

INSTRUCTIONS FOR THE PREPARATION OF
ALABAMA DEPARTMENT OF REVENUE
Financial Institution Excise Tax

2021

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

What's New for 2020

Act Number 2019-284, established the Financial Institution Excise Tax Reform Act of 2019 passed the Alabama Legislature during the 2019 Regular Session. The Act provided for an estimate payment system; and alternate distribution formula to pay the counties and municipalities; and updated law to provide clarification and reflect current policies and procedures. See Form ET-1 and instructions for complete details.

- § 40-16-1, Code of Alabama 1975, Calculation of Net Income
- § 40-16-3 Code of Alabama 1975, Provides for the due dates of certain financial institution excise tax returns to correspond to the due dates of federal income tax returns and provides for payments to be made on the original due date of the return. For tax years beginning on or after January 1, 2020, financial institutions can file their income tax returns by the same date as the corresponding federal income tax returns that are required to be filed as provided under federal law. The financial institution's tax liability is due at the same time as the due date of an original return.

Calendar year Financial Institution Excise taxpayer's not subject to the federal income tax, returns are due April 15th following the close of the taxpayer's filing period with an automatic extension of six months, extending the return to October 15th. Fiscal year Financial Institution Excise taxpayers not subject to the federal income tax, returns are due 4th month, 15th date following the close of the taxpayer's filing period with an automatic extension of six months.

- § 40-16-5.1 Code of Alabama Financial institutions shall pay estimated financial institution excise tax in accordance with 26 U.S.C. 6655 with exceptions as indicated.
- § 40-16-6, Code of Alabama 1975, Modification to simplify revenue distribution.
- § 40-16-10 Code of Alabama extends the carryforward period for net operating losses to a maximum of 15 tax years, while eliminating the financial institution's ability to carryback net operating losses to the prior two tax years. The 15 tax year carryforward period shall only apply to net operating losses incurred in tax year beginning after December 31, 2019. The clarification of the ordering rules applicable to net operating losses provided by 40-16-10 (c) shall apply to all open tax years.

FORM 2220E. Alabama Form 2220E has been developed to allow financial institutions with relief from estimated penalties (See Section 40-16-5.1, Code of Alabama 1975). The new form allows the taxpayer the ability to compute the required Alabama quarterly installments using the optional federal annualization method and the optional federal adjusted seasonal method. See the instructions for Form 2220E, Underpayment of Estimated Tax, for additional information.

FORM ET-8, Application for Extension of Time for Filing Alabama Financial Institution Excise Return. Form ET-8, is no longer required to request an extension of Time for Filing Alabama Financial Institution Excise Return. The due dates of financial institution excise tax returns, effective for tax periods beginning after December 31, 2019, will correspond to the due dates of federal income tax returns and provides for payments to be made on the original due date of the return. For tax years beginning on or after January 1, 2020, financial institutions can file their income tax returns by the same date as the corresponding federal income tax returns that are required to be filed as provided under federal law. Calendar year financial institutions not subject to the federal income tax returns will be due April 15th following the close of calendar year. Fiscal year financial institution not subject to the

federal income tax return will be due 4th month 15th day after the close of the fiscal year. An automatic extension of six months is granted to Financial Institution Excise taxpayers not subject to the federal income tax. The financial institution's tax liability is due at the same time as the due date of an original return.

Schedule FTI, Schedule of Adjustments to Federal Taxable Income. The Alabama Department of Revenue now requires the use of Schedule FTI to reconcile any differences between the federal taxable income on line 30 of the Proforma Federal 1120 and federal taxable income reported on Line 1 of the Alabama Form ET-1.

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 Financial Institutions
Financial Institutions Subject To Excise Tax:**

Sections 40-16-1 and 40-16-4, Code of Alabama 1975, impose an excise tax on every financial institution doing business in Alabama by engaging in the businesses specified therein. See **Section 40-16-1, Definition of Financial Institution and Section 40-16-4, Statute Imposing the Alabama Financial Institution Excise Tax.**

The Alabama Department of Revenue administers the Alabama Financial Institution Excise Tax. The Alabama Banking Department regulates all state-chartered banks, trust companies, and various providers of consumer credit.

**Section 40-16-1, Definition of
Financial Institution.**

Section 40-16-1, *Code of Alabama 1975*, defines the term "financial institution" as follows:

"...(1) FINANCIAL INSTITUTION. Any person, firm, corporation and any legal entity whatsoever doing business in this state as a national banking association, bank, banking association, trust company, industrial or other loan company or building and loan association, and such term shall likewise include any other institution or person **employing moneyed capital coming into competition with the business of national banks**, and shall apply to such person or institution regardless of what business form and whether or not incorporated, whether of issue or not, and by whatsoever authority existing..."

**Section 40-16-4, Statute Imposing the
Alabama Financial Institution Excise Tax.**

Section 40-16-4, *Code of Alabama 1975*, imposes an excise tax on financial institutions, specifically, Section 40-16-4(a)(1) states:

- "...Every such financial institution engaging in any of the following businesses:
- (i) Banking;
 - (ii) Conducting the business of a financial institution as defined in this chapter;
 - (iii) Conducting a credit card business through the issuance of credit cards to Alabama residents or businesses; or
 - (iv) Conducting a business **employing moneyed capital coming into competition with the business of national banks**

shall pay to the state annually for each taxable year an excise tax measured by its net income allocated and apportioned for the taxable year at the rate of six and one-half percent of the net income..."

Activities Not Meeting the Definition of Financial Institution.

