

### What's New

Enter all negative numbers with the negative sign. Do not use parenthesis when entering negative numbers. This also pertains to those field with the "hard coded" parenthesis.

#### Credit Card Options available:

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

For technical assistance with making a payment using MAT call toll free (1-800-322-4106, option 5 or 334-242-1170, option 5) from 8:00 a.m. through 5:00 p.m. (Central Standard Time).

### Issues Concerning the Preparation of the 2023 Alabama S Corporation Income Tax Return

**Schedule PC.** The Alabama Department of Revenue requires the use of Schedule PC, Pass Through Credits, when claiming tax credits. The schedule allows the taxpayer to compute the total amount of tax credits allowable. The amounts entered on the Schedule PC will carry over to the Form 20S, page 1, line 32 and/or Schedule K, line 21. See instructions for Schedule PC for additional information.

**Nexus.** Act 2015-505 establishes a factor presence nexus standard for nonresident business activity. Substantial nexus in Alabama is established if any of the following thresholds are exceeded during the tax period: \$64,000 of property, \$64,000 of payroll, \$635,000 of sales, or 25% of total property, total payroll or total sales.

### General Instructions

**Required Attachments.** To be considered a complete return and not subject to treatment as a delinquent return due to improper preparation, the following must be attached:

1. A complete copy of Federal Form 1120S including all Federal K-1s, statements, and attachments. Voluminous schedules may be omitted; however, a list of all omitted schedules must be attached and provided if requested.

2. Completed Alabama Schedule K-1 for each person or tax entity that was a shareholder at any time during the taxable year.

**Paid Preparer Information.** The check box provided above the signature line on page 2 is used to authorize the Department to discuss Form 20S with the paid preparer. Checking this box can facilitate the process of resolving a problem with the return. Paid preparers must sign and provide the information requested in the Paid Preparer's section of the form. The signature can be made by hand, by rubber stamp, by mechanical device, or a computer program. The preparer must provide the entity with a copy of the prepared return.

**Time and Place for Filing.** The Alabama Form 20S is due by the 15th day of the 3rd month after the end of the tax year. Returns or payments bearing a U.S. Postal Service cancellation no later than midnight of the due date will be considered timely filed.

Mail returns with payments to:

Alabama Department of Revenue  
Pass Through Entity  
P.O. Box 327444  
Montgomery, AL 36132-7444

Mail returns without payments to:

Alabama Department of Revenue  
Pass Through Entity  
P.O. Box 327441  
Montgomery, AL 36132-7441

**Estimated Income Tax Payments.** A corporation 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 number of required installments shall be 25 percent of the required annual payment. Required annual payment generally means the lesser of (a) the total of the above taxes shown on the return for the tax year, or (b) the sum of (i) the built-in gains tax shown on the return for the tax year, and (ii) any excess net passive income tax shown on the corporation's return for the preceding tax year. Refer to Alabama Code Section 40-18-80.1.

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 40-18-80.1) 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.

**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 certain exceptions. See Form 2220AL instructions for more information.

**Extensions.** Any extension of time to file an income tax return allowed by federal income tax purposes will be recognized for Alabama purposes. However, the extension of time for filing the return is not an extension of time for payment of tax. The amount of tax due must be paid on or before the due date of the return without regard to the extension of time to file the return.

Make check payable to Alabama Department of Revenue and enclose completed Form PTE-V only if you are making a payment with Form 20S. Do not attach Form PTE-C, Form PTE-C payment, Form EPT, Form EPT payment or any other completed tax form to the Form 20S.

### Specific Instructions

File the 2023 return for calendar year, fiscal year, or short year that begins in 2022. Mark the appropriate box at the top of the form for a calendar, fiscal or short year.

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 12 consecutive months, beginning January 1 and ending December 31. It is not appropriate for 52/53 week filers. A **fiscal tax year** is 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 but does not have to end on the last day of a month.

