.
- Line 4. Less Income taxes paid to other states. Enter amount from Part A, line 27.
- Line 5. Subtract line 4 from line 3.
- Line 6. Enter the lesser of lines 2 or 5.
- Line 7. Subtract line 6 from line 2. Enter this amount on Form 41, page 1, line 8f.

Part D – Capital Credit

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.**

- Line 1. Enter your project number and project name from Form K-RCC, Part II. Enter the amount from Form K-RCC, Part III, Line 5.
- Line 2. Enter the total Capital Credit available. Check the box if the capital credit will be distributed to the beneficiary. If the capital credit is allocated to the beneficiary, skip lines 3-5 and enter 0 on line 6.
- Line 3. Enter tax due from Form 41, page 1, line 7.
- Line 4. Enter the sum of Part A, line 27 and Part C, line 6.
- Line 5. Tax due before Capital Credit, subtract line 4 from line 3.
- Line 6. Capital Credit Allowable. Enter lesser of line 2 or line 5.

Note: If distributing the Capital Credit to a beneficiary, Form K-RCC distributions must be submitted in MAT for each beneficiary

by following directions for claiming a credit. Log in to your MAT account select “Submit Credit Claim” and select Capital Credit. Enter each beneficiary’s share of available credit from the Form K-RCC. Then upload the beneficiary’s Form K-RCC documents for support. The Form K-RCC must also be attached to the Form 41 with Schedule FC when the return is filed. The return should include a copy of the Form K-RCC that was received from the distributing entity to verify the credit.

Part E – Summary

- Line 1. **Total Credits Allowable.** Add Part A, line 27, Part C, line 6 and Part D, line 6. Enter the total here and on Form 41, page 1, line 8a.