Simply lending money does not qualify a taxpayer as a financial institution, as the term is defined in Section 40-16-1, *Code of Alabama 1975*. Also, the results of court cases over the years have indicated that “employing moneyed capital coming into competition with the business of national banks” means the competition with the national banks must be serious in nature and the capital employed in the competition must be substantial and similar in size when compared to the capitalization of the national banks. Therefore, generally, small loan companies, personal loan companies, payday loan companies, check cashing companies, title loan companies, cash advance companies, pawn shops and companies providing solely mortgage origination services (as opposed to issuing and holding the mortgages) are not considered to be “employing moneyed capital coming into competition with the business of national banks” nor are they considered to be a “financial institution” for purposes of the Alabama Financial Institution Excise Tax Law.

For purposes of the Alabama Financial Institution Excise Tax, performance of any one of the following activities, by a person, firm, corporation, or legal entity doing business in the State of Alabama, will not necessarily qualify the taxpayer as a financial institution, as the term is specified in Section 40-16-1, *Code of Alabama 1975*:

1. Those activities required to be licensed under the Alabama Small Loan Act – Title 5, Chapter 18, *Code of Alabama 1975*;
2. Those activities required to be licensed under the Deferred Presentment Services Act – Title 5, Chapter 18A, *Code of Alabama 1975*, concerning what are sometimes known as payday loans;
3. Those activities required to be licensed under the Alabama Consumer Credit Act – Title 5, Chapter 19, *Code of Alabama 1975*;
4. Those activities required to be licensed under the Alabama Pawnshop Act – Title 5, Chapter 19A, *Code of Alabama 1975*; and,
5. Those activities required to be licensed under the Mortgage Brokers Licensing Act – Title 5, Chapter 25, *Code of Alabama 1975*.

Please refer to each of the above-named laws to identify those entities which may be exempt from the licensing requirements of the laws (generally banks are exempt from the licensing requirements).

Example: *If the taxpayer is a bank and the bank also performs in the State of Alabama those activities required to be licensed under the Alabama Consumer Credit Act, the taxpayer would meet the definition of “financial institution” specified by Section 40-16-1, Code of Alabama 1975, because it is a bank and banks are specifically included in the definition. But, if the taxpayer is a limited liability company and performs in the State of Alabama only those activities required to be licensed under the Alabama Consumer Credit Act, the taxpayer would not meet the definition of “financial institution” as specified in Section 40-16-1, Code of Alabama 1975. The taxpayer would be subject to the provisions of the Alabama income tax law, not the provisions of the Alabama Financial Institution Excise Tax law.*

Filing Requirements:

Every financial institution subject to excise tax under Title 40, Code of Alabama 1975, is required by §40-16 to file a return with the Alabama Department of Revenue for each taxable period stating gross income and allowable deductions and credits. Penalties will be added for failure to timely file, failure to timely pay, or fraudulent filing.

Consolidated Filing:

Please refer to our website at www.revenue.alabama.gov for instructions on filing a Consolidated Financial Institution Excise Tax Return, Form ET-1C. In order for a qualified financial institution excise group to be eligible to file a consolidated return, the financial institution members must meet the ownership and filing requirement, specified in Section 40-16-3, Code of Alabama 1975.

When To File:

ORIGINAL DUE DATE. The returns for calendar year and fiscal year 2020 (Form Year 2021) should be filed by the same date as corresponding federal income returns are required to be filed as provided under federal law. Calendar year financial institutions not subject to the federal income tax returns will be due April 15th following the close of calendar year. Fiscal year financial institutions not subject to the federal income tax return will be due 4th month 15th day after the close of the fiscal year. An automatic extension of six months is granted to Financial Insti-

tution Excise taxpayers not subject to the federal income tax. If April 15th or the fiscal year taxpayer return due date falls on a Saturday, Sunday, or state holiday, the return will be due the following business day.

Which Form To Use:

FORM ET-1. Taxpayer who meet the definition as defined by § 40-16-1 Code of Alabama 1975, must file Form E-1, Financial Institution Excise Tax Return.

FORM ET-1C, Alabama Consolidated Financial Institution Excise Tax Return. The Form ET-1C must be filed by or on behalf of the members of the Alabama affiliated group in accordance with Alabama Code Section 40-16-3, when a Consolidated Filing election has been made. For information, please see the instructions for Form ET-1C.

FORM FIE-V. Taxpayers with an excise tax payment of less than \$750 may complete Form FIE-V, Alabama Financial Institution Excise Tax Voucher. Detach the completed voucher and mail it along with your payment.

NOTE: *Payments of \$750 or more are required to be made electronically. However, any excise tax payment mailed into the Department must be remitted with Form FIE-V.*

DO NOT staple or otherwise attach your payment or Form FIE-V to your return or to each other. Instead, place the items loose in the envelope.

A valid Form FIE-V must accompany all tax payments that are not made electronically. To obtain Form FIE-V visit our website at www.revenue.alabama.gov.

Estimate/Extension/Information Requirements:

Estimated Income Tax Payments. A financial institution that has an Alabama income tax liability in 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.

The amount of required installments shall be 25 percent of the required annual payment. Required annual payment generally means the lesser 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 of the financial institution for the preceding taxable year. The prior period exception shall not apply if the preceding taxable year was not a taxable year of 12 months or the financial institution did not file a return for such preceding taxable year showing a liability for tax. Refer to Alabama Code Section 40-16-5.1.

Large corporations (taxable income of \$1,000,000 or more for any taxable year during the testing period) are required to pay 100 percent of the current year tax. The prior year exception shall not apply in the case of a large corporation. The testing period is the 3 taxable years immediately preceding the taxable year involved. Also, taxable income shall be determined without regard to any net operating loss carried to the taxable year under Section 40-16-10. Refer to Alabama Code Section 40-16-5.1.

