



# ALABAMA – ANNUAL TAX COMPLIANCE



# Business Privilege Tax (1/2)

In Alabama, the Business Privilege Tax is a tax imposed on most business entities that operate in the state. The tax rate is based on the ability to pay and is determined by the entity's federal taxable income apportioned to Alabama. The rate ranges from **USD 0.25 to USD 1.75** for each **USD 1,000** of net worth in Alabama.

The minimum privilege tax is **USD 100**; plus, the USD 10 Secretary of State annual report fee for corporations. The maximum privilege tax is **USD 15,000**. The maximum privilege tax for **financial institutions and insurance companies** is USD 3,000,000 for each tax year. Most business entities are subject to the Business Privilege Tax, including corporations, limited liability companies (LLCs), partnerships, limited partnerships, and professional associations.



| Taxable Income (USD)                     | Tax rate / Percentage (USD) |
|--|-----------------------------|
| Less than 1                              | 0.25 per 1,000              |
| At least 1 but less than 200,000         | 1.00 per 1,000              |
| At least 200,000 but less than 500,000   | 1.25 per 1,000              |
| At least 500,000 but less than 2,500,000 | 1.50 per 1,000              |
| At least 2,500,000                       | 1.75 per 1,000              |

# Business Privilege Tax (2/2)



Businesses subject to the Business Privilege Tax are required to file an annual tax return. The return should include information on the business's net worth, as well as any additional required information based on the entity type. The Alabama Department of Revenue provides specific forms for filing the Business Privilege Tax return, such as **Form BPT-IN** for corporations and LLCs.

Form BPT-IN: It requires newly organized corporations, limited liability entities, and disregarded entities to file an **initial Business Privilege Tax Return** and to pay the business privilege tax reported on the return within **two and one-half months after date of qualification**. Corporations, limited liability entities, and disregarded entities organized outside of Alabama, but qualifying with the Alabama Secretary of State to do business in Alabama, must file an Initial Business Privilege Tax Return and pay the business privilege tax reported on the return within two and one-half months after date of qualification.



The due date for filing the Business Privilege Tax return in the state is typically on or before the **15th day of the 4th month** following the close of the business's fiscal year. If the due date falls on a weekend or holiday, the deadline is extended to the next business day.

# Corporate Income Tax

All corporations doing business in Alabama or deriving income from Alabama sources are generally required to file a corporate income tax return. This includes both **C corporations and S corporations**.

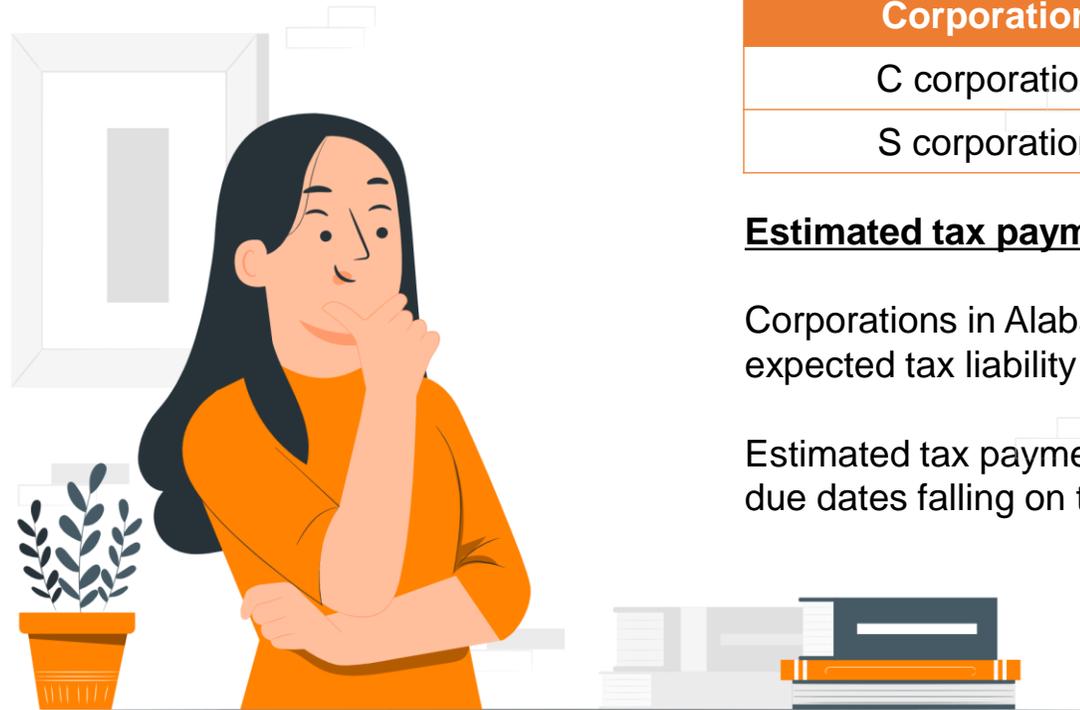
The return must be filed annually. The corporate income tax rate in Alabama is a flat rate of **6.5%** on net taxable income.

