

2014

www.revenue.alabama.gov

Alabama

Form 40 Booklet

■ Long Return ■ Residents and Part-Year Residents ■ Forms and Instructions

IDENTITY PROTECTION

Identity theft is increasing at an alarming rate. One area that has seen a large increase is the filing of fraudulent income tax returns using stolen identities. Identity protection is very important and the Department of Revenue uses all available resources to protect your identity. Are you doing everything possible to protect your identity?

Protect Yourself from ID Theft

Here are some simple, but important tips to protect your information:

- Protect your financial documents. They contain your name, address, bank information and Social Security number. Shred documents you don't need and keep ones you do need locked in a secure place.
 - Don't give a business your Social Security number just because they ask.
 - Don't carry your Social Security card with you.
 - Protect your financial information – shred important documents, don't just throw them away.
 - Check your credit report every 12 months for free by directly contacting the three credit report agencies – Experian, Equifax and Trans Union.
- Secure personal information in your home – keep your financial records locked up.
- Protect your personal computers by using firewalls, anti-spam/virus software, update security patches

and change passwords for Internet accounts.

- Don't give personal information over the phone, through the mail or on the Internet unless you are confident you know whom you are dealing with.

File and Pay Electronically!

Another way to combat identity theft is to file your taxes electronically. E-filing is significantly more secure than paper filing. When you e-file, your return is processed predominately by computer. This means the fewest possible chances for identity theft. Individual taxpayers can file their taxes online for free and pay their taxes at https://myalabamataxes.alabama.gov/_/#1.

A paper return is handled by dozens of people – postal processing, mail clerks, letter opening, paper organizing, return scanning, the person who reviews and approves information and possibly many others. There are a lot opportunities for identity theft with a paper return.