**Public Law 86-272.** Taxpayers claiming exemption from state income tax under Public Law 86-272, should check the box, located on Form 20S, page 1. In claiming exemption due to PL 86-272, entities must complete Alabama's Nexus Questionnaire. The questionnaire can be found on our website at <http://nexus.revenue.alabama.gov>.

Check the Federal Audit Change box if you are amending the return due to changes that resulted from an IRS audit. Check the Amended Return box if you are amending the return for any reason other than changes that resulted from an IRS audit.

**Filing Status.** Check the appropriate filing status. ONLY ONE BOX can be checked. Filing status 1 is for companies operating only in Alabama. Filing status 2, Multi-state company, is for taxpayers whose business activity in Alabama is represented by the apportionment percentage (has operations in Alabama and one or more states), or taxpayers that have operations in other states only. Filing status 3, Separate (Direct) Accounting, should only be used by taxpayers that are directly allocating income/loss and have received prior permission from the Alabama Commissioner of Revenue or taxpayers that are only allocating nonbusiness items (Sch. B).

If the S Corporation is an Electing Pass-Through Entity, check applicable box.

**Lines 1 – 20.** Enter the amounts from the entity's Federal Form 1120S. Attach all Federal Schedules.

**Line 21.** Subtract Line 20 from Line 6.

**Line 22.** Enter the amount of Alabama Nonseparately Stated Reconciliations from Schedule A, Line 13.

**Line 23.** Add lines 21 and 22.

**Line 24.** Enter the amount of Income or Loss treated as Nonbusiness Income from Schedule B, Column E, line 1d. Enter a loss amount as a positive amount and an income amount as a negative amount.

## Schedule A – Nonseparately Stated Reconciliation Adjustments

The Alabama income tax laws are similar, but not identical, to the federal income tax laws. It is necessary to make certain adjustments to reconcile federal ordinary business income (loss) to total income from all allocations computed in accordance with Alabama income tax laws and rules. Use Schedule A to reconcile such differences.

**Multistate entities must not use Schedule A to make adjustments for non-apportionable (nonbusiness) items. Adjustments for these items must be made on Schedule B.**

### Additions to Federal Taxable Income:

**Line 1:** Enter the amounts of state and/or local taxes based on net income or measured by net income which have been deducted on the federal return, i.e. Electing Pass-Through Entity Tax.

**Line 2:** Addback otherwise deductible related member interest or intangible expenses and costs except to the extent the entity establishes that the expense satisfies an exception in Section 40-18-24. (Schedule PAB must be attached).

**Line 3:** Other items required to be added back to federal taxable income to arrive at Alabama taxable income should be entered on this line. Attach supporting documentation.

**Line 4:** Enter any gain attributable to property purchased and subject to the bonus depreciation or additional 179 expense as allowed by the 2008 Federal Economic Stimulus Act.

**Line 5:** Enter contributions not deductible on the state income tax return due to an election to claim a state tax credit, i.e. Growing Alabama credit, etc.

**Line 6:** Total amounts reported on lines 1 through 5.

### Deductions from Federal Taxable Income:

**Line 7:** Enter expenses not deductible on the federal income tax return due to an election to claim a federal tax credit, i.e., jobs credit, etc.

**Line 8:** Enter the amount of refunds of state and/or local taxes on net income which have been refunded and included in federal income (only if not netted in line 1 above).

**Line 9:** Enter the amount of aid or assistance provided to the Alabama State Industrial Development Authority pursuant to Section 41-10-44.8(d).

**Line 10:** Other items required to be added back to federal taxable income to arrive at Alabama taxable income should be entered on this line. Supporting documentation should be attached if an amount is reported on line 10.

**Line 11:** Enter any difference in the Federal recapture amount (reported on line 35, Part IV, Form 4797) and the Alabama recapture amount due to the basis difference resulting from Alabama's decoupling from the provisions of the 2008 Federal Economic Stimulus Act or the additional Section 179 expense deduction having been taken as allowed by the 2008 Federal Economic Stimulus Act. Identify the items of property on an attachment to the return.

