

Instructions for Grantor Trusts

Grantor trusts, as described in 26 U.S.C. §671, have an Alabama return filing requirement specified by §§40-18-25 (g) and 40-18-29. Those returns will be prepared as follows: 1. The upper part of page 1 of the Alabama Form 41 will be completed, providing the information requested concerning the grantor trust. Page 1 of the Alabama Form 41 must indicate the trust is a grantor trust. 2. 1. Enter zeroes on Page 1, lines 1-7; Page 2, Schedule A, lines 1-15; Schedule B, lines 1-5; and Page 3, lines 1-19. 3. Alabama Schedule G (Grantor's Statement of Income, Deductions, and Other Items) must be completed.

Schedule G is divided into three columns. Column A shows Alabama Total Income. Column A will be completed by resident and nonresident grantors. Column B shows adjustments made to report the Non-Alabama sourced income. The adjustments in Column B will include adjustments to arrive at the proper amount of Alabama sourced income. Column B should be completed for nonresidents grantors only. Column C shows amounts that are reportable to Alabama for both residents and nonresidents. These amounts will be reported on the Alabama Form 40 or 40NR. Column C will be completed for resident and nonresident grantors.

Heading Information. Enter the tax year information if other than for a calendar year. Also, on the upper right area of the form indicate if the Schedule G is final or amended.

Information about the Grantor.

Enter the grantor's name, mailing address (street address, city, state and zip code), and social security number. State whether the beneficiary or owner: I-Individual; C – Corporation; F – Estate or Trust; P –Partnership; DE – Disregarded Entity; E – Exempt Organization; IRA – Individual Retirement Arrangement; or FGOV – Foreign Government. Check the appropriate box to indicate if the grantor is a resident of Alabama or a nonresident.

Information about the Trust

Enter the trust's name, mailing address (street address, city, state and zip code), and Federal Employer Identification Number.

Line Item Instructions

Line 3. Enter the total amount from Schedule D, line 9 in Column A, Alabama Total Income.

Line 5. Enter the total amount from Schedule E, Part II, line 25 in Column A, Alabama Total Income.

Line 6. Enter the total amount from Schedule E, Part III, line 26 in Column A, Alabama Total Income.

Grantor's Share of Income, Deductions, and Additional information.

Column C, Alabama Income should be reported on the following schedules of the Alabama Form 40 or Form 40 NR:

Line 1. Enter grantor's share of interest income on Schedule B of Alabama Form 40 or Form 40NR.

Line 2. Enter grantor's share of dividend income on Schedule B of Alabama Form 40 or Form 40NR.

Line 3. Enter grantor's share of capital gain or (loss) on Schedule D of Alabama Form 40 or Form 40NR. Schedule D must be attached to Form 41.

Line 4. Enter grantor's share of business income (loss) on Schedule C of Alabama Form 40 or Form 40NR.

Line 5. Enter grantor's share of rents, royalties, partnerships and S Corporations on Schedule E of Alabama Form 40 or Form 40NR. Schedule E must be attached to Form 41.

Line 6. Enter grantor's share of estates and trusts on Schedule E of Alabama Form 40 or Form 40NR. Schedule E must be attached to Form 41.

Line 7. Enter grantor's share of farm income (loss) on Alabama Form 40 or Form 40NR.

Line 8. Enter grantor's share of ordinary gain or (loss) from Form 4797 Alabama Form 40 or Form 40NR.

Line 9. Enter grantor's share of other income on of Alabama Form 40 or Form 40NR.

Line 10. Enter total income from lines 1 through 9.

Line 11. Enter grantor's share of interest on Schedule A of Alabama Form 40 or Form 40NR.

Line 12. Enter grantor's share of taxes on Schedule A of Alabama Form 40 or Form 40NR.

Line 13. Enter grantor's share of fiduciary fees on Schedule A of Alabama Form 40 or Form 40NR.

Line 14. Enter grantor's share of charitable deductions on Schedule A of Alabama Form 40 or Form 40NR.

Line 15. Enter grantor's share of attorney, accountant and return preparer fees on Schedule A of Alabama Form 40 or Form 40NR.

Line 16. Enter grantor's share of other deductions not subject to the 2% floor (attach explanation) on Schedule A of Alabama Form 40 or Form 40NR.

Line 17. Enter grantor's share of allowable miscellaneous itemized deductions subject to the 2% floor (attach explanation) on Schedule A of Alabama Form 40 or Form 40NR.

Line 18. Enter total ordinary deductions from lines 11 through 17.

Line 19. Enter grantor's share of depreciation on Alabama Form 40 or Form 40NR reported on this line. Please provide a detailed explanation and computation for the amount reported in this line.

Line 20. Enter grantor's share of depletion of Alabama Form 40 or Form 40NR. Please provide a detailed explanation and computation for the amount reported in this line.

Line 21. Enter grantor's share of amortization on Alabama Form 40 or Form 40NR. Please provide a detailed explanation and computation for the amount reported in this line.

Line 22. Enter nonresident grantor's composite/Electing Pass-Through Entity Credit on Alabama Form 40 or Form 40NR.

Line 23. Enter grantor's share of tax exempt income. Grantors are encouraged to disclose the amount of Alabama exempt income on the Alabama Form 40 or Form 40NR.

Lines 24a-24c. Enter the grantor's pro rata share of the credit. Credits shall be identified by the following codes and claimed in the order below:

B – Full Employment Act of 2011 Credit

C – Veterans Employment Act-Employer Credit

D – Veterans Employment Act-Business Start-up Expenses Credit

E – Qualified Irrigation System/Reservoir System Tax Credit

F – 2013 Alabama Historic Rehabilitation Tax Credit

G – Credit for Taxes paid to a Foreign Country

H – Career-Technical Dual Enrollment Credit

I – Investment Credit (Alabama Jobs Act)

J – Alabama Accountability Act Credit

K – Port Credit

L – Growing Alabama Credit

M – Apprenticeship Tax Credit

N – 2017 Alabama Historic Rehabilitation Tax Credit

O – Railroad Modernization Act of 2019 Credit

P – Income Tax Capital Credit