

INSTRUCTIONS FOR THE PREPARATION OF
ALABAMA DEPARTMENT OF REVENUE
Consolidated Financial Institution Excise Tax

2018

Alabama Financial Institution Excise Tax law, rules, forms and instructions are available on the Alabama Department of Revenue's website at www.revenue.alabama.gov.

What's New for 2017

Credit Limitation. Act Number 2016-280 passed the Alabama Legislature during the 2016 Regular Session. The act provides that tax credits may only be used to offset the state portion of the tax liability. For tax credits enacted beginning on or after January 1, 2016, financial institution excise taxpayers' tax credits shall be applied only to the state portion of the tax liability and shall not offset or reduce the Financial Institution Excise tax distribution pursuant to Section 40-16-6, *Code of Alabama 1975*.

Loans and Credit Card Receivables Sourcing. Act Number 2017-165 passed the Alabama Legislature during the 2017 Regular Session. The act amends Section 40-16-4 of the Code of Alabama 1975, relating to financial institutions with income taxed within and outside of the state. The act states that if such rules allocate and apportion the net income of the financial institution based on its property in the state, loans and credit card receivables shall be considered part of the financial institution's property in the state and shall be sourced to the state using the same sourcing methods as the departments uses to allocate and apportion a financial institution's interest receipts from related loans and credit card receivables. The act specifies that the apportionment formula would be applicable to all tax years beginning on or after January 1, 2017.

Federal Income Tax (FIT) Deduction. Alabama Rule 810-3-35-.01 removes methods 1552(a)(2) and 1552(a)(3) in computing the FIT Deduction. For tax years beginning on or after August 29, 2016, corporate taxpayers must use the 1552(a)(1) method to determine the amount of applicable FIT Deduction. See Alabama Rule 810-3-35-.01 for additional information.

AMT Check the Box Option. In computing the Federal Income Tax (FIT) Deduction, taxpayers must specify whether they paid Alternative Minimum Tax (AMT). If so, taxpayers must use Alternative Minimum Taxable Income (AMTI) to determine the corporation's portion of federal income taxes paid.

**General Information for Financial Institutions
Filing a Consolidated Return**

Alabama Form ET-1C must be filed by taxpayers meeting the definition of financial institutions (as defined in Section 40-16-1, *Code of Alabama 1975*) that have properly elected to file a consolidated financial institutions excise tax return.

Form ET-1C is an annual return due on April 15th of each excise tax year. The financial institution excise tax is payable on or before April 15th of the excise tax year. The Alabama taxable income, computed and reported on the form, is for the last taxable year of the financial institution ended prior to April 1 of the excise tax year.

EXAMPLE: The 2018 Alabama Form ET-1C is due on April 15, 2018. If April 15 falls on a Saturday, Sunday, or state holiday, the return and payment will be due the following business day. Payment of the tax liability shown on the 2018 Form ET-1C allows the taxpayer to engage in the business of being a financial institution in the State of Alabama for the 2018 calendar year. If the taxpayer is a calendar year taxpayer, the Alabama taxable income computed and shown due on the 2018 Form ET-1C is based on the operations of the 2017 calendar year.

In order for the qualified corporate group to be able to file a consolidated return, the financial institution members must meet the definition of a financial institution found in Section 40-16-1 of the *Code of Alabama 1975*. The members must also meet the ownership requirement and filing requirement specified in Section 40-16-3, *Code of Alabama 1975*.

Annual Consolidated Filing Election and Fee

In order for a financial institution excise group to file a consolidated financial institution excise return, the parent of the group must meet the ownership and filing requirements, specified in Section 40-16-3, Code of Alabama and timely file a consolidated election. Financial institutions that file federal Form 1120S (U.S. Income Tax Return for an S Corporation) are not required to file Alabama Form ET-1C nor are they required to make a consolidated election for Alabama purposes. Alabama

treats an S Corporation and its qualified subchapter S subsidiaries as one entity. Form ET-1 should be filed instead of Form ET-1C. The parent of the group must remit a \$6000 consolidated filing fee by April 15 of the excise tax year. This required fee must be remitted electronically. Please visit our website at www.revenue.alabama.gov and select E Services.

Extension to file Alabama Form ET-1C

Alabama Form ET-8, Application for Extension of Time for Filing Alabama Financial Institution Excise Return, may be used to request an extension for either 3 months or 6 months. If requesting a three (3) month extension, 50% of the estimated tax due must be remitted with the extension request on or before April 15th. The balance plus interest must be remitted with the return when filed on or before July 15th. If requesting a six (6) month extension, the entire estimated tax due must be remitted with the extension request by April 15th. The return will be due on or before October 15th. **Taxpayers who request extension of time to file Alabama Form ET-1C are required to remit Alabama ET-8 electronically and any payments of \$750 or more electronically.**

NOTE: *The Alabama parent should remit Form ET-8 on behalf of all of the companies included in the consolidated election.*

Payment of Tax

The total amount of the excise tax liability for the period is due on or before the unextended due date of the return. If the return is to be filed under extension, any liability due should be remitted no later than the original due date of the return.

