Alabama Department of Revenue

AGA Presentation
Business Tax
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2011 Tax Legislation



Small Business Health Care Deduction

- Act 2011-155
- Increases deduction to 200% of insurance premiums
  - Less than 25 employees (for employers)
  - Effective for tax years after December 31, 2010.



Small Business Health Care Deduction

- Act 2011-155
- Increases deduction to 200% of insurance premiums
  - Annual wages of less than $50,000 (for employees)
  - AGI less than $75,000 ($150,000 AGI)
  - Effective for tax years after December 31, 2010.



Full Employment Act of 2011

- 2011-551
- Small businesses-50 or fewer employees
  - $1,000 credit for each new job created
    - Corporate Income tax
    - Financial Institution Excise Tax
  - Wages exceeding $10 per hour



Full Employment Act of 2011

- 2011-551
  - Available in tax year after employee has completed 12 months of consecutive employment
  - Effective for tax years after January 1, 2011.



APPORTIONMENT FACTOR

- 2011-616
  - Requires sales factor to be double-weighted in apportionment formula
  - Converts AL from a "cost of performance" state to a "market source" state
  - Effective tax years after December 31, 2010.



ENTERTAINMENT INDUSTRY

- 2011-695
  - Opens tax breaks to companies that film entire seasons of a TV series
  - Or for video or sound track projects that require multiple production periods.
  - Production on pilots for two television series in Alabama are about to begin.



Business Privilege Tax

- Act 2011-17
  - Act rejects ADOR's regulation that disallows a deduction for the book value of a taxpayer's investments in the equity of another entity also doing business in AL
  - ADOR is now allowing deduction to be claimed on BPT returns
  - Retroactive to January 1, 2010



Federal Changes Affecting Alabama



Depreciation Changes

- Alabama will follow the increased deduction allowed under the recently-enacted Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010.
- Amends Section 168(k) of the IRC.
- Qualifying assets acquired after September 8, 2010 through December 31, 2011 will have a 100% bonus depreciation.



Depreciation Changes

- Alabama is also following the increased deductions allowed by the Small Business Jobs Act of 2010, which amends Section 179 and 168 of the Internal Revenue Code.



Regulation Changes



Gross Income Regulation

- 810-3-14-.01, 810-3-28-.01, 810-3-162-.01
- Amends gross income regulation to reflect current law
- Requires resident individuals to report their entire distributive share of income as AL income regardless of source
- Credit allowed for taxes paid to other states
- Effective September 7, 2011.

Business Privilege Tax

- Regulation 810-2-8-.09 **NEW RULE**
  - Provides clarification for BPT filing requirements for:
    - Disregarded entities
    - Owners of disregarded entities
- §40-14A-23, Code of Alabama, 1975
  - the computation of net worth differs based on **whether the owner of the disregarded entity is subject to Alabama business privilege tax.**

Business Privilege Tax

- Regulation 810-2-8-.09
- Disregarded Entity Net Worth Computation if the Owner of the Disregarded Entity **IS** Subject to the Alabama Business Privilege Tax.
  - The net worth of the disregarded entity is zero
  - Net worth of the disregarded entity should be used in computing the net worth of the owner.
  - Both are required to file a BPT return.

Business Privilege Tax

- Regulation 810-2-8-.09
- Disregarded Entity Net Worth Computation if the Owner of the Disregarded Entity **IS NOT** Subject to the Alabama Business Privilege Tax.
  - The net worth of the disregarded entity is the disregarded entity's assets less liabilities.
  - Owner is not required to file BPT return.

Business Privilege Tax

- Regulation 810-2-8-.10 **NEW RULE**
  - Business Privilege Tax Filing Requirements, Clarifications, and Explanations
- The Alabama business privilege tax requirements are independent of the Alabama income tax filing requirements.
- Effective March 30, 2011.

Electronically Filed Returns



- Business Income Tax Returns
  - Direct Deposit/Direct Debit available for Forms:
    - 20C
    - 20C-C
    - 20S
    - PTE-C

My Alabama Taxes

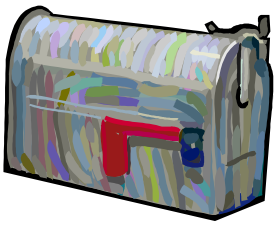
- https://myalabamataxes.alabama.gov/
- **My Alabama Taxes (MAT)** - My Alabama Taxes (MAT) is now available. MAT is a secure way to view and access your tax information using the Internet. Anyone who has an account with the Alabama Department of Revenue (ADOR) may register to access their tax information through MAT.
- **Features for BPT MAT taxpayers**
- View latest version of BPT and BPT-IN returns
- File BPT and BPT-IN returns
- Amend BPT and BPT-IN returns
- Print latest version of BPT and BPT-IN returns
- Make payments on available periods
- View letters that have been sent from ADOR
- Request a change of Name and Address
- Send messages to/ Receive messages from ADOR
- See period summary and balances for all available periods
- See total balance of account

Forms Changes



MAILED FORMS

- The Department will <u>not</u> mail any income/business privilege tax forms this year.
- Can download and print all tax forms from our website.
- Will send to libraries and taxpayer service centers.



Form 65-Partnership/LLC Income Tax

- Schedule C
  - Changed to Double-Weighted Sales for apportionment factor.
- Schedule K
  - Added line for Reemployment Act of 2010.
    - Deduction, not credit

Partnerships



Form 65-Partnership/LLC Income Tax

- Schedule C
  - Changed to Double-Weighted Sales for apportionment factor.
- Schedule K
  - Added "Apportioned Amount" column.
  - Added line for Reemployment Act of 2010.

Partnerships



Form 20S-
S Corporation Income Tax

- Schedule C
  - Changed to Double-Weighted Sales for apportionment factor.
- Schedule K
  - Added "Apportioned Amount" column.
  - Added line for Reemployment Act of 2010.

S-Corporations



Form 20S & Form 65
Schedule K-1

- Part III
  - Now two columns (as a result of the gross income regulation)
    - Income allocated and apportioned to Alabama.
    - 100% Alabama-to be reported by Alabama residents.
  - Re-employment Act of 2010.
    - Deduction, not credit



Form 20C-
Corporate Income Tax

- Line 22-Reemployment Act line added.
- Line 26-Double weighted sales factor.



BUSINESS PRIVILEGE TAX

- Forms CPT & PPT
  - Deduction for Investments in Alabama subsidiary line removed in prior years
  - 2011-17 reinstates this investment
  - Take this deduction in Part B:
    - Line 5, CPT
    - Line 4, PPT
      - Attach detail

BUSINESS PRIVILEGE TAX

- New Form AL 8453-B
  - Business Privilege Tax Declaration for Electronic Filing.

Questions??

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