| Corporation   | Form                   | Due Date |
|---------------|------------------------|----------|
| C corporation | 20 C                   | 15 April |
| S corporation | 20 S with Schedule K-1 | 15 March |

## Estimated tax payments:

Corporations in Alabama shall be required to make estimated tax payments if their expected tax liability exceeds **USD 500**.

Estimated tax payments are typically due in four installments throughout the year, with due dates falling on the **15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months** of the tax year.



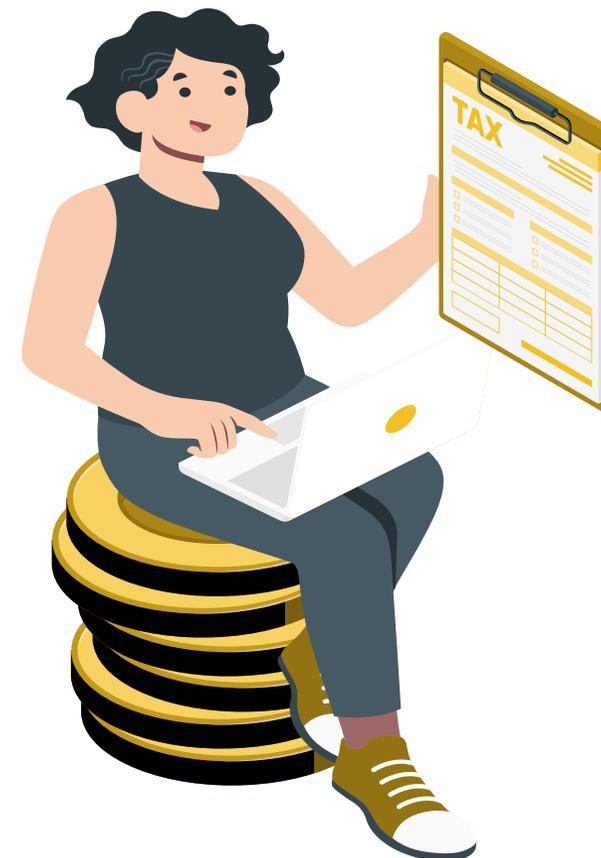
# Non - Corporate Income Tax

S Corporation, Partnership LLCs, and LLPs in Alabama are **pass-through entities** for income tax purposes. This means that the income, deductions, and credits of these entities flow through to the members, or partners, who report them on their individual income tax returns. The tax rate in Alabama is a flat rate of **6.5%** on net taxable income.