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 40-16-5.1) 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.

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

See Form 2220E instructions for more information.

Extension Payments. If estimated payments do not equal or exceed the amount of tax due for the period, the balance of the financial institution's tax liability is due on or before the original due date of the return.

Extension payments of \$750 or more must be made electronically. **DO NOT MAIL FORM FIE-V IF THE PAYMENT IS REMITTED ELECTRONICALLY.**

Taxes not paid on or before the unextended due date will be subject to interest until paid at the rate provided in §40-1-44, Code of Alabama 1975, and all applicable penalties.

Returns or payments under \$750 bearing a U.S. Postal Service cancellation no later than midnight of the due date will be considered timely.

CIVIL PENALTIES. Section 40-2A-11 provides additional penalties for (1) failure to timely file, (2) failure to timely pay, (3) underpayment due to negligence, and (4) underpayment due to fraud. These penalties may be assessed in addition to the amounts provided by §40-16-5.1.

How to file:

REQUIRED ATTACHMENTS. For the Financial Institution Excise Tax return to be considered complete, a complete signed copy of the applicable federal income tax return must be attached. However, if the corporation is completing a ET-1 proforma return, the appropriate federal return and required attachments should be attached to the Form ET-1C. Failure to attach the complete 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 penalties. In addition to the required federal attachments, Alabama requires copies of Schedules K-1 for each tax entity the corporation held an interest in during the taxable year. Itemized depreciation schedules are not required to be attached to Form ET-1, but should be maintained and available upon request. If the financial institution is a member of an affiliated group which files a consolidated federal return, additional information is required. In addition to the signed copy of the appropriate 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 appropriate federal form type. This includes 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 and Schedule FTI to support any differences in Form ET-1, line 1, Federal Taxable Income due to capital gains, charitable contribution and federal SRLY NOLs.

Period Covered:

File the 2020 period (2021 Form) 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.

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 ET-1 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.**

Where to File/Payment of Tax:

The total amount of the financial institution's excise 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. Non-electronic payments must be remitted with Form FIE-V. **DO NOT MAIL FORM FIE-V IF**

THE PAYMENT IS REMITTED ELECTRONICALLY.

ELECTRONIC PAYMENT. Section 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/ or <https://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.payaltax.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 financial institution's federal employer identification number, the excise tax form number or type of payment (Form ET-1, Form ET-1C, return, extension payment, estimated tax payment), and the tax year end on the check. Remit with Form FIE-V.

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.

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 financial institution 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 return should be completed in full and accurately and include a detailed explanation for filing the amended return, supporting documentation to validate amended changes, and computation of additional amount due or refund due. Blank or partially completed revenue forms require special handling that delays processing and cause unnecessary expenses. Failure to comply with the Revenue Department's requirements may result in the assessment of interest, penalty and/or other actions.

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

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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.

Check the appropriate filing status. **ONLY ONE BOX** can be checked for the financial institution's filing status.

Filing status 1 through 3. Check one of the boxes for filing status 1 through 3 if the taxpayer will not file as part of a consolidated Alabama return. Filing status 1, Corporation operating only in Alabama, should be used by taxpayers with 100% Alabama activities. Filing status 2, Multi-state corporation, is available as an option to taxpayers whose business activity in Alabama is represented by the apportionment percentage (has operations in Alabama and one or more states). Filing status 3, Separate (Direct) Accounting, should only be used by taxpayers that have received prior permission from the Alabama Commissioner of Revenue.

Filing status 4, Proforma return, should be used only by those taxpayers who have elected to file as part of an Alabama Affiliated Group. Taxpayers with a valid election to file as part of a consolidated Alabama return must mark "Filing Status 4" and include the return with Form ET-1C in order for each company's return to process correctly. Taxpayers should not check the box for filing status 1 through 3 if they are part of an affiliated filing. In addition to checking Filing status 4, Schedule D-1 must be completed by the entity whose business activity in Alabama is represented by the apportionment percentage (has operations in Alabama and one or more states). Taxpayers with 100% Alabama activities should not complete Schedule D-1. Schedule C should be completed if the taxpayer has received prior permission from the Commissioner of Revenue to report utilizing the Separate (Direct) Accounting. Items reported on Schedule C are excluded from apportionable income and are allocated either to Alabama or to another state. See Rule 810-27-4-.01. Please see our website at www.revenue.alabama.gov for instructions on filing a Consolidated Tax Return.

In the top, center block of page 1 enter the financial institution's federal business code number, its federal employer identification number (FEIN), and its name and mailing street address, suite, floor, etc., if applicable, city, state, country (if not US) and 9-digit zip code. Below the address enter the state of incorporation, date of incorporation, the date the financial institution qualified to do business in Alabama, and the nature of business being conducted in Alabama.

If this financial institution files as part of a consolidated federal group, check the block and enter the name and federal employer identification number of the federal parent.

If this financial institution files as part of a consolidated Alabama group, check the block and enter the name and federal employer identification number of the Alabama parent.

Check the appropriate box to indicate the following:

- Alabama Form 2220E (which is used to compute underpayment of estimated taxes based on an allowable federal method) is attached.
- Schedule FTI (which is used to reconcile any differences between the federal income on line 30 of the Proforma Federal 1120 and federal taxable income reported on Line 1 of the Alabama Form ET-1) is attached.
- Schedule PCL (which should be submitted with proforma Form ET-1, Filing Status 4, to allocate the Alabama consolidate parent proforma entity loss) is attached.

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 delinquent penalties.

Complete lines 1 through 15, and attach Schedule FTI, Schedule PCL and additional detailed schedules as needed.

