SCHEDULE
EC
INSTRUCTIONS

Instructions For The Preparation of Alabama Department of Revenue Business Credits

2019

Use This Schedule to Compute Credits Available on the Financial Institution Excise Tax Return (Form ET-1)

If the Financial Institution receives distributions from Schedule K-1 income generated from a Pass-Through Entity, and the taxpayer has a credit that may be claimed on the Form ET-1 from the Pass-Through Entity, the taxpayer should enter the allocable amount of the credit from the Schedule K-1 into the appropriate field on the Schedule EC and attach the Schedule K-1 to the return.

New Credits for 2018

Veterans Employment Act. Act 2018-194 amend Sections 40-18-320 and 40-18-321 to rename the Heroes for Hire Tax Credit Act of 2012 as the Veterans Employment Act. See Part D for more information.

Section A – CURRENT YEAR TAX LIABILITY

Enter Alabama Financial Institution Excise Tax due from Form ET-1, page 1, line 32 here.

Section B – CURRENT YEAR CREDITS - Pre-Distribution

Part A – AL Taxes Used as Credits

The taxpayer must provide a complete listing of the taxes used as credits, in the format required by the Alabama Department of Revenue, upon receiving a written request from the Department. Attach additional schedules as needed.

A1. Enter Sales Taxes: Supplies, etc. used as Credits
A2. Enter Furniture, Fixtures used as Credits
A3. Enter Use Taxes used as Credits
A4. Enter State Tax on Utilities used as Credits
A5. Enter State Tax on Telephone used as Credits
A6. Enter Other Allowable Taxes used as Credits
A7. Add lines A1 through A6. CREDIT ALLOWABLE.
A8. TOTAL ALABAMA TAXES USED AS CREDITS UTILIZED. If A7 is less than (<) Section A, enter the amount from A7 on A8. If A7 is greater than (>) Section A, enter the amount from Section A on A8 and zero (0) on A9.
A9. Remaining Tax Liability Due: If Section A is greater than (>) A8, enter the difference on A9 (Section A – A8 = A9) and proceed to Part B.

Part B – Full Employment Act of 2011 Credit

Sections 40-18-290 through 40-18-293 provide for a tax credit against Alabama income tax for small businesses which employ 50 or fewer employees and create new jobs paying more than ten dollars ($10) per hour. Employers will receive an income tax credit equal to one thousand dollars ($1,000) and shall be available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full time employees in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama as of the last day of the tax year immediately preceding the first employment year. The income tax credit may be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer's state tax liability for which the credit is claimed. This credit is not refundable or transferable and cannot be taken in conjunction with the Alabama Small Business and Agribusiness Jobs Credit.

B1. Enter the number of full time employees on 12-31-2017.
B2. Enter the number of full time employees on 12-31-2016.
B3. Subtract line B2 from line B1.
B4. Enter the number of qualifying employees included in the number on B3 for which the credit is claimed.
B5. Multiply line B4 by 1,000. Enter the amount.
B6. TOTAL FULL EMPLOYMENT ACT CREDIT UTILIZED. If B5 is less than (<) A9, enter the amount from B5 on B6. If B5 is greater than (>) A9, enter the amount from A9 on B6 and zero (0) on B7.
B7. Alabama Financial Institution Excise Tax less Pre-Distribution Credits: If A9 is greater than (>) B6, enter the difference on B7 (A9 – B6 = B7).

Section C – Allocable Amount to General Fund

1. Total State-distributed portion of Alabama Financial Institution Excise Tax from Section H, Distribution Schedule, Column D. (Section H must be completed before an amount is entered on this line.)
2. Excess tax levied one-half percent. Alabama Financial Institution Excise Tax less Pre-Distribution Credits multiplied by .076923 (B7 x .076923).
3. Total Amount allocated to General Fund. Add Section C, line 1 and Section C, line 2. Enter amount here and Section E, Part C, Column 3.

Section D – CURRENT YEAR CREDITS – Limited to the General Fund Portion of Distribution

Part C – Alabama New Markets Development Credit

Act Number 2012-483, passed by the Alabama Legislature during the 2012 Regular Session, establishes a tax credit to corporations/financial institutions that invest in businesses located in impoverished and low income communities. The credit allowance date is the date on which such investment is initially made and each of the six anniversary dates thereafter. The credit shall not exceed the amount of the taxpayer's state tax liability for the tax year for which the tax credit is claimed. Tax credits claimed under this act are not saleable or transferable. Any amount of tax credit that the taxpayer is prohibited from claiming in a taxable year may be carried forward to any of the taxpayer's subsequent taxable years.

C1. Enter the amount of the New Markets Development Credit claimed from the Notice of Certification.