**Line 12:** Sum the deductions reported on lines 7 through 11.

**Line 13:** Subtract line 12 from line 6 and enter the result on line 13. If line 12 is larger than line 6 enclose the amount on line 12 in parentheses. Carry the amount on line 13 to page 1, line 22.

## Schedule B – Allocation of Nonbusiness Income, Loss, and Expense

The purpose of Schedule B is to report nonbusiness income, nonbusiness losses, and nonbusiness expenses, as defined by Section 40-27-1, *Code of Alabama 1975*. Nonbusiness items can be both nonseparately stated items and separately stated items. Nonbusiness items are not subject to the multistate apportionment requirements of Chapter 27, Title 40, *Code of Alabama 1975*, but are allocated directly to Alabama or another state, in accordance with the Multistate Tax Compact (Chapter 27, Title 40, *Code of Alabama 1975*).

**Do not complete Schedule B if the entity operates exclusively in Alabama.**

**Enter under the Nonseparately Stated Items heading on line 1a, line 1b, and line 1c a description of the nonseparately stated item.**

**For each nonseparately stated item entered on line 1a, line 1b and line 1c:**

1. Enter on Column A the total gross income (from all states – everywhere) from the item.

2. Enter on Column B only the Alabama gross income from the item.

**Line 25.** Enter the sum of the amounts entered in lines 23 and 24.

**Line 26.** Enter the apportionment factor from Schedule C, line 9.

**Line 27.** Income or (Loss) Apportioned to Alabama. Multiply the amount in line 25 by the percentage in line 26.

**Line 28.** Enter the amount from Schedule B, Column F, line 1d.

**Line 29.** Enter 100% of the health insurance premiums paid during the taxable year that qualify, under Act Number 2011-155, as health insurance premiums on qualifying employees in connection with an employer-provided health insurance plan. Attach a computation of the amount entered on Line 29 as an attachment to the return.

**Line 30.** Enter the sum of the amounts entered in lines 27, 28, and 29. This amount should also be entered on Schedule K, Line 1.

**NOTE: An EPT would fill out lines 31-36 ONLY IF they have Excessive net passive income, LIFO Recapture, or Built-in Gains Tax.**

**Line 31. DO NOT compute based on the amount shown on Line 30 or enter the Form PTE-C (composite) payment.** Any amount on this line should include only the following:

**a. LIFO Recapture Tax.** For additional information see §40-18-161 *Code of Alabama 1975* if converted to an S corporation after December 31, 1989.

**b. Built-in Gains Tax.** Corporations which became S corporations after December 31, 1989 may be liable for this tax. For additional information see §40-18-174 *Code of Alabama 1975*.

**c. Excess Net Passive Income Tax.** If an S corporation has subchapter C earnings and profits, passive investment income in excess of 25% of gross receipts, and taxable income at year end, it must pay a tax on the excess net passive income. For additional information see §40-18-175 *Code of Alabama 1975* and Rule 810-3-174-.02.

**NOTE: You are required to submit a computation schedule. Failure to submit the schedule may result in the assessment of penalties and additional filing requirements.**

**Line 32.** Enter the total nonrefundable credits from Schedule PC, Part T, line 4.

**Line 33.** Subtract Line 31 from Line 32. Enter as either a positive or negative number.

**Line 34.** Calculation of any tax payments and credits.

**a.** Enter the amount of tax carried over from last year plus any estimated tax payments made with Form PTE-V (attach schedule).

**b.** Enter the amount of tax paid prior to filing Form 20S.

**c.** 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.

**d.** Enter the total refundable credits from Schedule PC, Part T, line 8.

**e.** Enter total payments and credits (add Lines 34a, 34b, 34c, and 34d).

**Line 35.** Calculation of any reductions of refund or additions to tax.

**a.** Enter the amount of the overpayment you wish to apply to next year's estimated tax.

**b.** If this return is not filed on or before the due date (with extension), enter a failure to timely file penalty of 10% of the tax due on Line 31 or \$50 whichever is greater. Tax amounts not paid by the due date will be subject to a failure to timely pay penalty of 1% per month up to a maximum of 25%. Estimated taxes not paid by each due date will be subject to an underpayment of estimated tax penalty in an amount determined by applying the underpayment rate established under 26 U.S.C. §6621, as provided in §40-2A-11. Enter the amount of interest due on the balance of tax due. This is to be computed from the due date (without extension) of this return to the date paid. The Alabama interest rate is the same as provided in 26 U.S.C. §6621. Check box on line if Form 2220AL is attached to the return.