Index

- A**
 - Address Change ... **17**
 - Addresses of Taxpayer Service Centers ... **2**
 - Adoption Expenses ... **16**
 - Alabama Election Campaign Fund ... **12**
 - Alimony or Separate Maintenance
 - Amount paid ... **16**
 - Amount received ... **13**
 - Amended Return ... **18**
 - Amount You Owe ... **12**
 - Annuities ... **14**
 - Armed Forces, Members of ... **5**
- B**
 - Business Income or (Loss)
 - (Federal Schedule C and C-EZ) ... **13**
 - Business Use of Home ... **21**
- C**
 - Casualty and Theft Losses ... **20**
 - Consumer Use Tax ... **11**
 - Contributions to Charity ... **20**
 - Corresponding With Alabama
 - Department of Revenue ... **12 and 18**
 - Credit for Taxes Paid to
 - Another State ... **10 and 22**
 - Another State ... **10 and 22**
 - Credit for Taxes Paid to a Foreign Country ... **10**
- D**
 - Death of Taxpayer ... **18**
 - Dependents ... **8 and 17**
 - Direct Deposit ... **17**
 - Dividend Income ... **8 and 22**
 - Domicile ... **4**
 - Donation of Refunds ... **12 and 22**
- E**
 - Educational Expenses ... **21**
 - Educational IRA ... **14**
 - Employee Business Expenses ... **20**
 - Employer-Sponsored Basic Skills Education Credit ... **10**
 - Estates and Trusts ... **23**
 - Estimated Tax ... **12 and 18**
 - Extension of Time to File ... **18**
- F**
 - Farm Income and Expenses ... **16**
 - Federal Tax Deduction ... **8**
 - Figuring Your Income Tax ... **10, 25-30**
- Filing Requirements —
 - When To File ... **5**
 - Which Form To File ... **5**
 - Who Must File ... **5**
- Filing Status ... **6**
- Forms, How To Get ... **31**
- Full Employment Act of 2011 Credit ... **10**
- G**
 - Gains ... **14 and 23**
 - General Information ... **17**
- H**
 - Head of Family ... **6**
 - Heroes for Hire Tax Credit Act of 2012 ... **10**
- I**
 - Income (Examples) —
 - You Must Report ... **7**
 - You Do Not Report ... **7**
 - Income Tax Withheld (Alabama) ... **8 and 12**
 - Income Tax Deduction (Federal) ... **8**
 - Interest Income ... **8 and 21**
 - Interest — Late Payment of Tax ... **17**
 - Interest — Penalty on Early
 - Withdrawal of Savings ... **16**
 - Individual Retirement
 - Arrangement (IRA) ... **14, 15 and 16**
 - Irrigation and Reservoir System Credit ... **10**
 - Itemized Deductions ... **8, 18-21**
- K**
 - Keogh Plan — Deduction for ... **16**
- L**
 - Long Term Care ... **21**
 - Losses ... **13 and 23**
- M**
 - Married Persons — Filing Joint or
 - Separate Return ... **6**
 - Medical and Dental Expenses ... **19**
 - Military Personnel —
 - Residents of Alabama ... **4**
 - Nonresidents of Alabama ... **5**
 - Moving Expenses ... **16**
 - Miscellaneous Itemized
 - Deductions ... **20**
 - Mutual Funds ... **23**
- N**
 - Name and Address ... **6**
 - Nonresidents of Alabama —
- Which Form To File ... **5**
- Who Must File ... **5**
- O**
 - Other Income ... **8 and 13**
- P**
 - Part-year residents ... **5**
 - Partnerships ... **23**
 - Payments —
 - Check/Money Order ... **12**
 - Credit Card ... **12**
 - E-Check ... **12**
 - Penalty —
 - Criminal Liability ... **17**
 - Late Filing ... **17**
 - Late Payment of Tax ... **17**
 - Other Penalties ... **17**
 - Pensions ... **15**
 - Personal Exemption ... **6 and 8**
 - Preparer, Tax Return ... **13**
- R**
 - Records — How Long To Keep ... **18**
 - Refund Status ... **4**
 - Refund, When Should I Receive? ... **4**
 - Rents and Royalties ... **23**
 - Requesting a Copy of Your
 - Tax Return ... **18**
 - Rollover Distributions ... **14**
 - Roth IRA ... **14**
 - Rounding Off to Whole Dollars ... **7**
 - Rural Physician Credit ... **10**
- S**
 - Salaries ... **7**
 - Schedules A, B, CR, DC, D, and E
 - Instructions ... **18-24**
 - Self-employed health insurance ... **16**
 - Setoff Debt Collection ... **4 and 18**
 - Sign Your Return ... **13**
 - Single Person ... **6**
 - Social Security Number ... **6**
 - Standard Deduction ... **8**
 - Steps For Preparing Your Return ... **6**
 - Students and Dependents ... **5**
- T**
 - Tax Assistance for Taxpayers ... **2**
 - Tax Tables ... **25-30**
- W**
 - Wages ... **7**
 - Where To File Form 40 ... **13**

Physical Addresses of Taxpayer Service Centers

Alabama income tax assistance may be obtained by calling or visiting any of the Alabama Department of Revenue Taxpayer Service Centers listed below. Additional forms and instructions may also be obtained from these centers.

- **Auburn/Opelika Taxpayer Service Center**
3300 Skyway Drive
Auburn, Alabama
Phone – (334) 887-9549
- **Dothan Taxpayer Service Center**
344 North Oates Street
Dothan, Alabama
Phone – (334) 793-5803
- **Gadsden Taxpayer Service Center**
235 College Street
Gadsden, Alabama
Phone – (256) 547-0554
- **Huntsville Taxpayer Service Center**
4920 Corporate Drive, Suite H
Huntsville, Alabama
Phone – (256) 837-2319
- **Jefferson/Shelby Taxpayer Service Center**
2020 Valleydale Road, Suite 208
Hoover, Alabama
Phone – (205) 733-2740
- **Mobile Taxpayer Service Center**
955 Downtowner Boulevard
Mobile, Alabama
Phone – (251) 344-4737
- **Montgomery Taxpayer Service Center**
2545 Taylor Road
Montgomery, Alabama
Phone – (334) 242-2677
- **Muscle Shoals Taxpayer Service Center**
874 Reservation Road
Muscle Shoals, Alabama
Phone – (256) 383-4631
- **Tuscaloosa Taxpayer Service Center**
518 19th Avenue
Tuscaloosa, Alabama
Phone – (205) 759-2571

From The Commissioner...