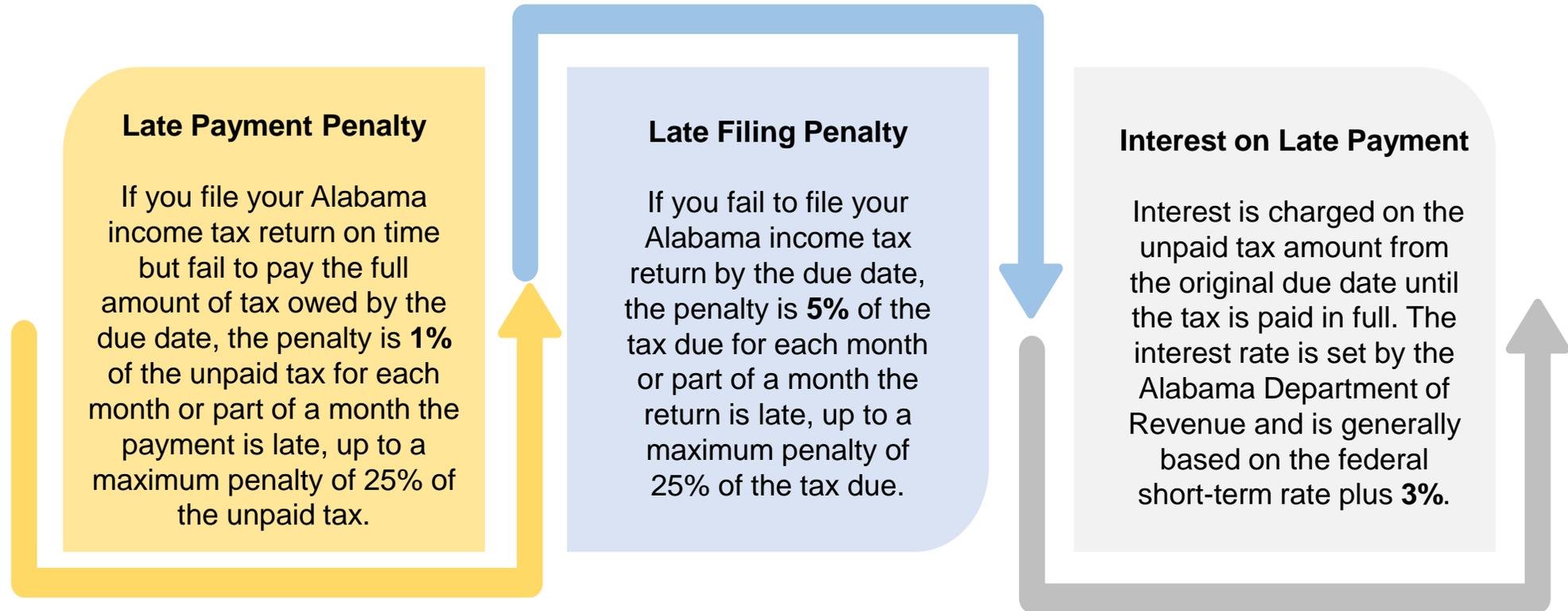
| Type of Entity          | Form                | Due Date |
|-------------------------|---------------------|----------|
| S corporation           | 40 with schedule K1 | 15 April |
| Partnership LLC and LLP | 65 with schedule K1 | 15 April |

The individual shareholders are responsible for paying taxes on their share of the S Corporation's/ Partnerships/ LLC's income at their personal income tax rates. They may also be subject to other applicable taxes, such as self-employment taxes, depending on their specific circumstances.

Taxpayers in Alabama may be required to make estimated tax payments if their expected tax liability exceeds **USD 500**. Estimated tax payments are typically due in four installments throughout the year, with due dates falling on the **15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of the tax year**. **Form 40 ES** needs to be filed for estimated tax payments.