**c.** Enter the total of Lines 35a and 35b.

**Line 36.** Subtract line 33 from line 34e, and then add line 35c, if the result is a positive number, this is the amount you owe. If the result is a negative number, this is the amount of your refund. If paying by check or money order, Form PTE-V must accompany payment.

If the amount due is \$750 or greater, it must be remitted by electronic funds transfer. Section 41-1-20, *Code of Alabama 1975* requires the use of Electronic Funds Transfer (EFT) for all single business tax payments of \$750 or more.

3. Enter on Column C the expenses related to the gross income (everywhere) entered in Column A.

4. Enter on Column D only the expenses related to the Alabama gross income entered in Column B.

5. Enter on Column E the amount resulting from subtracting the expense amount in Column C from the gross income (everywhere) amount in Column A.

6. Enter on Column F the amount resulting from subtracting the Alabama expense amount in Column D from the Alabama gross income amount in Column B.

Enter on Column E, line 1d, the sum of the amounts entered in Column E on line 1a, line 1b, and line 1c. The amount entered in Column E, line 1d is the net amount of nonseparately stated nonbusiness income items for all states (everywhere). The amount entered in Column E, line 1d is also entered on page 1, line 24. Please note that when an amount is entered in page 1, line 24, income is entered as a negative amount and losses are entered as a positive amount.

Enter on Column F, line 1d, the sum of the amounts entered in Column F on line 1a, line 1b, and line 1c. The amount entered in Column F, line 1d is the net amount of nonseparately stated nonbusiness income items to be allocated only to Alabama. The amount entered in Column F, line 1d is also entered on page 1, line 28.

**Enter under the Separately Stated Items heading on line 1e, line 1f, and line 1g a description of the separately stated item.**

**For each separately stated item entered on line 1e, line 1f and line 1g:**

1. Enter on Column A the total gross income (from all states – everywhere) from the item.

2. Enter on Column B only the Alabama gross income from the item.

3. Enter on Column C the expenses related to the gross income (everywhere) entered in Column A.

4. Enter on Column D only the expenses related to the Alabama gross income entered in Column B.

5. Enter on Column E the amount resulting from subtracting the expense amount in Column C from the gross income (everywhere) amount in Column A.

6. Enter on Column F the amount resulting from subtracting the Alabama expense amount in Column D from the Alabama gross income amount in Column B.

Enter on Column B, line 1h, the sum of the amounts entered in Column B on line 1e, line 1f, and line 1g. The amount entered in Column B, line 1h is also entered on Schedule K, Line 10.

Enter on Column D, line 1h, the sum of the amounts entered in Column D on line 1e, line 1f, and line 1g. The amount entered in Column D, line 1h is also entered on Schedule K, Line 17.

Enter on Column E, line 1h, the sum of the amounts entered in Column E on line 1e, line 1f, and line 1g. The amount entered in Column E, line 1h is the net amount of separately stated nonbusiness income items for all states (everywhere).

Enter on Column F, line 1h, the sum of the amounts entered in Column F on line 1e, line 1f, and line 1g. The amount entered in Column F, line 1h is the net amount of separately stated nonbusiness income items to be allocated only to Alabama.

## Schedule C – Apportionment Factor Schedule

ENTER ALL SCHEDULE C AMOUNTS AS POSITIVE (+) VALUES.

The pass-through entities business activity is determined by an apportionment percentage. The apportionment percentage is the total of Alabama Sales divided by total Everywhere Sales. Refer to Act 2021-1.

Do not complete Schedule C if the entity operates exclusively in Alabama. Enter 100% on Schedule C, line 9.