JULIE P. MAGEE
Commissioner

State of Alabama Department of Revenue

(www.revenue.alabama.gov)
50 North Ripley Street
Montgomery, Alabama 36132

MICHAEL E. MASON
Assistant Commissioner
JOE W. GARRETT, JR.
Deputy Commissioner
CURTIS E. STEWART
Deputy Commissioner

Dear Taxpayer...

One of the primary goals of the Department of Revenue is to provide the most prompt and efficient service. We are continuing to update our processing methods to enable us to make progress toward this goal by using image technology to improve the processing of individual paper returns. This requires all documents/pages to be printed and signed in black ink. If you have documents that have been copied or faxed, please ensure that the resulting document is dark enough to be scanned. You may also file electronically, which will further expedite the processing of your return. Before you begin preparing your return, please check the "Which Form to File" section on page 5 of these instructions to see which form you should use this year. If you need additional forms, visit our Web site at www.revenue.alabama.gov.

Identity theft and fraud is increasing. In an effort to prevent identity theft and fraudulent returns from being issued income tax refunds the Department of Revenue is implementing two new computer programs to identify fraudulent and identity theft tax returns. Implementing these programs will allow the Department of Revenue to notify taxpayers that they have been the victim of identity theft. Another benefit of these programs is that they will prevent the loss of tax dollars by not issuing fraudulent income tax refunds that in most cases are unrecoverable.

I encourage all taxpayers to use our online feature called "My Alabama Taxes." This online feature allows taxpayers to electronically file their Alabama income tax return free of charge, check the status of their refunds, pay their taxes, view their accounts, and print copies of letters and tax returns associated with their accounts. For additional information, visit our Web site at www.revenue.alabama.gov. You can pay your taxes online safely and conveniently by E-check, ACH debit and credit card payments. (Please refer to page 12 for further information.)

Please mail your completed return as early as possible. We welcome any comments and suggestions you may have for any of our forms or instructions. Be sure to include your name, address, and phone number should we have any questions for you.

If you need help in completing your return or if you have a question about your tax return, please call or come by one of our Taxpayer Service Centers in your area. The addresses and phone numbers are listed for your convenience inside the front cover of this booklet.

Thank you for your assistance.

Julie P. Magee
Commissioner

What's New For 2014?

My Alabama Taxes – A new feature on our Web site that will allow taxpayers to electronically file their Alabama Tax returns free, view any tax debts, payments, print copies of letters, print copies of their tax returns and change their address. Go to www.revenue.alabama.gov and click on the link for "My Alabama Taxes" to register.

Adoption Credit – Taxpayers that reside in Alabama can take a tax credit of \$1,000 for a private intrastate adoption or the adoption of a qualified foster child. See page 11 for more information.

Alabama Accountability Tax Act Credits – Taxpayers may be eligible for a tax credit for transferring their child from a failing public school to a qualifying

nonfailing public school or nonpublic school. Resident taxpayers may be eligible for a tax credit for contributions made to a scholarship granting organization. For more information go to www.revenue.alabama.gov.

Electronic Filing – Receive your refund faster by electronically filing your return. Electronic filing is now available for non-residents. Visit our Web site, or talk to your preparer for more information.

Web Site – Check out our updated Web site at www.revenue.alabama.gov for downloadable forms, fill-in-forms, instructions, and the most accurate up-to-date information available. Our Web site also hosts links to PC on-line filing providers supporting the Federal/State electronic filing program.

Refund Status

To check the status of your current year refund, go to our Website at www.revenue.alabama.gov, then click on "Individual" and then "Where's My Refund."

How To Use This Instruction Booklet

The instructions for Form 40 are divided into five main sections.

■ **Section 1** contains information on who must file, how to choose the correct form, and when to file a return.