Section 41-1-20 requires electronic payments for all single business tax payments of \$750 or more. Substantial penalties will be assessed for noncompliance. Payments of \$750 or more must be made electronically. Non-electronic payments must be remitted with Form FIE-V. **DO NOT MAIL FORM FIE-V IF THE PAYMENT IS REMITTED ELECTRONICALLY.**

Electronic Payment Options available:

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

ACH Credit – Taxpayers making electronic payments via ACH Credit must be pre-approved by ADOR. To register, complete and submit Form EFT: 001 entitled EFT Authorization Agreement Form. Visit our website at www.revenue.alabama.gov for additional information.

Technical assistance with making a payment using ACH Credit, call the toll free hotline (1-877-256-2447) from 8:00 a.m. through 5:00 p.m. (Central Standard Time)

Make check or money order payable to: Alabama Department of Revenue

Preparation Instructions

Taxpayers filing consolidated financial institution excise tax returns will submit completed proforma Forms ET-1 for each of the separate companies included in the consolidated excise group. A proforma Form ET-1 is a completed Form ET-1 with filing status 4 checked. In addition to a proforma Form ET-1, the Alabama parent will complete Form ET-1C. Form ET-1C was designed to summarize the separate company information from each of the proforma Form ET-1 returns for each of the members of the consolidated excise group. All financial information for the group will be summarized on the Form ET-1C. Tax due for the group will be computed on Form ET-1C. Petitions for refund for the consolidated group will also be requested using the Form ET-1C. Any tax payments for the consolidated group should be made by the Alabama parent and claimed on Form ET-1C.

NOTE: For line by line instructions for proforma Form ET-1, please see the instructions for Form ET-1. These instructions will only provide line by line instructions for the Form ET-1C.

REQUIRED ATTACHMENTS. For the Consolidated Financial Institution Excise Tax return to be considered complete, a **complete signed copy of the applicable federal income tax return must be attached. Failure to attach the complete federal return and supporting schedules may result in the imposition of delinquent and/or frivolous return penalties.** A complete federal return includes consolidated income spreadsheets, consolidated balance sheets, consolidated Schedules M-1, M-2, M-3, Schedule UTP, as well as supporting schedules for each of these items broken down by each separate company included in the consolidated federal group.

If the parent of the consolidated excise group incurs a current year loss, a computation of the parent company loss allocation must be included as an attachment to the consolidated excise tax return. The parent company loss allocation must be made in accordance with Alabama Excise Tax Rule 810-9-1-.01(4)(j)2.

At the top, left-hand corner of page 1 check all applicable boxes if filing an initial final, amended return or address change. NOTE: Amended return filings should provide a detailed explanation for filing amended return, supporting documentation to validate amended changes, and computation of additional amount due or refund due. Amended proforma Form ET-1 returns-filing status 4 must be included in order for the amended Form ET-1C to be considered complete.

At the top, right-hand corner of page 1 check the appropriate box indicating a calendar-year, fiscal-year, or short-year return. Fill in the blanks indicating the beginning and ending dates of the tax period if the return is for a fiscal year or a short year.

In the top, center block of page 1 enter the taxpayer's federal business code number, its federal employer identification number (FEIN), and its name and mailing address (with complete zip code). Below the address enter the state of incorporation, date of incorporation, the date the taxpayer qualified to do business in Alabama, and the nature of business being conducted in Alabama.

If this corporation is included in a consolidated federal income tax return, check the block, and enter the name and FEIN of the common parent corporation.

If a notification of final IRS change is attached to the return, check the box.

If the taxpayer is filing an Alabama Business Privilege Tax return, check the box and enter the FEIN used on the Form CPT (business privilege tax return). If the taxpayer does not file for business privilege tax purposes, do not check the box, leave the FEIN field blank, and attach a statement to the return explaining why the taxpayer does not file.

Filing Status. Form ET-1C will always be marked filing status 4, Alabama Consolidated Return. All members of the consolidated excise group should include completed Form ET-1 returns marked filing status 4, Proforma Return.

LINE 1. Enter the sum from line 31 of each of the proforma Form(s) ET-1 for each member of the consolidated excise group on line 1 of Form ET-1C.