LINE 1. Enter the amount of the financial institution's federal taxable income or (loss) from the financial institution's federal income tax return.

LINE 2. Enter the amount of the net operating loss deduction claimed by the financial institution from the federal income tax return.

LINE 3. Enter the net amount of reconciliation adjustments from line 25, Schedule A, on page 2. Enclose the amount on line 3 in parentheses if net reconciliation deductions exceed additions.

LINE 4. Enter the sum of lines 1, 2, and 3.

LINE 5. Enter the amount shown on page 3, Schedule C, line 2, Column E. Enclose net nonbusiness income in parentheses. Net nonbusiness income is a negative amount in computing total apportionable income on line 6. Net nonbusiness expense or loss is a positive amount in computing total apportionable income on line 6.

LINE 6. Enter the sum of lines 4 and 5. Special attention should be paid to whether the amounts on lines 4 and 5 are positive or negative. Negative amounts must be netted against positive amounts.

LINE 7. Enter the percentage from line 26, Schedule D-1 on page 3.

LINE 8. Enter the result from multiplying line 6 by line 7.

LINE 9. Enter the amount shown on page 3, Schedule C, line 2, Column F. Enclose net nonbusiness expense or (loss) in parentheses. Net nonbusiness income allocated to Alabama is a positive amount in computing Alabama income before federal income tax deduction. Net nonbusiness expense or (loss) allocated to Alabama is a negative amount in computing Alabama income before federal income tax deduction.

LINE 10. Enter the sum of line 8 and line 9.

LINE 11. Enter the amount of the federal income tax deduction or (refund) from line 12, Schedule E on page 4.

The federal income tax (FIT) paid may be deducted only to the extent that it is applicable to the financial institution's income earned in the State of Alabama. Any allocation which is necessary shall be determined by applying the ratio of the taxpayer's income in Alabama, before any federal income tax deduction or net operating loss (NOL) deduction, from the financial business to the total company income, before any federal income tax deduction or NOL deduction. §40-16-1.2(b)(2) allows a deduction for federal income taxes "Federal Income taxes paid or accrued during the taxpayer's taxable year in accordance with the taxpayer's method of accounting."

LINE 12. Enter the amount resulting from subtracting line 11 from line 10.

LINE 13. Enter the amount of net operating loss (not to exceed line 12, Alabama Income before net operating loss) from Schedule B, available to be carried forward from taxable years beginning after December 31, 2012. **Complete Schedule B** showing the amount of net operating loss incurred for each tax period beginning January 1, 2013 or later and the amount of such loss absorbed in each subsequent taxable period. Schedule B must be completed for the return to be considered complete and may result in an automatic denial of any net operating loss claimed. **Signed Copies of the Alabama financial institution excise tax returns (page 1 only) for all applicable years more than six years old must be attached, including tax periods where the net operating losses were utilized.**

A net operating loss is the excess of allowable deductions over the gross income of a financial institution during a taxable year. Effective, with tax periods beginning on or after January 1, 2020, a net operating loss is applied to the first taxable year to which it may be carried. A loss incurred in a taxable year prior to January 1, 2020 will be carried back two years then, forward to the eight succeeding taxable years in chronological order. The law regarding computing and applying net operating loss carrybacks and carryovers is similar to federal income tax law concerning net operating losses. Federal rules and decisions will be considered by the Alabama Department of Revenue in these matters.

If a NOL originates during a year that a consolidated Alabama Form ET-1 is filed, the NOL originated must be attributed to the group member or members incurring the loss. Subsequent carry back or carryforward of the net operating loss must still be member-specific. The NOL incurred by one group member must never be used to offset the income of another group member. Attach a supporting schedule showing the amount of NOL incurred for each period and the amount of such loss absorbed in each period when applicable.

LINE 14. Enter the Proforma Consolidated Group Loss Allocation from Schedule PCL, Section B. **Schedule PCL must be completed and attached.**

LINE 15. Enter the amount resulting from subtracting lines 13 (Alabama NOL Deduction from Schedule B) and 14 (Proforma Consolidated Group Loss Allocation from Schedule PCL) from line 12 (Alabama Income before Net Operating Loss).

LINE 16. ALABAMA INCOME TAX (Alabama excise tax rate is 6.5%) – multiply line 15 by 6.5%

LINE 17. Enter the amount of credits from Schedule EC, Section G, line 3. **Schedule EC must be completed and attached to Form ET-1 if you are claiming a business credit.** Refer to Schedule EC instructions for additional informa-

tion on available credits.

LINE 18. Enter the amount of net tax due to Alabama.

LINE 19a. Enter the amount of tax overpayments carried over from the prior year.

LINE 19b. Enter the amount of estimated tax overpayments made during the year.

LINE 19c. Enter the amount of composite payments mad on behalf of the taxpayer from Schedule CP-B, line 3. **Schedule CP-B must be completed and attached to Form ET-1 if you are claiming a composite payment.** Refer to Schedule CP-B instructions for additional information.

LINE 19d. Enter the amount of any extension payment made for the tax year.

LINE 19e. This line is only to be used if a 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 19f. Enter the total payments claimed on lines 19a through 19e.

LINE 20a. Enter the amount of the overpayment to be applied to next year's estimated tax.

Once the election is made to apply an overpayment to the next year's estimated tax, 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.

LINE 20b. Penalty Due – Enter the sum of penalty boxes (late payment estimate penalty and other penalty).

Late Payment Estimate (Form 2220E) – Enter amount from Form 2220E, 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 40-16-5.1) 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 2220E, 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 20c. Interest Due - Enter the sum of interest boxes (estimate interest and interest on tax).