Part D – Veterans Employment Act - Employee Credit

Act 2018-194 amend Sections 40-18-320 and 40-18-321 for all tax years beginning on or after January 1, 2018 to rename the Heroes for Hire Tax Credit Act of 2012 as the Veterans Employment Act. The act add Sections 40-18-320.1 and 40-18-325 to the Code of Alabama, 1975. A qualified employer subject to the requirements of the act shall be eligible for an additional nonrefundable credit against the income tax or financial institution excise tax in the amount of $1,000 for each new unemployed or combat veteran hired for a full-time position paying at least fourteen dollars per hour, where majority of the duties are at a business located within Alabama. The additional credit shall only be available in the tax year during which the employee has completed 12 months of consecutive employment.

D1. Enter the number of unemployed veterans included in Section B, Part B, B4 – Full Employment Credit or included in Part G, line G7 - Alabama Small Business and Agribusiness Jobs Credit.
D2. Multiply line D1 by 1,000. Enter the amount.

Part E – Rehabilitation, Preservation and Development of Historic Structures Credit

Act Number 2014-452 amends Act 2013-241. The act provides an income tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures. The credit is equal to 25% of the qualified rehabilitation expenditures for certified historic structures. The act also provides a tax credit equal to 10% of the qualified rehabilitation expenditures for qualified pre-1936 non-historic structures. No tax credit claimed for any certified rehabilitation may exceed $5,000,000 for all allowable property types except a certified historic residential structure, and $50,000 for a certified historic residential structure. The entire credit may be claimed by the taxpayer in the taxable year in which the certified rehabilitation is placed in service. This credit is not refundable, but any unused portion of the credit may be carried forward for up to 10 additional tax years.

E1. Enter the amount of the Rehabilitation, Preservation and Development of Historic Structures Credit from the Alabama Historical Commission Tax Credit Certificate. CREDIT ALLOWABLE

Part F – Alabama Jobs Act (Investment Credit)

Act Number 2015-27 and Section 40-18-376 provide for an investment credit to certain businesses for approved projects that create new jobs in Alabama. The credit is an amount of 1.5 percent of a qualified capital investment annually, for a period of 10 years to be applied against the income tax, estimated income taxes, the financial institution excise tax, or the insurance premium tax, with additional offsets of utility gross receipts and utility service use taxes. The investment credit, provided for by the Alabama Jobs Act, may be claimed as a credit against taxes paid with a carryforward for earned but unused amounts to the extent allowed in the project agreement. Any unused portion of this credit may be carried forward for up to five years.

F1a-F1c. Enter the Project Name(s) and the amount of the credit claimed from the certification issued by the Alabama Department of Commerce.

F2. Enter the sum of all project credits.

F3. Enter the amount of investment credit used to offset Utility Taxes in the current year.

F4. Subtract line F3 from line F2. CREDIT ALLOWABLE.

Part G – Alabama Small Business and Agribusiness Jobs Credit

Act Number 2016-188 passed the Alabama Legislature during the 2016 Regular Session. This act provides for a tax credit to Alabama small business employers that create new jobs and hire employees under certain conditions. The tax credit allowable is a one-time credit to $1,500 for each qualified new employee and is only applicable to a tax year in which the new employee has completed 12 months of consecutive full-time employment with the employer. In order to qualify for the credit, the business must have 75 or fewer full time and part time employees and must show a "Net Employee Growth" as defined in the act. This credit is nontransferable and nonrefundable, but any unused portion of the credit may be carried forward for up to three years. This credit cannot be taken in conjunction with the Full Employment Credit.

G1. Mark the appropriate box to indicate whether your business had 75 or fewer full-time and part-time employees during the current tax year.

G2. Enter the number of full time employees on 12-31-2018.

G3. Enter the number of full time employees on 07-24-2016.

G4. Subtract line G3 from line G2 to determine the Net Employee Growth for the current year.

G5. Enter the number of qualifying new employees for whom you have previously claimed a credit in prior tax year(s).

G6. Subtract line G5 from line G4.

G7. Enter the number of qualifying new employees from line G6 that completed their first 12 consecutive months of service in 2018.

G8. Multiply line G7 by $1,500. Enter the amount. CREDIT ALLOWABLE.

Part H – Apprenticeship Tax Credit

Act Number 2016-314 passed the Alabama Legislature during the 2016 Regular Session. This act provides for a tax credit for employers that employ an apprentice. Eligible employers that employ an apprentice for at least seven full months of the prior taxable year are allowed a credit equal up to $1,000 for each apprentice employed, not to exceed five apprentices employed. This credit is nontransferable, nonrefundable, and not available for an individual apprentice for more than four taxable years.

H1. Enter the amount from the Apprenticeship Tax Credit Certificate issued by the Workforce Development Division of the Department of Commerce.