LINE 2. Enter the amount of tax due for the consolidated excise group by multiplying line 1 by 6.5%, as specified in Section 40-16-4, *Code of Alabama 1975*.

Credits and Payments

LINE 3a. Enter the sum from Schedule EC of the proforma returns included in the consolidated excise group. Allowable tax credits cannot reduce the excise tax liability below zero.

LINE 3b. Enter the amount of any tax remitted as an extension payment with Form ET-8.

LINE 3c. Enter the amount of any additional tax remitted.

LINE 3d. Add the amounts of lines 3a, 3b, and 3c. Enter the total of these three lines on line 3d.

LINE 4. Penalties Due. Enter the total amount of the penalty for failure to timely file the return and the penalty for failure to timely pay the tax shown due on the return, as specified in Section 40-2A-11, *Code of Alabama 1975*. The penalty for failure to timely file an Alabama Financial Institution Excise Tax return by the due date is 10% of the tax shown due with the return or \$50, whichever is greater. The penalty for failure to timely pay the amount of tax shown due on an Alabama Form ET-1C is equal to 1% of the amount of tax shown due on the return for each month the tax is unpaid – not to exceed 25% of the amount shown due on the return.

LINE 5. Interest Due. Interest from April 15 to Date of Payment. Enter the amount of interest due on the amount of any tax due remitted after April 15. Compute the interest using IRS rates from April 15 of the excise tax year until the date of payment. The Alabama interest rate is the same as provided for in IRC Section 6621.

LINE 6. Total Payment Due/(Refund Due). Subtract line 3d from the total of lines 2, 4 and 5, and enter the result here. A negative amount represents an overpayment.

ELECTRONIC PAYMENT INDICATOR. Check the box if the payment shown due on this return was made electronically. Payments of \$750 or more must be made electronically.

SIGNATURE. The Alabama Form ET-1C must be signed by an authorized officer of the corporation. Enter the date signed and the title of the person whose signature is affixed.

PAID PREPARER AUTHORIZATION. Above the return signature area is a check box which will be used to authorize the Alabama Department of Revenue to discuss the Alabama Form ET-1C and attachments with the paid preparer – who is identified in the Paid Preparer's Use Only Section of the return. **To represent the taxpayer before the Alabama Department of Revenue for tax matters related to the return, this box must be checked.**

PAID PREPARER INFORMATION. Anyone who is paid to prepare the Alabama Form ET-1C must sign and provide the information requested in the Paid Preparer's Use Only Section of the Form ET-1C. The signature may be made by hand, by rubber stamp, by mechanical device, or a computer software program. Paid preparers must provide the taxpayer with a copy of the prepared return. Enter the taxpayer's representative to contact for information concerning the return along with the contact person's email address and telephone number. If the paid preparer will represent the taxpayer for tax matters related to the return, the authorization box on the return must be checked in addition to being notated in this section.

Mail Consolidated Returns and Payments to:

Alabama Department of Revenue
Corporate Compliance Section
P.O. Box 327437
Montgomery, AL 36132-7437
Telephone (334) 242-1200

Any questions concerning the preparation of the Alabama Form ET-1C should be directed to the Corporate Compliance Section at (334) 242-1200.

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SCHEDULE A – DISTRIBUTION DATA. Taxpayers conducting business in Alabama are required to provide the percentage of their total business conducted in this state by the amount of business conducted in each county and municipality. This information is captured in Schedule A, and is used to determine how monies collected will be distributed for the tax year.

A financial institution that does not maintain an office in Alabama, but is subject to tax, is not required to complete Schedule A, other than checking the box to indicate that no such office exists in Alabama.

SCHEDULE AS – AFFILIATIONS SCHEDULE. Page 2 of Form ET-1C must be completed for every member of the consolidated excise group. If the consolidated group has more members than page 2 provides for, attach additional copies of page 2, as needed. Column A should list the name of the common Alabama parent, then the names of each of the subsidiaries included in the consolidated excise group. The common parent of the financial institutions excise group does not necessarily have to be the same group parent reported for federal income tax purposes. Column B should list the federal employer identification number (FEIN) of the company in column A. In column C, list the tax year end (MM/DD/YYYY) for each company included in Schedule AS. In column D, indicate if the taxpayer filed a separate company Alabama return for the previous tax year. If the taxpayer was part of a consolidated group with the same parent, indicate by marking the NO box. In column E, indicate if the company is new to the federal consolidated group, and in column F, indicate if the company files a business privilege tax return.

For each corporation listed on Schedule AS, a proforma Form ET-1 should be included as part of the consolidated filing for the consolidated excise group. In addition, the parent of the consolidated excise group must complete Form ET-1C. Failure to provide this information will result in rejection of the consolidated return.