Estimate Interest (Form 2220E)

Enter amount from Form 2220E, 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 40-16-5.1) to the underpayment for the period of underpayment.

Must be completed if taxpayer utilizes Form 2220E, 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 20d. Enter the total reductions claimed on lines 20a through 20c.

LINE 21. Enter the amount of tax due or the amount to be refunded. Refund 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.

Instructions for Schedule A:

The Alabama income tax law is similar, but not identical, to the federal income tax code. It is necessary to make certain adjustments to reconcile federal taxable income before federal net operating loss to total taxable income from all locations computed in accordance with Alabama income tax law and rules before adjustments for federal income tax and net operating loss carryforward. Use Schedule A to itemize these reconciliation adjustments.

NOTE: Section 40-16-1 defines Alabama financial institution excise taxable income.

MULTI-STATE CORPORATIONS MUST NOT USE SCHEDULE A TO MAKE ADJUSTMENTS FOR NONAPPORTIONABLE (NONBUSINESS) ITEMS. Adjustments for these items must be made on Schedule C.

Additions to Federal Taxable Income:

LINE 1. Enter the amount of Excise taxes paid or accrued during the taxpayer's current taxable year in computing federal taxable income.

(If netted with line 10 below and the amount is negative, enter on line 10).

LINE 2. Enter the amount of state and local taxes deducted for purposes of calculating federal taxable income for which an Excise credit is claimed.

LINE 3. Enter the amount of dividend income earned from corporations of which the taxpayer owns less than 20% of the stock (by vote and value) to the extent the dividends are deducted in computing taxable income for federal income tax purposes.

LINE 4. Enter the amount of interest income earned on state, county and municipal loans and securities exempt from federal taxation.

LINE 5. Enter the amount of interest paid or incurred in the taxpayer's current taxable year under 26 U.S.C Section 163(j)(2).

LINE 6. Enter the amount of foreign-derived intangible and global intangible low-taxed income deducted under 26 U.S.C. Section 250.

LINE 7. Enter the amount of capital loss carryback or carryforward tax deductible for federal income tax purposes.

LINE 8. Other items required to be added back to federal taxable income to arrive at Alabama taxable income should be entered on this line. A brief description should be written in if an amount is reported on line 8.

LINE 9. Enter the total of additions claimed on lines 1 through 8.

Deductions from Federal Taxable Income:

LINE 10. Enter the amount of Excise tax refund that are included in computing federal taxable income (only if not netted in line 1 above).

LINE 11. Enter the amount of refunds of federal income taxes deducted in prior tax periods for purposes of computing Excise tax.

LINE 12. Enter dividends, including those described in 26 U.S.C. §951, from non-U.S. corporations to the extent the dividend income would be deductible under 26 U.S.C. §243 if received from a U.S. corporation. Taxpayer must own more than 20% of these payer corporations by vote or value.

LINE 13. Enter Federal Deposit Insurance Corporation (FDIC) insurance premiums not deductible for federal income tax purposes under 26 U.S.C. Section 162 (r).

LINE 14. Enter the interest not deductible for federal tax purposes under 26 U.S.C. Section 163 (j)(1).

LINE 15. Enter interest not deductible for federal income tax purposes under 26 U.S.C. 265 or 291 related to tax-exempt securities.

LINE 16. Enter the global intangible income included in the gross income under 26 U.S.C. Section 951A.

LINE 17. Enter dividends described in 26 U.S.C. §78 received from corporations in which taxpayer owns more than 20% of stock by vote or value.

LINE 18. Enter expenses not deductible on the federal income tax return due to an election to claim a federal tax credit.

LINE 19a-c. Credit Union ONLY. Enter the deductible amount for dividends and bad debts reserves.

a. Dividends paid on the withdrawable shares.

b. Dividends received from other credit unions and service organizations as defined by law and the National Credit Union Association.

c. Bad debts. Attach a schedule if the Reserve Method is used. Section 40-16-

1(2)(e), Code of Alabama 1975, provides for the deduction of bad debt by the direct charge off method. Section 40-16-1(2)(h), Code of Alabama 1975, provides for a reasonable deduction of bad debts using the reserve method, in the discretion of the Department of Revenue. The requirements of appropriate regulatory authorities and regulations and rulings of the Internal Revenue Service will be considered. Any adjustment to the deductions or provisions for the reserve for bad debts by the federal Internal Revenue Service must be made to similar deductions on the Alabama Financial Institution Excise Tax returns. The adjustment will be made in the current year by increasing or decreasing the applicable deduction, so that in all cases the reserve balances will be identical for federal income tax and Alabama Financial Institution Excise Tax purposes. Taxpayers using the direct charge off method or the reserve method must, when requested in writing by the Alabama Department of Revenue, provide a schedule detailing the amounts charged off – identifying each loan for which a bad debt deduction is claimed.

LINE 20. Capital loss incurred during the tax year not deductible for federal purposes.

LINE 21. Enter the Section 40-18-8.1 gain exclusion. A qualified investment fund's gain shall not be recognized upon the disposition of the fund's ownership interest in a qualified entity. A qualified investment fund is any company which meets all the following: a. The fund made its investments in the qualified entity after the August 5, 2019 and b. For a period of five years after the disposition date, the fund invests the moneys resulting from the disposition in another qualified entity.

LINE 22. Enter the amount of Captive REIT dividend income as referenced in Section 40-16-11(d)

LINE 23. List any transitional items of income included in federal taxable income that were previously reported on an Alabama financial institution excise tax return for taxable years beginning prior to January 1, 2001. A brief description should be written in if an amount is reported on line 23.

LINE 24. Enter the total of deductions claimed on lines 10 through 23.