The Alabama business activity of a multistate Alabama S corporation is represented by its Alabama apportionment factor.

**The use of separate or direct accounting must be approved in writing by the Department.**

**Amounts entered in this schedule cannot be negative.**

**Line 1.** Enter in the appropriate columns gross receipts from sales. If the everywhere gross receipts from sales does not correspond with line 1 of federal Form 1120S, attach an explanation and reconciliation.

**Line 2.** Enter in the appropriate columns gross business income from dividends.

**Line 3.** Enter in the appropriate columns the gross business interest income.

**Line 4.** Enter in the appropriate columns the gross business income from rents.

**Line 5.** Enter in the appropriate columns gross business income from royalties.

**Line 6.** Enter in the appropriate columns the gross receipts from the sale or disposition of assets used in the business. See Alabama Department of Revenue Rule num-

ber 810-27-1-.15 for exclusion of amounts which would distort the factor.

**Line 7.** Enter in the appropriate columns the amounts of other business gross receipts, and identify the nature of such receipts and their location on the federal return.

**Line 8a.** Total the Alabama column for lines 1 through 7.

**Line 8b.** Total the Everywhere columns for lines 1 through 7.

**Line 9.** Divide the amount on line 8a by the amount on line 8b, and enter the number on line 9, as a four decimal place percentage. The percentage entered on line 9 is the Alabama Gross Receipts Factor.

## Schedule D – Apportionment of Federal Income Tax

**Line 1.** Enter the amount of LIFO Recapture Tax, if any, from the federal Form 1120S, line 22.

**Line 2.** Enter the Alabama Apportionment Factor from Schedule C, line 9.

**Line 3.** Multiply the amount of federal income tax attributed to this corporation as shown on line 1 by the Alabama Apportionment Factor as shown on Schedule C, line 9. Enter the amount on line 3 on Schedule K, line 16.

## Schedule E – Alabama Accumulated Adjustments Account

The AAAA is an account of the S corporation that is adjusted for the S period in a manner similar to adjustments under Ala. Code Section 40-18-164. This account measures undistributed Alabama taxable income during the period the S election is effect. Ala. Code Sections 40-18-164(c) (4) and 40-18-166(a) (1). The AAAA also serves a purpose after termination of a corporation's S status, because distributions may be treated as non-dividends to the extent of the corporation's AAA during the post termination period Ala. Code Section 40-18-172.

The computation of the AAAA balance commences on the first day of the corporation's S period, and is only adjusted during that period. The AAAA may not equal the Accumulated Adjustments Account of federal Form 1120S. Adjustments to the AAAA should include the entire earnings, profits, losses, gains and deductions of the S corporation. See also §40-18-166, *Code of Alabama 1975*.

## Schedule DE – Disregarded Entity Schedule

List all qualified subchapter S subsidiaries (Q-Sub)/disregarded entities in which the entity holds full ownership interest of 100%. For each entity, provide the name, FEIN, income/(loss) from all sources, and Alabama source income/(loss). Attach additional schedules as necessary. Attribution of ownership rules of 26 USC §267 apply.

## Schedule G – Other Information

All S corporations must complete Schedule G providing the required information.

## K – Shareholder's Distributive Share Items

**Line 1.** Alabama Ordinary income. Enter on the Apportioned Amount column the Alabama Ordinary income from page 1, line 30.

**Lines 2-20 (except lines 10 and 17).** Enter the federal amount of the items described below as adjusted for Alabama income tax law in Column A, and the apportionment factor from Schedule C, line 9 in Column B. Column C is the income apportioned to Alabama. It is calculated by multiplying the amount in Column A by the amount in Column B. An attachment should be included to explain any adjustments made. See suggested format at the end of this section.

**Line 2.** Net rental real estate income (loss). Enter the net rental real estate income (loss) from the Federal Form 1120S, Schedule K as adjusted to Alabama basis. Attach Federal Form 8825.

**Line 3a.** Other gross rental income (loss). Enter other gross rental income (loss) from the Federal Form 1120S, Schedule K as adjusted to Alabama basis.

