

What's New for 2020

Schedule CP-B, Schedule Composite Payment for Business. The Alabama Department of Revenue now requires the use of Schedule CP-B. Every nonresident owner or shareholder whose income is reported on Form PTE-C, Nonresident Composite Payment Return and include a calculated (5%) withholding of the nonresident owner's distributive share of income is requested to complete Schedule CP-B to claim the composite payment made on the nonresident's behalf.

General Information For Consolidated Filing:

An AAG, Alabama Affiliated Group, may elect to file an Alabama consolidated return. An Alabama consolidated return means an Alabama corporate income tax return filed by or on behalf of the members of an AAG. The election is made by filing Form 20C-CRE (Election to File Consolidated Corporate Income Tax Return). The completed election form must be submitted to the Department on or before the due date, with extensions, for the first taxable year for which the election is applicable. If the federal parent is not a member of the AAG, the members shall designate to the Department which member of the group shall serve as the AAG's Alabama parent. The parent must be an Alabama nexus group member. The consolidated election is binding and irrevocable for a period of 120 consecutive months (10 years), beginning with the first month of the taxable year for which the election is made and ending with the conclusion of the taxable year in which the 120th consecutive month expires.

In accordance with §40-18-39, for tax periods beginning January 1, 2002, and after, AAG means a group of corporations, each member of which is subject to tax under §40-18-31 and Public Law 86-272 which are members of an Affiliated Group for Federal purposes and file a Federal Consolidated Corporate Income Tax Return. Each member (including the Alabama designated parent corporation) shall allocate and apportion their Alabama taxable income and losses separately, using separate apportionment factors and file using the Proforma Form 20C. The sum of the separate company Alabama taxable income amounts (Sum of line 14, of all Proforma Forms 20C) are then brought forward to line 1 of the Alabama Consolidated Corporate Income Tax Return (Form 20C-C) and reported on this single Alabama return for the AAG. Form 20C-C, Consolidated Corporate Income Tax Return, must be filed by all AAGs with a binding consolidated election. All transactions between and among members of the AAG shall be reported on an arm's length basis. In addition to the separate company calculation, there may be additional expense items with limitations based on Alabama consolidated taxable income. Credits are not allowed to exceed Alabama consolidated taxable income.

Estimate/Extension/Informational Requirements for AAG's:

All payments made on behalf of or for the AAG are to be paid for and credited to the account of the AAG parent corporation. Any AAG, which has an Alabama income tax liability in the excess of \$500 must pay estimated tax. The first payment is due by the 15th day of the 4th month of the taxable year. The 2nd, 3rd, and 4th payments are due by the 15th day of the 6th, 9th, and 12th months, respectively. If an installment is due on a Saturday, Sunday, or state holiday, payments made on the next day that is not a Saturday, Sunday, or legal holiday are considered made on the due date to the extent the payment is applied against that required installment.

The amount of required installments shall be 25 percent of the required annual payment. Required annual payment generally means the lessor of a) 100 percent of the tax shown on the return for the taxable year, or b) 100 percent of the tax shown on the return for the preceding taxable year. The prior period ex-

ception shall not apply if the preceding taxable year was not a taxable year of 12 months or the corporation did not file a return for such preceding taxable year showing a liability for tax. Refer to Alabama Code Section 40-18-80-1.

Form 2220AL. Relief from the interest and penalty due on underpayment of estimated tax may be granted to eligible taxpayers who file Alabama Form 2220AL and meet one of the exceptions below.

- A corporation computed their required quarterly installments using an approved federal method (**annualized or seasonal**).
- A **Large Corporation** is allowed to base its first quarter installment on the prior year tax liability.
- An exception if the corporation's main source of Alabama Taxable Income is the result of Schedule K-1 income generated from a Pass Through Entity.

Remit estimated tax and extension payments using Form BIT-V if the payment is less than \$750. Payments over \$750 must be remitted electronically. Form BIT-V is not required if the payment is made electronically. To obtain Form BIT-V visit our website at www.revenue.alabama.gov.

Where To File/Payment of Tax:

The total amount of the AAG's income tax liability for the period is due on or before the unextended due date of the return. If the return is to be filed under extension, any liability due should be remitted no later than the original due date of the return. Payments of \$750 or more must be made electronically. Payments less than \$750, may be remitted with Form BIT-V. **DO NOT MAIL FORM BIT-V IF THE PAYMENT WAS REMITTED ELECTRONICALLY.**

ELECTRONIC PAYMENT. §41-1-20 requires electronic payments for all single business tax payments of \$750 or more. Substantial penalties will be assessed for noncompliance.