# Penalty and Interest

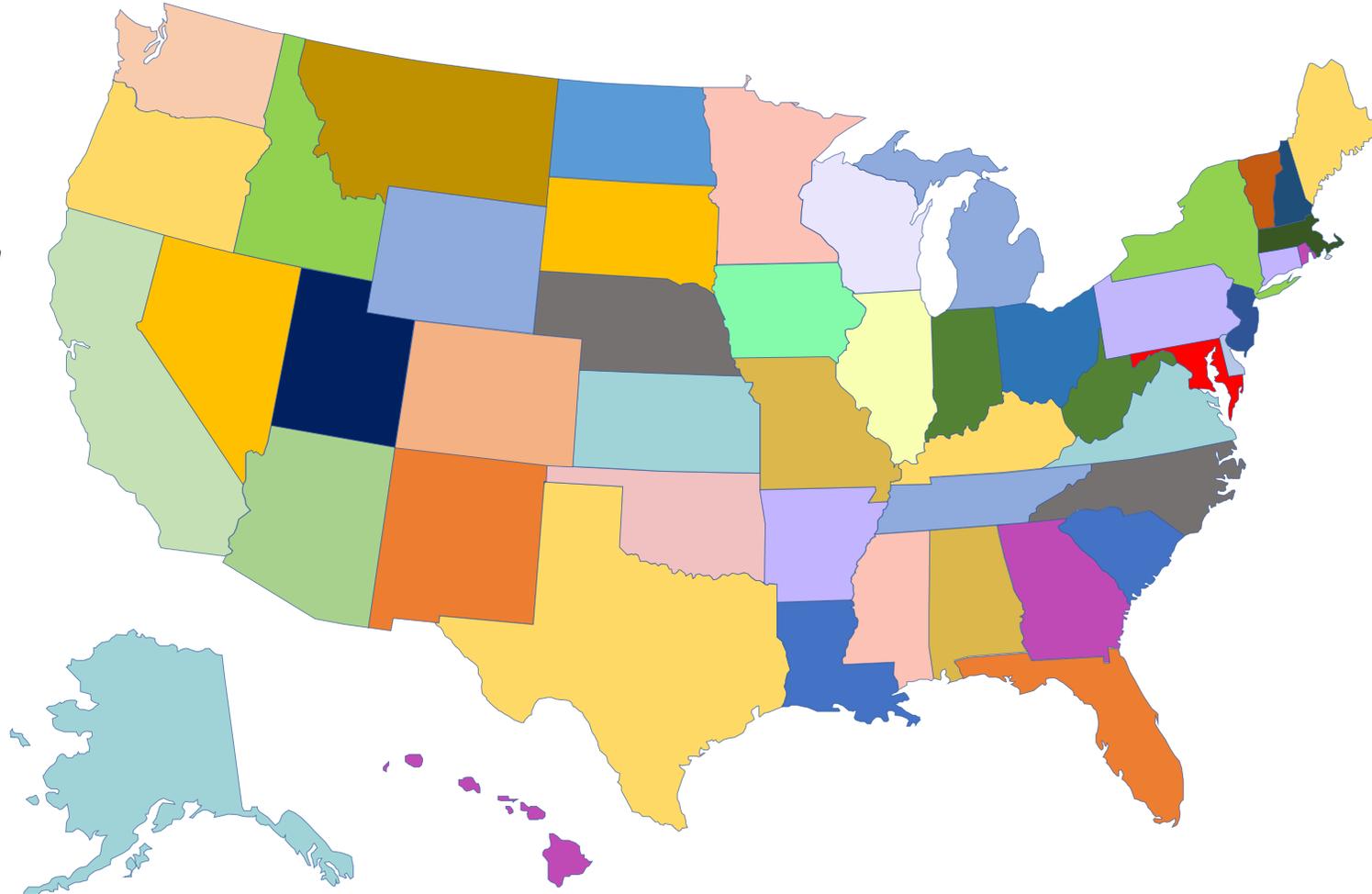


The penalty for **failure to timely file** the Alabama Business Privilege Tax Return by the due date is **10% of the tax or USD 50**, whichever is higher. The penalty for **failure to timely pay the amount of tax** due on an Alabama Business Privilege Tax Return is 1% of the amount of tax shown due on the return for each month in which the tax is unpaid. The same shall not exceed 25% of the amount shown due in the return.

# Upcoming Series

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- |                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| 1. <a href="#">Delaware</a>   | 18. Kansas         | 35. North Dakota   |
| 2. <a href="#">New Jersey</a> | 19. Kentucky       | 36. Ohio           |
| 3. <a href="#">California</a> | 20. Louisiana      | 37. Oklahoma       |
| 4. Alabama                    | 21. Maine          | 38. Oregon         |
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