**Line 3b.** Expenses from other rental activities. Enter expenses from other rental activities the Federal Form 1120S, Schedule K.

**Line 3c.** Other Net Rental Income (loss). Subtract Line 3b from line 3a.

**Line 4.** Interest Income. Enter the total amount of interest from the Federal Form 1120S, Schedule K.

**Line 5.** Dividends. Enter the total amount of dividends from the Federal Form 1120S, Schedule K.

**Line 6.** Royalties. Enter the total amount of Royalties from the Federal Form 1120S, Schedule K.

**Line 7a.** Short-term capital gain(loss). Enter the total amount of the Net short-term and Net long-term capital gain(loss from the Federal Form 1120S, Schedule K.)

**Line 7b.** Act 2019-392 created Section 40-18-6.1 which provides that the provisions in 26 U.S.C. Section 1400Z-2 would be applicable to an investment in an ap-



proved opportunity fund as approved by ADECA. If the project does not meet the qualifications of approved opportunity fund, any deferred gain should be added back to determine Alabama taxable income. Schedule OZ must be completed if a taxpayer has gains invested in Qualified Opportunity Funds. Enter the taxable gain from Schedule OZ, line 4 on line 7b.

**Line 7c.** Act 2019-392 provides that 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 investment in the qualified entity after 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. Enter the Section 40-18-8.1 gain exclusion.

**Line 7d.** Enter the total of Lines 7a, 7b, and 7c.

**Line 8.** Net Section 1231 gain (loss). Enter the total amount of Net Section 1231 gain (loss) from the Federal Form 1120S, Schedule K as adjusted to Alabama basis. Attach Federal Form 4797.

**Line 9.** Other Income. Enter the total amount of Other Income from the Federal Form 1120S, Schedule K as adjusted to Alabama basis.

Note: Enter casualty losses on line 15.

**Line 10.** Nonbusiness Items. Enter in the Apportioned Amount column the amount entered on Schedule B, Column B, line 1h. Attach a statement identifying the nature and amounts of the separately stated nonbusiness items.

**Line 11.** Section 179 Deduction. Enter as a positive amount the IRC §179 expense deduction entered on Federal Form 1120S, Schedule K.

**Line 12a.** Contributions. Enter as a positive amount the contributions entered on Federal Form 1120S, Schedule K.

**Line 12b.** Investment interest expense. Enter the investment interest expense from Federal Form 1120S, Schedule K.

**Line 13.** Other deductions. Enter other deductions from Federal Form 1120S, Schedule K.

**Line 14.** Oil and Gas Depletion. Enter as a positive amount the oil and gas depletion entered on Federal Form 1120S, Schedule K.

**Line 15.** Casualty Losses. Enter as a positive amount the casualty losses entered on Federal Form 1120S, Schedule K.

**Line 16.** U.S. Taxes Paid. Enter the amount of U.S. income taxes paid, from Schedule D, Line 3.

**Line 17.** Nonbusiness Items. Enter in the Apportioned Amount column the amount entered on Schedule B, Column D, line 1h. Attach a statement identifying the nature and amounts of the separately stated nonbusiness items.

**Line 18a.** Tax-exempt interest income. Enter the total amount of tax exempt interest income from the Federal Form 1120S, Schedule K.

**Line 18b.** Other tax-exempt income. Enter the total amount of other tax exempt interest income from the Federal Form 1120S, Schedule K.

**Line 18c.** Nondeductible Expenses. Enter the total amount of Nondeductible Expenses from the Federal Form 1120S, Schedule K.

**Line 19.** Distributions. Enter the amount of distributions to owners.

**Line 20a.** Investment income. Enter the total amount of Investment Income from the Federal Form 1120S, Schedule K.

**Line 20b.** Investment expenses. Enter the total amount of Investment expense from the Federal Form 1120S, Schedule K.

**Line 20c.** Other items and amounts. The total amount of other items and amounts from the Federal Form 1120S, Schedule K. Attach supporting documentation.