Electronic Payment Options available:

My Alabama Taxes (MAT) – Taxpayers who have an account with the Alabama Department of Revenue may register and make e-payments using MAT. Visit the Department's website at www.revenue.alabama.gov (click the MAT icon on the home page).

ACH Credit – Taxpayers making e-payments via ACH Credit must be pre-approved by ADOR. To register, complete and submit Form EFT:001 entitled EFT Authorization Agreement Form. Visit our website at www.revenue.alabama.gov for additional information.

Technical assistance with making a payment using ACH Credit, call the toll free hotline (1-877-256-2447) from 8:00 a.m. through 5:00 p.m. (Central Standard Time)

• **Alabama Interactive** – The Department will accept e-payments for estimated and extension payments through Alabama Interactive. Visit www.alabamainteractive.org/taxestimation/ or www.alabamainteractive.org/taxextension/.

Technical assistance with making a payment using Alabama Interactive, call toll free (1-866-353-3468)

• **Official Payments** – The Department will accept debit and credit card payments through Official Payments Corporation on the Internet. Visit www.officialpayments.com. A convenience fee may be charged for the use of this service and will be automatically calculated, if applicable. The fee is based on the amount of the tax payment and is paid directly to Official Payments Corporation.

Customer service support, making a payment using, Official Payment call toll free 1-800-487-4567 from 7:00 a.m. through 7:00 p.m. (Central Standard Time)

• **Value Payment Systems** – The Department will accept credit and debit card payments through Value Payment Systems. Visit www.paytax.com. There is a convenience fee for this service. The fee is based on the amount of the tax payment and is paid directly to Value Payment Systems.

Customer service support, making a payment using, Value Payment

Systems call toll free 1-888-877-0450 from 7:00 a.m. through 7:00 p.m. (Central Standard Time)

Make check or money order payable to: Alabama Department of Revenue

Write the AAG's federal employer identification number, the income tax form number or type of payment (i.e. Form 20C-C, extension payment, estimated tax payment, etc.), and the tax year end on the check. Remit with a properly completed Form BIT-V if the payment is not made electronically.

Tax due not paid on or before the due date will be subject to a failure to timely pay penalty of 1% per month, up to 25%, and will accrue interest at the rate provided in §40-1-44.

How To File:

DO NOT file Form 20C-C if you are not the parent of the Alabama Affiliated Group. Taxpayers filing consolidated Alabama corporate returns will submit completed proforma Forms 20C for each separate company included in the consolidated corporate group (including the Alabama designated parent). A proforma Form 20C is a completed Form 20C with filing status 5 checked. See Alabama Form 20C Instructions for general instructions for using Form 20C Proforma returns.

REQUIRED ATTACHMENTS. For the return to be considered complete and properly filed, a signed copy of the consolidated federal return (Form 1120) must be attached. Failure to attach the complete consolidated federal return, as filed with the IRS, with the necessary supporting schedules, forms and statements (ex: Schedule D, Schedule UTP, Form 8886, Form 4797, balance sheet, supporting statements for other income and other deductions) may result in the imposition of delinquent and/or frivolous return penalties. In addition to the signed copy of the consolidated federal return, the following are required: 1) Federal Form 851, the federal affiliations schedule should be included and the names of those entities subject to Alabama tax should be identified. The names of the entities subject to Alabama tax can either be underlined, or identified by using an (*) asterisk beside the name of the entity. 2) Copies of the supporting schedules, forms and statements filed as an attachment with the consolidated federal form should be included with the Alabama Form 20C-C. This would include items such as the consolidating income spreadsheets (including the column that identifies any eliminations or adjustments that occur as a result of the federal consolidation rules); the consolidating balance sheets (by separate company) for the beginning of the year and the end of the year; supporting statements for other income and other deductions (by separate company). **These supporting statements, forms and schedules should be copies of the actual documents provided to the Internal Revenue Service, not reproduced versions for state tax purposes.** 3) A Proforma U.S. Corporation Income Tax Return Form 1120, with supporting statements, for each separate entity to support any differences in Form 20C, line 1, Federal Taxable Income due to capital gains, charitable contribution and federal SRLY NOLs. The taxpayer is also required to include copies of Schedules K-1 for each entity the corporation held an interest in during the taxable year. Itemized depreciation schedules are not required to be attached to Form 20C, but should be maintained and available upon request.