Part I – Capital Credit

Sections 40-18-190 through 40-18-203 provide for a tax credit against Alabama income tax with respect to income generated by or arising out of a qualifying project undertaken by certain existing businesses and certain new businesses to be located in the state. A statement of intent to invest in a qualifying project must be filed prior to the qualifying project being placed in service and must be approved by the Alabama Department of Revenue prior to the project entity taking the credit. The credit allowable is up to 5 percent of the qualifying project's allowable capital costs for each of 20 years, limited to the tax liability generated by or arising out of the qualifying project, and is applied after all deductions, exemptions and other credits have been taken.

As the project entity, the financial institution is required to complete and attach Form AR and Form K-RCC with the Form ET-1 return to be eligible to receive the capital credit. If the financial institution is a member or partner of an investing company that has a qualifying project, the financial institution must complete and attach Form K-RCC with Form ET-1. If a capital credit is claimed on Form ET-1, the project number(s) should be entered in the space provided on Schedule EC, Part I, lines I1a-I1g.

For further information regarding the capital credit and the necessary forms to claim the capital credit, visit the Alabama Department of Revenue's Web site at www.revenue.alabama.gov under the Tax Incentives page, or contact the Department at P.O. Box 327001, Montgomery, AL 36132-7001 or 334-242-1175.

I1a – I1g Enter the Project Number(s) assigned by the Alabama Department of Revenue, the Project Name(s) and the amount of the Capital Credit claimed from Schedule K-RCC, line 7.

I2. Total Capital Credit Available. CREDIT ALLOWABLE.

Section E – Current Credit Summary

Part C through Part I. For each credit available for utilization, repeat the steps on each line by row until all available current year credits have been used or no tax remains to be offset.

Column 1. Type of Credit generated

Column 2. Enter the amount of the credit generated by the corporation for the tax period from Section D.

Column 3. Enter the amount of the remaining tax to be offset.

Column 4. Enter the amount of the current credit utilized to offset the remaining tax due.

Column 5. Subtract Column 3 amount from Column 4 amount.

Column 6. Subtract Column 2 amount from Column 4 amount.

Section F – Credit Carry Forward Prior Years

Lines 1 through 10. For each carryforward available for utilization, repeat the steps on each line by row until all available prior year credit carry forward credits have been used or no tax remains to be offset.

Begin Credit Carry Forward from Prior Years with the oldest year first and ending with the most current year. Tax years for which a credit was utilized should not be listed. The utilized credits are shown in column 4.

Column 1. Enter the Type of Credit generated

Column 2. Enter the tax year end (MM/DD/YYYY) in which the credit was generated.

Column 3. Enter the amount of the credit generated by the corporation for the tax period in Column 2.

Column 4. Enter the amount of the credit utilized in years prior for the credit listed in Column 3.

Column 5. Subtract Column 4 amount from Column 3 amount. Enter the amount of the credit available to be utilized in the current tax period, not to exceed the remaining tax to be offset.

Columns 6-8. Subtract the Remaining Tax to be Offset (Section E, Part I, Column 5) from the Amount Available to use this Period (Section F, Column 5). If the Remaining Tax to be Offset is less than or equal to the Amount Available to use this Period, enter the Remaining Tax to be Offset in Column 6 and enter the excess of the Amount Available to use this Period in Column 7. If the Remaining Tax to be Offset is greater than Section F, Column 5, enter the Amount Available to use this Period in Column 6 and enter the difference of the Remaining Tax to be Offset and the Amount used this Period in Column 8, then proceed to the next available prior year credit. For the remaining rows, the Amount used this Period in Column 6 is limited to the Remaining Tax to be Offset in Column 8 of the preceding row.

Section G – Total Credit

Line 1. Enter the Total Current Credits from Section B, Lines A8 and B6 and Section E, Column 4.

Line 2. Enter the Total Prior Year Credit Carryforward from Section F, Column 6

Line 3. Add line 1 and line 2. Enter the total here and on Form ET-8, line 5 or Form ET-1, page 1, line 33a.

Section H – Distribution Schedule

Check the box if the taxpayer does NOT maintain an office in Alabama. If the company maintains an office in Alabama, the Percentage of Business Transacted by County and Municipality schedule MUST be completed.

Column A. Enter the county or counties in which the financial institution is physically located.

Column B. Enter the city or cities in which the financial institution is physically located.

Column C. Enter the percentage of business transacted by county and/or municipality. The total for this column must equal 100%.

Column D. Distributed Portion of Tax. (Alabama Financial Institution Excise Tax less Pre-Distribution Credits (B7 multiplied by .25 multiplied by .923077 multiplied by the percentage in Column C). Enter the amount on Section C, line 1.