LINE 25. Subtract line 24 from line 9 and enter the result on line 25. If line 24 is larger than line 9 enclose the amount on line 25 in parentheses. Carry the amount on line 25 to page 1, line 3.

Instructions for Schedule B:

For taxable years beginning after December 31, 2019, a net operating loss may be carried forward for a maximum of 15 years. The provision in Alabama tax law that allowed corporations to carry a net operating loss back to the two prior taxable years is amended.

For taxable years ending December 31, 2019, and prior, Net operating losses will be carried back two years from the year of the loss, and then carried forward for eight years. Net operating losses must be carried back or forward only on the account of the member which incurs the loss and must be used to offset the income over the ten year period in chronological order.

NOTE: Failure to properly complete Schedule B will result in an automatic denial of any net operating loss claimed.

Schedule B must be completed in order to claim the net operating loss deduction. **Signed Copies of the Alabama financial institution excise tax returns (page 1 only) for all applicable years more than six years old must be attached, including tax periods where the net operating losses were utilized.**

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. Net operating losses acquired from another entity that previously filed in Alabama should not be combined on the same line with losses generated by the taxpayer in the same period.

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.)

Column 6. Check the box for any net operating losses that were acquired from other entities previously filing in Alabama. If this box is checked, Schedule B-1 should be completed (see instructions below). If the acquired losses are subject to federal limitations, attach documentation and detailed limitation calculations.

Instructions for Schedule B-1:

This schedule should be completed when taxpayers have unutilized net operating losses that have been acquired through a merger or acquisition with another entity previously filing financial institution excise tax returns in Alabama. The taxpayer should still report the net operating loss amounts on Schedule B of the Alabama Form ET-1 and check the box in column 6 of Schedule B indicating which net operating losses have been acquired.

If the acquired losses are subject to federal limitations, attach documentation and detailed limitation calculations.

Column A. Enter the name of the entity from which the net operating loss was acquired.

Column B. Enter the Federal Employer Identification Number (FEIN) of the entity from which the net operating losses were acquired.

Column C. Enter the tax year-end for the tax period from which the net operating loss was acquired.

Column D. Enter the remaining unutilized balance of net operating loss acquired from the entity that previously filed in Alabama.

Instructions for Schedule C:

Enter on Schedule C all items of nonbusiness income, nonbusiness loss, and nonbusiness expense. These items are excluded from apportionable income and are allocated either to Alabama or to another state. See Rule 810-9-1-.05 for a discussion of the classification of income and expense into business and nonbusiness categories and the assignment of nonbusiness items to specific jurisdictions.

Beside the line number in Schedule C, enter the item description. In Column A, enter the total amount of gross income or loss to be excluded from apportionable income. In Column B enter the amount of gross income or loss allocable to Alabama.

Enter total nonbusiness expense in Column C and any allocable to Alabama in Column D. Nonbusiness expense may exceed nonbusiness income and, in fact, may be present when there is no nonbusiness income. Expenses which are not directly identifiable as business or nonbusiness must be prorated. See Rule 810-9-1-.05. The method for prorating interest expense is to multiply total interest expense deducted on the federal return by a fraction, the numerator of which is the average amount invested in nonbusiness assets at cost and the denominator of which is the average amount invested in total assets at cost. Investments originally acquired by means of stock for stock swaps may be eliminated from both the numerator and the denominator of the nonbusiness interest expense proration factor.

Subtract Column C from Column A, and enter the remainder in Column E. Subtract Column D from Column B, and enter the remainder in Column F.

Add the amounts in Columns E and F and enter the totals on line 2. Carry the total of Column E to page 1, line 5. Carry the total of Column F to page 1, line 9.

Instructions for Schedule D-1:

ENTER ALL SCHEDULE D-1 AMOUNTS AS POSITIVE (+) VALUES.

The financial institution's business activity in Alabama is represented by the Alabama Apportionment Factor, which is computed as the average of: the property factor; the payroll factor; and, the receipts factor. See Alabama Department of Revenue Rule Number 810-9-1-.05, **Apportionment and Allocation of Net Income of Financial Institutions**, for detailed instructions regarding the items to be included in the numerator and the denominator of each of these factors.

For purposes of the Alabama Financial Institution Excise Tax, "business income" is income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. In essence, all income which arises from the conduct of trade or business operations of a taxpayer is business income. For purposes of administering the Alabama Financial Institution Ex-

cise Tax, the income of the taxpayer is business income unless clearly classifiable as nonbusiness income, and nonbusiness income means all income other than business income.

Property Factor:

For purposes of computing the property factor, real and tangible personal property mean, respectively, property on which the taxpayer may claim depreciation for federal income tax purposes, or property to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes (or could claim depreciation if subject to federal income tax). Real and tangible personal property do not include coin, currency, or property acquired in lieu of or pursuant to a foreclosure.

For purposes of computing the property factor, loans include any extension of credit resulting from direct negotiations between the taxpayer and its customer, or the purchase, in whole or in part, of such extension of credit from another or both. Loans include participation, syndications, and leases treated as loans for federal income tax purposes. Loans are valued at their outstanding principal balance, without regard to any reserve for bad debts. Credit card receivables are valued at their outstanding principal balance, without regard to any reserve for bad debts.

In the appropriate rows and columns, enter the amounts (at cost, unless stated otherwise) of property available for use in the production of business income, in Alabama at the beginning of the taxable year, in Alabama at the end of the taxable year, in total for the taxpayer at the beginning of the taxable year, and in total for the taxpayer at the end of the taxable year, for:

- Loan and credit card receivables,
- Premises and fixed assets,
- Other real estate owned, and
- Other real and tangible personal property.