Period Covered:

File the 2020 return for calendar year, fiscal year or short year that begins in 2020. Mark the appropriate box at the top of the form for a calendar, fiscal or short year.

NOTE: A 52/53 week filer can only file a fiscal year or short year return.

Specific Instructions

At the top, left-hand corner of page 1 check all applicable boxes if filing an initial, final, amended return or federal audit change. Check the amended return box if the corporation is amending the return for any reason other than changes that resulted from an IRS audit. Check the federal audit change box if the corporation is amending the return due to changes that resulted from an IRS audit. NOTE: Amended returns should be completed in full and accurately, including a detailed explanation for filing the amended return, supporting documentation to validate the amended changes, and computation of any additional amount due to ADOR or refund due. Blank or partially completed revenue forms require special handling that delays processing and cause unnecessary expenses. Failure

to comply with ADOR's requirements may result in the assessment of interest, penalty, and/or other actions. Amended proforma Form 20C returns-filing status 5 must be included, in order for the amended Form 20C-C to be considered complete. Alabama Code Section 40-18-40 (Rule 810-3-40-.01).

At the top, right-hand corner of page 1, check the appropriate box indicating a calendar year, fiscal year or short year return.

A **calendar tax year** is considered to have 12 consecutive months, beginning January 1 and ending December 31.

A **fiscal tax year** is considered to have 12 consecutive months ending on the last day of any month except December.

A **short tax year** is a tax year of less than 12 months.

A **52/53 week tax year** is a fiscal tax year that varies from 52 to 53 weeks that ends on a set day of the week, and does not have to end on the last day of a month.

Check the 52/53 week checkbox if the tax return is being filed by an entity with a 52/53 week filing election in place for the tax year. The fiscal year or short year checkbox must be selected for a 52/53 week filer.

In the top center block of page 1, enter the AAG's common parent's federal business code number, its federal employer identification number (FEIN), name, address, if applicable, include mail/postal stop, suite, floor, etc. in the next box, followed by city, state, country (if not US), and the nine digit zip code. Below the address enter the state of incorporation, date of incorporation, date qualified to do business in Alabama, and the nature of business being conducted in Alabama. Check the block and enter the name and federal employer identification number of the federal parent.

If Federal Form 1120-REIT was filed, check the box.

If the Alabama Form 2220AL (which is used to compute underpayment of estimated taxes based on an allowable federal method) is attached, check the box.

Enter the Alabama affiliated group's total combined assets. Total combined assets is the sum of each separate entity's tax year end assets before eliminations.

BE SURE TO FILL OUT ALL APPLICABLE LINES ON PAGE 1 even if detailed schedules are attached. Failure to properly complete the return may result in delinquency penalties.

Line 1. Alabama taxable income (sum of all Proforma Forms 20C, line 14).

Line 1a. Consolidated NOL (from Form 20C-C, Schedule B).

Line 1b. Alabama consolidated taxable income.

Line 2a. Enter the amount of total tax due (6.5% of line 1b).

Line 2b. A consolidated filing fee is due from an Alabama affiliated group which elects to file an Alabama consolidated return. Using the table below enter the amount of tax due. The total assets referred to in the table is the Alabama affiliated group's total combined assets. In accordance with Alabama's separate entity reporting concept, this is the sum of each entity's tax year-end assets before eliminations.

Total Assets	Annual Fee
\$0 to \$2,500,000	\$5,000
\$2,500,001 to \$5,000,000	\$10,000
\$5,000,001 to \$7,500,000	\$15,000
\$7,500,001 to \$10,000,000	\$20,000
\$10,000,001 and over	\$25,000

Line 2c. Enter the amount of total tax due (sum of lines 2a and 2b).

Line 3. LIFO Reserve Tax Deferral. (sum of all Proforma Forms 20C, line 16).

Line 4. Enter the amount of Alabama Income Tax after LIFO Reserve Tax Deferral. (line 2c less line 3).

Line 5. Nonrefundable Credits/Exemptions (sum of all Proforma Forms 20C, line 18). Credits/Exemptions for AAGs cannot exceed tax due (line 2a, Form 20C-C) nor can they offset any of the consolidated filing fee. For additional instructions for separate company computations for Schedule BC, please see the Schedule BC instructions.

Line 6. Enter the amount of net tax due to Alabama (line 4 less line 5).