■ **Section 2** contains useful steps to help you prepare your return.

■ **Section 3** contains specific instructions for most of the lines on your return.

■ **Section 4** contains general information about such items as amending your tax return, how long to keep records, and filing a return for a deceased person.

■ **Section 5** contains instructions for completing Schedule A for those taxpayers itemizing their deductions. Also included are instructions for Schedules B, CR, DC, D, and E.

If you follow the steps in Section 2 and the specific instructions in Section 3, you should be able to fill in your return quickly and accurately.

When Should I Expect My Refund?

Wait At Least 90 Days For Your Refund

If you do not receive your refund within 90 days of mailing your return, go to www.revenue.alabama.gov, then click on "Individual" and then "Where's My Refund", or complete Form IT-489. This form can be obtained at our web site www.revenue.alabama.gov/incometax/generaltaxforms.htm or at any of our Alabama Taxpayer Service Centers listed on page 2 of this booklet. If you call about your refund, have a copy of your return with you or the Department may be unable to assist you.

Each year the Alabama Department of Revenue receives over 1.8 million income tax returns. Of this number, over 1 million taxpayers receive refunds. The Department makes every effort to process your refund as quickly as possible, and there are several things you, the taxpayer, can do to help us accomplish this.

The date you file your return and how you file determines when you can expect your refund. For example, electronically filed returns are received and processed significantly faster than returns that are mailed to the Department of Revenue. Also, if you mail in an error-free return in January or February, you can expect to receive your refund sooner than if you wait until March or April to file. Last year over 50 percent of the income tax returns filed were received between April 1 and April 15. Returns filed this close to the deadline may require 90 days to process.

Common Mistakes Which Delay Refunds

Incorrect Name. Your refund debit card or check will be issued in the name(s) appearing on your return. If your name is illegible or misspelled, your refund debit card or check may be issued in the wrong name.

Incorrect Address. Last year the U.S. Postal Service was unable to deliver thousands of refund debit cards or checks due to incorrect addresses, or because the taxpayer moved and failed to leave a forwarding address.

Incorrect Social Security Number. Last year approximately 80,000 returns were received with missing or incorrect social security numbers. Your social security number is very important; it is used for identification of your file. Please compare the number on your return with the number on your social security card.

Show in the blocks provided the social security numbers in the same order as the first names. For example, the social security number of the first name listed should be entered in the box headed "Your social security number." The social security number of the second name should be entered in the box headed "Spouse's social security number." If separate returns are filed, the person filing the return should enter his or her social security number in the box headed "Your social security number," and enter the spouse's name and social security number on line 3. It is very important that the social security numbers be listed in this order so your refund debit card or check will be issued in the correct name.

Legibility. On many returns, the name, address, or social security number is not readable. If this happens, the wrong information may be recorded, and your refund check may be delayed. Make sure that the information you enter on the return is readable.

Missing Withholding Statement (W-2). Make certain the "State Copy" of all forms W-2 wage and tax statements are included, W-2s are frequently missing. The Department will consider the return incomplete if all required information is not included.

Incorrect Computation. Many returns must be corrected each year by the Department due to simple math errors. Before mailing your return, double check the addition and subtraction to make sure the math is correct. This is a good idea even if someone else prepares your return.

Misdirected Mailing. Each year thousands of returns are mailed to the Internal Revenue Service instead of the Alabama Department of Revenue.

Filing More Than One Return. File only one Form 40, 40A, 40NR or electronic return for each tax year. If it is necessary to amend your original return, for years prior to 2008 you must file Form 40X, Amended Alabama Income Tax Return. For a 2014 return, you must file a completed return with the "Amended Return" box checked. The amended return will be processed after your original return has been processed.

Filing Copies. A copy of a return is not acceptable unless it has the taxpayer(s) original signature(s).

Missing Signatures. Thousands of unsigned returns are received each year by the Department. Before we can process them, these returns must be returned to the

taxpayers for signatures. If a joint return is filed, both spouses must sign the return.

