

ALABAMA DEPARTMENT OF REVENUE  
**Quick Preparation Reference for**  
**TY 2023 Alabama Business Privilege Tax Forms**  
 (Form CPT and Form PPT)

See our website at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for additional information

**BUSINESS PRIVILEGE TAX PAYMENT**

Payment of the total tax due must be received on or before the original due date of the return. Form BPT-V must accompany **all** business privilege tax payments, unless payments are made electronically.

**Business Privilege Tax Forms to File:**

**Form PPT.** S-corporations, limited liability entities, and disregarded entities must file Form PPT, Alabama Business Privilege Tax Return and Annual Report for Pass-Through Entities.

**Form CPT.** C-corporations, limited liability entities taxed as corporations, REITs, insurance companies, financial institution group members, and business trusts, must file Form CPT, Alabama Business Privilege Tax Return and Annual Report for C-corporations and Other Specified Tax Entities.

**Business Privilege Tax Return Due Dates:**

The Business Privilege Tax Return shall be filed no later than the corresponding federal income tax return as required under federal law with the exception to the financial institution group which shall be filed no later than the corresponding Alabama financial institution excise tax return.

**FEIN to Use for Completing Business Privilege Tax Returns:**

The taxpayer's federal employer identification number (FEIN) is required to complete Form CPT and Form PPT. Enter "applied for" if an FEIN will be assigned to the taxpayer. Check the box (FEIN Not Required) if an FEIN will not be assigned to the taxpayer and enter the BPT (Business Privilege Tax) account number on Form PPT or CPT, Line 3d or Form BPT-IN, Line 3c. **Single member limited liability companies should not use their owner's FEIN or Social Security Number.**

**Address to Use for Mailing Completed Returns:**

If you are not making a payment, mail your return to:

**Alabama Department of Revenue  
 Business Privilege Tax Section  
 PO Box 327431  
 Montgomery, AL 36132-7431**

If you are making a payment, mail your return, Form BPT-V, and payment to:

**Alabama Department of Revenue  
 Business Privilege Tax Section  
 PO Box 327320  
 Montgomery, AL 36132-7320**

**Business Privilege Tax Computation:**

According to Section 40-14A-22, *Code of Alabama 1975*, the Alabama business privilege tax is computed by multiplying the taxpayer's net worth in Alabama (the Taxable Alabama Net Worth) by the business privilege tax rate applicable to the taxpayer.

Page 2 of Form CPT and Form PPT is used to compute the taxpayer's Taxable Alabama Net Worth. Please refer to the detailed preparation instructions on our website for documentation requirements.

The business privilege tax rate is computed by (1) determining the taxpayer's federal taxable income, before the net operating loss deduction and any special deductions; (2) allocating and apportioning that amount to Alabama; and (3) using the following schedule.

If the resulting Taxable Income of the Taxpayer is:

At Least:	But Less Than:	Amount of Tax Per \$1,000 of Taxable Alabama Net Worth	Tax Rate
	\$1	\$ .25 per thousand	.00025
\$1	\$200,000	\$1.00 per thousand	.00100
\$200,000	\$500,000	\$1.25 per thousand	.00125
\$500,000	\$2,500,000	\$1.50 per thousand	.00150
\$2,500,000		\$1.75 per thousand	.00175

Alabama business privilege tax law requires that a minimum business privilege tax be paid. The law also establishes a maximum amount for the tax liability.

**Minimum Business Privilege Tax Amounts:**

Generally, the minimum business privilege tax amount is \$50, even for a taxpayer's short year. The minimum amount for Financial Institution Groups is stated in Section 40-14A-22, *Code of Alabama 1975*.

**Nexus.** Act 2015-505 establishes a factor presence nexus standard for non-resident business activity. Substantial nexus in Alabama is established if any of the following thresholds are exceeded during the tax period: \$60,000 of property, \$60,000 of payroll, \$596,000 of sales, or 25% of total property, total payroll or total sales.

**Maximum Business Privilege Tax Amounts:**

\$3,000,000 Financial Institution Groups and insurance companies subject to the Alabama Insurance Premium Tax.

\$15,000 C-corporations, S-corporations, regulated utilities, real estate investment trusts (REITs), limited liability entities, business trusts, disregarded entities, and insurance companies not subject to Alabama Insurance Premium Tax.

\$500 Electing family limited liability entity.

**Other Business Privilege Tax Schedules/Forms:**

**Schedule AL-CAR, Secretary of State Corporation Annual Report**, is required for corporations filing a Form CPT and for S-corporations filing a Form PPT. Limited liability entities and disregarded entities are not required to attach a Schedule AL-CAR. The Schedule AL-CAR is not required for an initial business privilege tax return.

**Form BPT-IN, Initial Privilege Tax Return**, is required for the initial return filed by a taxpayer. Newly organized taxpayers must file an initial return within two and one-half months after date of formation. Taxpayers qualifying with the Alabama Secretary of State to do business in Alabama must file an initial return within two and one-half months after date of qualification. Please refer to our website for additional information concerning initial Business Privilege Tax returns.

**Disregarded Entities:**

If the single-member owner of the disregarded entity is not subject to the Alabama business privilege tax, the disregarded entity must prepare a Form PPT and pay the tax shown due on the form.

If the single-member owner of the disregarded entity is subject to the Alabama business privilege tax, the disregarded entity must prepare a Form PPT, but must pay only the minimum tax of \$50.

**Electing Family Limited Liability Entities:**

Electing family limited liability entities have a maximum business privilege tax of \$500. The **Schedule BPT-E, Family Limited Liability Election Schedule**, must be properly completed and attached to the taxpayer's Form PPT on or before the due date, including extensions, of the return in order to make the election. Failure to attach Schedule BPT-E and sign Page 1 of Form PPT or Form BPT-IN will result in the disallowance of the election. A disregarded entity does not qualify as an electing family limited liability entity, in accordance with Section 40-14A-1(h), *Code of Alabama 1975*. Additional information concerning electing family limited liability entities can be found on our website.

**Required Attachments for the Business Privilege Tax Return:**

- A copy of pages 1 through 5 of the federal tax Form 1120-S, pages 1 through 6 of the federal tax Form 1120, or pages 1 through 8 of the federal tax Form 1120-F, or pages 1 through 5 of the federal tax Form 1065.
- Multistate taxpayers (those doing business in Alabama and outside the State of Alabama) must attach a copy of the Alabama apportionment schedule (from Form 20C, from Form 20S, from Form 65, or from Form ET-1).
- Attach documentation to thoroughly support any exclusion or deduction claimed in the computation of the taxpayer's Taxable Alabama Net Worth – see page 2 of the Form CPT or Form PPT.
- Attach a copy of the balance sheet used to compute the taxpayer's net worth, if not provided with the copy of the federal tax return, such as the Schedule BPT-NW or Schedule BPT-NWI.
- Insurance companies must attach pages 1 through 8 of the federal return, Annual Statement of Liabilities, Surplus and Other Funds, and Schedule T as reported in the annual statements.