Line 7a. Enter the tax overpayment carried over from the prior period.

Note: If these payments were made by any corporation other than the AAG parent corporation, please attach a detailed list showing the name of the corporation

who made the payment, including the FEIN of the corporation and the amount paid.

Line 7b. Enter the amount of estimated tax payments made for this tax period.

Line 7c. Enter the sum of the composite payments claimed on the proforma 20C(s), line 20c. Schedule CP-B must be completed and attached to each proforma 20C in which a composite payment is claimed. Refer to the Schedule CP-B instructions for additional information.

Line 7d. Enter the amount of any extension payments.

Line 7e. This line is only to be used if the taxpayer is filing an AMENDED RETURN. The amount shown should be any payments made with the original return and/or any payments made because of adjustments to the return by the Alabama Department of Revenue.

Line 7f. Enter the amount of Refundable credits (sum of all proforma 20C(s), line 20f).

Line 7g. Total Payments (add lines 7a through 7f and enter the total).

Line 8a. Credit to 2021 estimated tax. Enter the amount of the overpayment to be carried over to the 2021 estimated taxes.

Line 8b. Enter the amount of the overpayment you elect to contribute to the Penny Trust Fund.

Once the election is made to apply an overpayment to the next year's estimated tax and/or contribute to the Penny Trust Fund, the election may not be changed. The amount of overpayment applied to the estimated tax for the following year will not be refunded until after the following year's tax return has been filed. Contributions to the Penny Trust Fund are designated for the promotion of public schools and public health.

Line 8c. Penalty Due – Enter the sum of penalty boxes (late payment estimate penalty and other penalty).

Late Payment Estimate (Form 2220AL) – Enter amount from Form 2220AL, Part II, line 4a. Estimated tax payments not paid by each quarterly due date will be subject to an underpayment penalty – determined by applying the underpayment rate established by 26 U.S.C. §6621 (as provided by Alabama Code Section 40-18-80.1) to the underpayment for the period of underpayment. In addition, the 10% penalty provided for in Alabama Code Section 40-2A-11 applies to estimated tax payments not paid by the quarterly due date.

Must be completed if taxpayer utilizes Form 2220AL, as an alternative method to compute penalty and interest, as a result of underpayment of estimated tax. If estimate penalty is not calculated, estimate penalty will be calculated based on equal quarterly installments.

Other (Penalty on Tax)

If the return is not filed on or before the due date (with extensions), enter a delinquent penalty of 10% of the tax due or \$50, whichever is greater. Taxes not paid by the original due date will be subject to a late payment penalty of 1% per month for each month or fraction thereof that the tax remains unpaid, up to 25%, as provided in §40-2A-11.

Line 8d. Interest Due – Enter the sum of interest boxes (estimate interest and interest on tax).

Estimate Interest (Form 2220AL)

Enter amount from Form 2220AL, Part II, line 4b. Estimated tax payments not paid by each quarterly due date will be subject to interest on the underpayment – determined by applying the underpayment rate established by 26 U.S.C. §6621 (as provided by Alabama Code Section 40-18-80.1) to the underpayment for the period of underpayment.

Must be completed if taxpayer utilizes Form 2220AL, as an alternative method to compute penalty and interest, as a result of underpayment of estimated tax. If estimate penalty is not calculated, estimate penalty will be calculated based on equal quarterly installments.

Interest on Tax

Enter the amount of interest due on the balance of tax due, computed from the due date (without extensions) of this return to the date paid. The Alabama interest rate is the same as provided in 26 U.S.C. §6621.

Line 8e. TOTAL REDUCTIONS. Enter the sum of lines 8a through 8d.

Line 9. Enter the amount of tax due, or the amount to be refunded. Refunds should be entered as a negative or in parenthesis.

Electronic Payment Indicator. Check the box if the payment shown due on this return was made electronically. Payments of \$750 or more must be made electronically.

Signature:

The return must be signed by an authorized officer of the corporation. If the property or business is being operated by a receiver trustee in bankruptcy, or an assignee, such person shall sign for the corporation. Enter the date signed and the title of the person whose signature is affixed. If the return is prepared by anyone other than an employee of the taxpayer, enter the signature and identification information of the preparer.