Other Reasons For Refund Delays

You Have Not Paid All Taxes Due From a Previous Year. If you owe tax for a prior year, your refund will be applied to pay that deficiency. Any amount remaining will be refunded to you. This will generally delay your refund 12 weeks or more.

Setoff Debt Collection. If the Alabama Department of Human Resources, the Alabama Department of Industrial Relations, the Administrative Office of Courts, or the Alabama Medicaid Agency has notified the Alabama Department of Revenue that your account is delinquent on a debt repayment, any public assistance program (including the Child Support Act of 1979, Chapter 10, Title 38), or any Medicaid assistance program, your refund will be applied to that debt. **Note:** See **Setoff Debt Collection** on page 17 for further information.

Federal Refund Offset Program. Your 2014 federal or state refund will be taken to satisfy any outstanding liabilities owed to the State of Alabama or to the Internal Revenue Service.

SECTION

1 Filing Information

First, be certain you need to file a tax return. Your marital status, filing status, and gross income determine whether you have to file a tax return. Gross income usually means money, goods, and property you received on which you must pay tax. It does not include nontaxable benefits. See page 7 of the instructions to find out which types of income you should include.

Other Filing Requirements

Refunds. Even if your gross income was less than the amounts shown, you must file a return to get a refund if Alabama income tax was withheld from any amounts paid to you.

Domicile. Individuals who are domiciled in (or residents of) Alabama are subject to tax on their entire income whether earned within or without Alabama. This is true regardless of their physical presence within Alabama at any time during the taxable year. Domicile is where one lives, has a permanent home, and has the intention of returning when absent. Domicile may be by birth, choice, or operation of law. Each person has one and only one domicile which, once established, continues until a new one is established coupled with the abandonment of the old. Burden of proof regarding change of domicile is on the taxpayer even though he/she owns no property, earns no income, and has no place of abode in Alabama.

If an Alabama resident accepts employment in a foreign country for a definite or indefinite period of time with the intent of returning to the United States, the individual remains an Alabama resident and all income, wherever earned, is subject to Alabama income tax. This is true even if the taxpayer leaves no property in Alabama.

If a citizen of a foreign country comes to Alabama to work (no matter how long he stays), buys a home, secures an Alabama driver's license, does not intend to apply for U.S. Citizenship, and intends to ultimately re-

turn to the country of origin, the individual will be considered to have established domicile in Alabama. In other words, a foreign citizen domiciled in Alabama is liable for Alabama income tax on income earned from all sources.

Military Personnel (Residents). Military personnel, whose legal residence is Alabama, are subject to Alabama income tax on all income regardless of the source or where earned unless specifically exempt by Alabama law.

Military personnel (Army, Navy, Marine, Air Force, Merchant Marine, and Coast Guard) who were residents of Alabama upon entering military service remain residents of Alabama for income tax purposes, regardless of the period of absence or actual place of residence, until proof as to change of home of record has been made. The burden of proof is on the taxpayer though he owns no property, earns no income, or has no place of abode in Alabama. Under the provisions of the Soldiers' and Sailors' Civil Relief Act, military personnel are not deemed to have lost their permanent residence in any state solely because they are absent in compliance with military orders. In addition, persons are not deemed to have acquired permanent residence in another state when they are required to be absent from their home state by virtue of military orders. If the husband and wife are both in military service, each could be a resident of a different state under the Soldiers' and Sailors' Civil Relief Act. A spouse not in military service has the same domicile as the military spouse unless proven otherwise.

Military Personnel (Nonresidents). Nonresident military personnel merely having a duty station within Alabama (whose legal residence is not Alabama) are not required to file an Alabama income tax return unless they have earned income from Alabama sources other than military pay. If they have earned income in Alabama other than military pay, they are required to file Alabama Form 40NR. A married nonresident military person with income earned in Alabama may file either a separate return claiming himself or herself only, or a joint return claiming the total allowable personal exemption. The "Military Spouses Residency Relief Act" (Public Law 111-97) states that the income for services performed by the spouse of a service member shall not be deemed to be income for services performed or from sources within a tax jurisdiction of the United States if the spouse is not a resident of the jurisdiction in which the income is earned because the spouse is in the jurisdiction solely to be with the service member serving in compliance with military orders.