LINE 5 – Totals. Enter in each column the totals of lines 1 through 4.

LINE 6 – Average Value. Enter in the appropriate column the average value of property in Alabama and Everywhere. Compute the average by totaling the beginning amounts and ending amounts, for the Alabama columns and the Everywhere columns, and then dividing each by 2.

LINE 7 – Annual Rental Expense. In the Alabama and Everywhere Beginning of Year columns, enter the amount of expense for the rental of real or tangible personal property used in the production of business income. Annualize for short-period returns. For both the Alabama column and the Everywhere column, multiply the annual rental expense by 8, and enter the result in the appropriate Alabama End of Year column or Everywhere End of Year column. The amounts entered in the End of Year columns represent the capitalized rental value.

LINE 8a – Total Average Property for Alabama. Add the amounts on lines 6 and 7 in the Alabama End of Year column.

LINE 8b – Total Average Property Everywhere. Add the amounts on lines 6 and 7 in the Everywhere End of Year column.

LINE 9 – Alabama Property Factor. Divide the amount on line 8a (Total Average Property for Alabama) by the amount on line 8b (Total Average Property Everywhere), and enter the percentage on line 9.

Payroll Factor:

In computing the payroll factor include wages, salaries, commissions and any other form of remuneration paid to employees (including officers of corporations) for personal services that are included in such employee's gross income under the federal Internal Revenue Code. In the case of employees not subject to the federal Internal Revenue Code (e.g., those employed in foreign countries), the determination of whether such payments would constitute gross income to such employees under the federal Internal Revenue Code shall be made as though such employees were subject to the federal Internal Revenue Code.

LINE 10a. Enter in the Alabama column, the amount of wages, salaries and other compensation paid to employees for the production of business income in Alabama.

LINE 10b. Enter in the Everywhere column, the total amount of wages, salaries, and other compensation the taxpayer paid to employees for the production of business income.

LINE 10c – Alabama Payroll Factor. Divide the amount on line 10a by the amount in line 10b and enter the percentage on line 10c.

Receipts Factor:

LINE 11. Enter in the appropriate columns the receipts from lease or rental of real property.

LINE 12. Enter in the appropriate columns the receipts from lease or rental of tangible personal property.

LINE 13. Enter in the appropriate columns the amounts of interest from loans secured by real property.

LINE 14. Enter in the appropriate columns the amounts of interest from loans not secured by real property.

LINE 15. Enter in the appropriate columns the net gains from the sale of loans.

LINE 16. Enter in the appropriate columns the amounts of interest from credit card receivables and fees charged to card holders.

LINE 17. Enter in the appropriate columns the net gains from the sale of credit card receivables.

LINE 18. Enter in the appropriate columns the amounts of credit card issuer's reimbursement fees.

LINE 19. Enter in the appropriate columns receipts from merchant discount.

LINE 20. Enter in the appropriate columns the amounts of loan servicing fees from loans secured by real property.

LINE 21. Enter in the appropriate columns the amounts of loan servicing fees from loans not secured by real property.

LINE 22. Enter in the appropriate columns the amounts of interest, dividends, net gains, and other income from investment and trading assets and activities.

LINE 23. Enter in the appropriate columns the receipts of sales of tangible personal property.

LINE 24. Enter in the appropriate columns the amounts of other business receipts, identify the nature and amounts of the different types of receipts, and provide how the receipts are reported on the federal income tax return.

LINE 25a – Total Alabama Receipts. Total the amounts entered in the Alabama column for lines 11 through 24.

LINE 25b – Total Receipts Everywhere. Total the amounts entered in the Everywhere column for lines 11 through 24.

LINE 25c – Alabama Receipts Factor. Divide the amount on line 25a (Total Alabama Receipts) by the amount on line 25b (Total Receipts Everywhere), and enter the percentage on line 25c.

LINE 26 – Alabama Apportionment Factor. Divide by 3 (if all 3 factors are utilized) the sum of percentages on line 9 (Alabama Property Factor), line 10c (Alabama Payroll Factor), and line 25c (Alabama Receipts Factor). Enter the resulting percentage here and on line 7, page 1.

Instructions for Schedule E:

This schedule should be used to compute the amount of the financial institution's federal income tax deduction allowable for (apportioned to) Alabama and to offset that deduction with the amount of any refund received in the taxable year.

Financial Institutions filing a consolidated federal return must complete lines 1-12 of this schedule. Financial Institution's filing separate company federal returns should complete lines 6-12 of this schedule only. Lines 1-5 are used to compute the amount of the consolidated federal tax attributable to the company filing Form ET-1.

If the financial institution is a member of an affiliated group which files a consolidated federal return, the approved election made under IRC §1552 that must be used is the 1552(a)(1) method. **The Department no longer accepts the 1552(a)(2) or 1552(a)(3) methods for calculating the federal income tax deduction.** In using 1552(a)(1), provide a copy of the corporation's federal income tax workpapers showing the members of the consolidated federal group. The workpapers should include the member's share of federal taxable income (line 30 of Form 1120), **positive amounts only**. Losses should be entered as a \$0.00. The total federal income tax from this workpaper should be the amount reported on Line 2 of this schedule.

LINE 1. Enter the financial institution's separate federal taxable income/tax from line 30 or 31 of the proforma 1120.

LINE 2. Enter the group's total positive federal taxable income – See Rule 810-3-35-.01(1)(b)3.

LINE 3. Divide the financial institution's separate federal taxable income as shown on line 1 by the group's total positive federal taxable income as shown on line

2. Enter the result.

LINE 4. Enter the consolidated federal income tax paid.