PAID PREPARER AUTHORIZATION. Above the return signature area is a check box which can be used to authorize the Alabama Department of Revenue to discuss the Alabama Form 20C-C and its attachments with the paid preparer – who is identified in the Paid Preparer's Use Only section of the return. **To represent the taxpayer before the Alabama Department of Revenue for tax matters related to the return, this box must be checked.**

PAID PREPARER INFORMATION. Anyone who is paid to prepare the Alabama Form 20C-C must sign and provide the information requested in the Paid Preparer's Use Only section of the Form 20C-C. The signature can be made by hand, rubber stamp, mechanical device, or a computer software program. Paid preparers must provide the taxpayer with a copy of the prepared return.

Any questions concerning the preparation of the Alabama Form 20C-C should be directed to the Corporate Income Tax Section 334-242-1170, Option 6.

Alabama Corporate Income Tax law, rules, forms and instructions are available on the Alabama Department of Revenue's website at www.revenue.alabama.gov.

Enter the taxpayer's representative to contact for information concerning the return along with the contact person's email address and telephone number. If the paid preparer will represent the taxpayer for tax matters related to the return, the authorization box on the return must be checked in addition to being notated on this line.

Instructions For Schedule AS

The information requested on this schedule is needed to identify each member of the AAG that is subject to the Alabama Corporation Income Tax and which may also be subject to the Alabama Business Privilege Tax.

If the AAG includes more members than the schedule can accommodate, make additional copies as needed and attach behind page 2 of Form 20C-C.

Attach a copy of Federal Form 851, Affiliations Schedule.

Complete Schedule AS, Alabama Affiliations Schedule, for each year a consolidated return is filed.

Column A – List all names of parent and subsidiary corporations included in the Alabama Consolidated Income Tax Return or the Alabama Affiliated Group members.

Column B – List the Federal Employer Identification Number (FEIN) for each corporation listed.

Column C – List the tax year end (MM/DD/YYYY) for each company included in Schedule AS.

Column D – Enter the Alabama Taxable income for each corporation listed.

Column E – Indicate whether this corporation is new to the Federal Consolidated Group.

Instructions for Schedule B

For taxable years beginning after December 31, 1984, a net operating loss (NOL) may be carried forward for a maximum of 15 years. There is no provision in Alabama tax law that allows corporations to carry a net operating loss back to prior taxable years.

Schedule B must be completed in order to claim the NOL deduction. **Signed Copies of the Alabama corporate income tax returns (page 1 only) for all applicable years more than six years old must be attached, including tax periods where the NOL's were utilized.**

See §40-18-39(h) which states, "If, in a taxable year before the corporation became a member of an Alabama affiliated group that has elected to file an Alabama consolidated return, the corporation incurred a net operating

loss, the deductibility of the loss on the Alabama consolidated return shall be limited to only the amount necessary to reduce to zero the Alabama taxable income, calculated on a separate return basis, of the corporation that incurred the NOL. Except as provided in the preceding sentence, the separate return limitation year (SRLY) rules contained in 26 U.S.C. §1502 shall apply.”

Note: Please complete Form 20C-C, Schedule B, for the AAG Consolidated portion of the NOL only. The separate company Proforma Form 20C, Schedule B, should be used to compute the separate company NOL's.

Note: Please begin the net operating loss schedule with the oldest loss year first, ending with the most current loss year. Please list loss years only. Tax years that utilize net operating losses should not be listed. All net operating losses should be listed separately.

Column 1. Enter the tax year end (MM/DD/YYYY) in which the net operating loss was generated.

Column 2. Enter the amount of the net operating loss incurred by the corporation for the tax period in Column 1.

Column 3. Enter the amount of the net operating loss utilized in prior years for the loss listed in Column 2.

Column 4. Enter the amount of the net operating loss to be utilized in the current tax period, not to exceed the remaining balance for this loss period.

Column 5. Enter the remaining balance of the unused net operating loss for this loss period. (Column 2 – Column 3 – Column 4 = Column 5).

The Alabama net operating loss deduction is limited to net operating losses incurred by a corporation which did business in Alabama and filed Alabama corporate income tax returns in prior taxable years.

Mail Consolidated Returns and Payments to:

Alabama Department of Revenue
Income Tax Administration Division
Corporate Tax Section
P.O. Box 327437
Montgomery, AL 36132-7437
Telephone (334) 242-1170, Option 6

Mail Federal Audit Change Returns and Payments to:

Alabama Department of Revenue
Income Tax Administration Division
Corporate Tax Section
P.O. Box 327451
Montgomery, AL 36132-7451
Telephone (334) 242-1170, Option 6