**Line 21.** Total Credits. Enter nothing in the Federal Amount column and the Apportionment Factor column. Enter in the Apportioned Amount column total credits allocated to shareholders from Schedule PC, Part T, Line 9.

**Line 22.** Composite Payment Made on Behalf of Owner. Enter nothing in the Federal Amount column and the Apportionment Factor column. Enter in the Apportioned Amount column the amount of total composite payments made on behalf of the owners.

**Line 23.** Repayment of loans from shareholders. Enter the total amount of loans from shareholders from the Federal Form 1120S, Schedule K.

**Line 24.** Dividend distributions paid from accumulated earnings and profits. Enter the total amount of Dividend distributions paid from accumulated earnings and profits from the Federal Form 1120S, Schedule K. Attach supporting documentation.

**Line 25.** Electing Pass-Through Entity Tax. Enter nothing in the Federal Amount column and the Apportionment Factor column. Enter in the Apportioned Amount column the total amount of the Electing Pass-Through Entity tax as reported on Form EPT, line 2.

**NOTE:** Any adjustments made to lines 2, 3a, 7, 8 or 9 of Schedule K should have an accompanying explanation. A suggested format is shown below:

Item	Federal amount	Adjustment	AL amount
Net short term capital loss	(3,000.00)	(2,000.00)	(5,000.00)

Explanation: total amount claimed in year of loss for AL

## Instructions for Schedule L

**The amounts reported on the balance sheet should agree with the books and records of the partnership. Attach a statement explaining any differences between federal and state amounts or any differences between the balance sheet and the partnership's books and records. Follow the instructions for federal Form 1120, Schedule L.**

### Assets

**Line 1. Cash** – Enter the amount of cash and the amount retained in certificates of deposit on this line.

**Line 2 (a). Trade notes and accounts receivable** – Enter the book value of trade notes and the book value of accounts receivable that are payable to the business entity.

**(b). Less allowance for bad debts** – Enter the allowance for bad debts. Enter the total amount of trade notes and accounts receivable in columns (a) and (c) respectively. Deduct allowance for bad debts from the amount on line 2 (a) and enter the differences in columns (b) and (d).

**Line 3. Inventories** – Enter the book value of inventories held by the business entity.

**Line 4. U.S. government obligations** – Enter the book value of financial debt instruments backed by the US government such as: treasury bonds, treasury bills, and savings bonds.

**Line 5. Tax-exempt securities** – Enter the book value of: 1.) State and local government obligations for which interest is excludable from gross income, and 2.) Stock in a mutual fund or other regulated investment company that distributed exempt-interest dividends during the tax year of the business entity.

**Line 6. Other current assets (attach statement)** – Enter the book value of current assets (assets that are reasonably expected to be converted into cash in less than 1 year) not entered elsewhere on lines 1 through 5. Amounts included here should not be included elsewhere on lines 1 through 14. Attach a statement itemizing the separate categories and amounts of other current assets included in the total of current assets.

**Line 7. Loans to shareholders** – Enter the book value of loans issued by the business entity to the business entity's shareholder.

**Line 8. Mortgage and real estate loans** – Enter the book value of mortgage and real estate loans issued by the business entity. Loans entered on line 7 should not be entered on line 8.

**Line 9. Other investments (attach statement)** – Enter the book value of investments not entered elsewhere on line 1 through 8. Amounts entered here should not be included elsewhere on lines 1 through 14. Attach a statement itemizing the separate categories and amounts of other investments included in the total of other investments.

**Line 10 (a). Buildings and other depreciable assets** – Enter the book value of buildings, including capital improvements, and other depreciable assets without deduction of accumulated depreciation.

**(b). Less accumulated depreciation** – Enter the amount of accumulated depreciation in columns (a) and (c) respectively. Deduct accumulated depreciation of buildings and depreciable assets from the amount on line 10 (a) and enter the differences in columns (b) and (d).

**Line 11 (a). Depletable assets** – Enter the book value of Depletable assets without deduction of accumulated depletion.