Taxpayers should enter the actual tax payment forwarded to the Internal Revenue Service during the tax period.

LINE 5. Multiply the percentage from line 3 by the consolidated federal income tax paid as shown on line 4. Enter the result.

LINE 6. Enter the taxpayer's federal income tax (or share of the consolidated federal income tax, if included in a consolidated return, as computed on lines 1-5 above) - § 40-16-1.2.

Accrual-basis taxpayers should enter the amount of the corporation's federal income tax. The federal liability should correspond with Federal Form 1120, Schedule J.

Cash-basis taxpayers should enter the actual tax payment forwarded to the Internal Revenue Service during the tax period.

LINE 7. Enter the amount of Alabama income from page 1, line 10.

LINE 8a. Enter the amount of total net income adjusted to Alabama basis from page 1, line 4.

LINE 8b. Enter the amount of income excluded from Alabama Taxable Income (include any amounts listed on Schedule A lines 12, 14, 15, 16, 17, and 22).

LINE 8c. Enter the sum of lines 8a and 8b.

LINE 9. If the amounts on line 7 and line 8c are greater than zero, divide the amount on line 7 by the amount on line 8c. If the amounts on line 7 and/or line 8c are zero or less than zero, enter zero. This is the federal income tax ratio. If the percentage calculated on line 9 exceeds 100%, the percent should be recalculated as the percentage of allocable gross income as shown on Schedule C.

LINE 10. Multiply the amount of federal income tax attributed to this corporation as shown on line 6 by the federal income tax ratio as shown on line 9. Enter the result.

LINE 11. If a corporation takes a deduction for federal income tax on its Alabama return and in a later year all or a portion of the tax claimed as a deduction is refunded by the Internal Revenue Service, the taxpayer is required to recognize the refund on its Alabama return to the extent of the benefit received in the year of the deduction.

Cash-basis taxpayers recognize refunds in the year they are issued by the Internal Revenue Service. Accrual-basis taxpayers recognize refunds in the year in which the refund is accrued for financial accounting purposes. An accrual-basis taxpayer receiving a refund as a result of a NOL carryback would accrue the refund in the year of the carryback.

Note: For this tax period, the taxpayer should report refunds of FIT deduction claimed in prior periods which were reported on cash basis. Future periods may be different depending on cash or accrual method.

Multistate taxpayers filing separate federal returns (not requiring allocation of the refund among members of a consolidation) should apportion the refund to Alabama using the following steps:

- (1) If the total refund received or accrued results from a carryback to more than one previous year, identify each of the years to which the carryback is applied and designate the amount attributable to each year.
- (2) Multiply the amount of refund attributable to each year by the same percentage used to apportion income to Alabama on that year's return as last reported or audited.
- (3) Add the refund obtained in Step 2 for all years.
- (4) Enter the total on line 11.

A multistate taxpayer filing a federal return as a member of a consolidated group must apportion any refund received to each member of the group at the same ratio that the tax deduction being refunded was originally apportioned. See Rule 810-3-35-.01(1)(b)4.

After the amount of refund attributable to the separate company financial institution has been determined, the four (4) steps provided above for financial institutions filing separate federal returns may be followed in determining the amount of federal income tax refund to be entered on line 11.

LINE 12. Subtract line 11 from line 10. If line 10 is larger than line 11, enter the net federal income tax deduction on line 12 and carry to page 1, line 11.

If line 11 is larger than line 10, enter the net federal income tax refund on line 12 and carry to line 11 of page 1.

Other Information

LINE 1. Describe the corporation's operations in Alabama. If no activity is being conducted in the state, provide an explanation.

LINE 2. List all other states in which the corporation does business. Attach a statement if necessary.

LINE 3. Check the box to indicate the financial institution's tax accounting method.

LINE 4. If this taxpayer is a member of an affiliated group which files a consolidated federal return, the following information **must be provided**:

(a) **Copy of Federal Form 851, Affiliations Schedule.** Identify by asterisk or underline the names of those corporations subject to tax in Alabama.

(b) **Signed copy of consolidated Federal Form 1120, pages 1-5,** as filed with the IRS.

(c) **Copy of the spreadsheet of income statements; all supporting schedules for all legal entities that file as part of the consolidated federal group** including (but not limited to) a copy of the spreadsheet of income statements (which includes a separate column that identifies the eliminations and adjustments used in completing the federal consolidated return), beginning and ending balance sheets, Schedule M-3 for the entire federal consolidated group.

(d) **Copy of Schedule K-1** for each tax entity that the corporation holds an interest in at any time during the taxable year.

(e) **Copy of federal Schedule(s) UTP.**

LINE 5. Enter this financial institution's federal net income for the 2017, 2018, and 2019 tax periods, as last determined.

LINE 6. Check the box if the financial institution is currently being audited by the IRS. Indicate the years under audit.

LINE 7. Enter the street address, city, state and zip code where this excise taxpayer's records are located.

LINE 8. 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 page 1 of the return must be checked in addition to being notated on this line.

LINE 9. Check the box if the financial institution files the Alabama Business Privilege tax return. Provide the FEIN.

Paid Preparer Information:

Anyone who is paid to prepare the Alabama Form ET-1 must sign and provide the information requested in the Paid Preparer's Use Only section of the ET-1. 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 ET-1 should be directed to the Corporate Income Tax Section, C/O Financial Institution Excise Tax Unit 334-242-1170, option 6.

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

Mail return with payment and payment voucher to:

Alabama Department of Revenue
Individual and Corporate Tax Division
Financial Institution Excise Tax
P.O. Box 327437

Montgomery, AL 36132-7437 Telephone (334) 242-1170, option 6