Dependent's and Student's Income. Dependents who are residents of Alabama must file a return if they meet the requirements under **You Must File A Return If...** on this page. A student's income is fully taxable to the same extent as other individuals who are required to file a return. The dependent or student can claim a personal exemption of \$1,500, and his or her parents may claim a dependent exemption if they provided more than 50% of his or her total support. See **Dependent Exemption** on page 8.

When To File

You should file as soon as you can after January 1, 2015, but no later than April 15, 2015. If you file late you will have to pay penalties and interest. (See Penalties and Interest in these instructions.) If April 15 falls on a Saturday, Sunday, or state holiday, the return will be due the following business day.

If you know you cannot file your return by the due date you do not need to file for an extension. You will automatically be granted an extension until October 15, 2015. If you anticipate that you will owe additional tax on your return you should submit your payment with a payment voucher (Form 40V) with the box "Automatic Extension Payment" checked by April 15, 2015.

Except in cases where taxpayers are abroad, no extension will be granted for more than 6 months.

An extension means only that you will not be assessed a penalty for filing your return after the due date. Interest on the additional tax due from the due date of the return and any penalties will be assessed if applicable to your return.

Original returns must be filed within two years of the date the taxes are paid to be eligible for a refund. Criminal Liability could result from a continued failure to file returns. (Refer to "Criminal Liability" on Page 17.)

Which Form To File

You MAY Use Form 40A If You Meet ALL The Following Conditions:

- You were a resident of Alabama for the entire year.
- You do not itemize deductions.
- You do not claim any adjustments to income, such as an IRA deduction, alimony paid, Federal income tax paid for a prior year, etc.
- You do not have income from sources other than

salaries and wages except for interest and dividend income which cannot exceed \$1500.00.

■ You are not claiming income or loss from Schedules C, D, E, or F.

■ You are not claiming credit for taxes paid to another state.

You MUST Use Form 40 If:

■ You were a full or part-year resident of Alabama and do not meet ALL of the requirements to file Form 40A.

■ You are itemizing deductions.

Part Year Residents

Part-year residents of Alabama should only report income earned while a resident of Alabama. Itemized deductions must be prorated to reflect only those expenses incurred while a resident of Alabama. Federal Tax Liability must be prorated by applying a percentage of Alabama adjusted gross income to Federal adjusted gross income in order to calculate the amount deductible on line 12 of Form 40. Part-year residents are allowed to deduct the full standard deduction, personal, and dependent exemptions.

You MUST Use Form 40NR If:

■ You are not a resident of Alabama and you received taxable income from Alabama sources or for performing services within Alabama and your gross income from Alabama sources exceeds the allowable prorated personal exemption. Nonresidents must prorate the personal exemption. If your Alabama gross income exceeds the prorated amount, a return must be filed.

You MUST Use Both Form 40 and Form 40NR If:

■ You had sufficient income to require the filing of a part-year return and also had income from Alabama sources while a nonresident during the same tax year. In this case, both the total personal exemption and the dependent exemption must be claimed on the part-year resident return. No exemption can be claimed on the nonresident return. The part year resident return should include only income and deductions during the period of residency, and the nonresident return should include only income and deductions during the period of non-residency.

You Must File A Return If...			
You were a:	and your marital status at the end of 2014 was:	and your filing status is:	and your gross income was at least:
Full Year Resident	Single (including divorced and legally separated)	Single	\$ 4,000
	Married and living with your spouse at the end of 2014 (or on the date your spouse died)	Head of family	\$ 7,700
Part Year Resident	Married and living with your spouse at the end of 2014 (or on the date your spouse died)	Married, joint return	\$10,500
		Married, separate return	\$ 5,250
	Single (including divorced and legally separated)	Single	\$ 4,000 (while an Alabama resident)
		Head of family	\$ 7,700 (while an Alabama resident)
Nonresident	Married and living with your spouse at the end of 2014 (or on the date your spouse died)	Married, joint return	\$10,500 (while an Alabama resident)
		Married, separate return	\$ 5,250 (while an Alabama resident)
		Single or head of family	Over the allowable prorated exemption: See above page for further instructions.