**(b). Less accumulated depletion** – Enter the book value of accumulated depletion of depletable assets in columns (a) and (c). Deduct accumulated depletion of depletable assets from the amount on line 11 (a) and enter the differences in columns (b) and (d).

**Line 12. Land (net of any amortization)** – Enter the book value of land reduced by the amount of amortization.

**Line 13 (a). Intangible assets (amortizable only)** – Enter the book value of intangible assets (assets that lack physical substance such as: patents, copyrights, franchises, goodwill, trademarks, trade names, etc.) without deduction of amortization.

**(b). Less accumulated amortization** – Enter the amount of accumulated amortization of intangible assets in columns (a) and (c) respectively. Deduct accumulated amortization of intangible assets from the amount on line 13 (a) and enter the differences in columns (b) and (d).

**Line 14. Other assets (attach statement)** – Enter the book value of any assets not entered elsewhere on lines 1 through 13. Attach a statement itemizing the separate categories included in the total of other assets.

**Line 15. Total assets** – Enter the sums of columns (b) and (d) respectively for lines 1 through 14.

#### **Liabilities and Shareholders' Equity**

**Line 16. Accounts payable** – Enter the book value of accounts payable.

**Line 17. Mortgages, notes, bonds payable in less than 1 year** – Enter the book value of mortgages, notes, bonds payable in less than 1 year.

**Line 18. Other current liabilities (attach statement)** – Enter the book value of current liabilities (due in less than 1 year) not entered on lines 16 or 17. Attach a statement itemizing the separate categories and amounts of other current liabilities included in the total of other current assets.

**Line 19. Loans from shareholders** – Enter the book value of loans from shareholders. Capital contributions that increase shareholder's basis should not be included on this line. Amounts included here should not be included elsewhere on lines 16 through 21.

**Line 20. Mortgages, notes, bonds payable in 1 year or more** – Enter the book value of mortgages, notes, bonds payable in 1 year or more. Loans entered on Lines 19 should not be included on line 20.

**Line 21. Other liabilities (attach statement)** – Enter the book value of other non-current liabilities not entered elsewhere on lines 19 or 20. Amounts included here should not be included elsewhere on lines 16 through 20. Attach a statement itemizing the separate categories and amounts of other liabilities included in the total of other liabilities.

**Line 22. Capital stock** – The Capital Stock account represents the total book value of the common and preferred stock issued by the corporation. Typically, the book value

of the common or preferred is the Par Value of the stock, which is the stated or face value of a share of stock. Typically, this is recorded on the books of the corporation as the par value of a share of stock times the number of issuance price in the original (or subsequently amended) articles of incorporation.

**Line 23. Additional paid-in capital** – The Paid in Capital account represents the additional amount paid into the corporation by the Shareholder(s) above the par value when the common and/or preferred stock was issued by the corporation to the shareholder(s).

**Line 24. Retained earnings** – The retained earnings account represents the accumulated earnings of the corporation that have not been distributed to the shareholder(s) but have been retained by the corporation. Appropriated retained earnings are retained earnings that have been set aside by action of the board of directors for a specific use. The intent of retained earnings appropriation is to not make these funds available for payment to shareholders.

**Line 25. Adjustments to shareholders' equity (attach statement)** – In this section, the user will itemize any adjustments made to the shareholders' equity that are not otherwise recognized. Any adjustments that have been made to the shareholders' equity are required to be itemized with a description and amount on a supporting statement. This section is not commonly used unless the corporations engages in certain activities that may impact the shareholders' equity but not otherwise affect the income reporting of the corporation. Examples of such activities are having unrealized gains or losses on securities held "available for sale", engaging in foreign currency transaction adjustments, recognizing excess pension liability for prior unrecognized service, having guarantees of employee stock ownership plan debt and having compensation related to certain employee stock award plans.

**Line 26. Less cost of treasury stock** – The amount entered for treasury stock represents the repurchase of capital stock by the corporation after the capital stock was originally issued. The amount entered for treasury stock will reduce the equity in the corporation.

**Line 27. Total liabilities and shareholders' equity** – Enter the sum of lines 16 through 26.