SECTION

2 Steps for Preparing Your Return

By following these four useful steps, and reading the specific instructions, you should be able to prepare your return quickly and accurately.

Step 1

Collect all your necessary records.

Income Records. These include any **Forms W-2, W-2G, and 1099** that you have. If you do not receive a Form W-2 by February 1, OR if the one you receive is incorrect, please contact your employer as soon as possible. Only your employer can give you a Form W-2, and only he or she can correct it.

If you have someone prepare your return for you, make sure that person has all your income and expense records so he or she can fill in your return correctly. Remember, if someone else prepares your return incorrectly — **you are still responsible.**

Step 2

Obtain any forms or schedules you may need.

In general, we mail forms and schedules to you based on the return you filed last year. Before filling in your return, look it over to see if you need more forms or schedules.

If you think you will need any other forms, get them before you start to fill in your return. Our Alabama Taxpayer Service Centers (see page 2 of these instructions for addresses) can supply the additional forms you need. We will send you the forms and schedules requested. Also, your local bank, post office, or public library may have some of them. **The fastest way to obtain forms is to download them from our Web site at www.revenue.alabama.gov.**

Step 3

Sign and date your return.

Form 40, 40A, or 40NR is not considered a return unless you sign it. Please sign the return in black ink only. Your spouse must also sign if it is a joint return. Original signatures are required or the return will not be accepted.

Step 4

Attach all necessary forms and schedules.

Attach the state copy of all **Forms W-2, W-2G, and 1099** to the front of your return. Attach schedules and forms in sequential order, starting with Form 40.

If you need more space on forms or schedules, attach separate sheets and use the same format as printed forms, but show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on these separate sheets and attach them at the end of the return.

Before mailing your return, check to make sure you have retained an exact copy for your records. If you owe

tax, be sure to include your payment and Form 40V with your return.

SECTION

3 Specific Instructions

Name and Address

Please type or print your name, address, and social security number in the appropriate blocks.

If you live in an apartment, please include your apartment number in the address. If the post office delivers mail to your P.O. box number rather than to your street address, write the P.O. box number instead of your street address.

Social Security Number

Each year thousands of taxpayers file returns using an incorrect social security number. Usually this number belongs to another taxpayer. It is very important that you file your return using the correct social security number. Failure to use your correct social security number(s) in the space(s) provided WILL DELAY the processing of your refund. Listed below are a few of the common reasons why a social security number is reported incorrectly:

- failed to enter number on return
- memorized wrong number
- copied number wrong
- gave an incorrect number to the tax preparer
- gave your employer an incorrect number

IMPORTANT: Check your W-2 forms. Your employer may be reporting an incorrect number for you.

If you are married and filing a joint return, write both social security numbers in the blocks provided.

If you are married and filing separate Alabama returns, write your spouse's social security number on line 3.

If your spouse is a nonresident alien, has no income, does not have a social security number, and you file a separate return, write "NRA" in the block for your spouse's social security number. If you and your spouse file a joint return, your spouse must have a social security number.

If you or your spouse do not have a social security number, please get **Form SS-5** from a Social Security Administration (SSA) office. File it with your local SSA office early enough to get your number before April 15.

IMPORTANT: Please notify the Social Security Administration (SSA) immediately in the event you have changed your name because of marriage, divorce, etc., so the name on your tax return is the same as the name the SSA has on record. This helps prevent delays in processing your return.

Filing Status and Personal Exemption Lines 1 through 4

You should check only the box that describes your filing status. The personal exemption will be determined by your filing status on the last day of the tax year.

Single

Consider yourself single if on December 31, 2014 you were unmarried or separated from your spouse either by divorce or separate maintenance decree.

If you check box 1, enter \$1,500 on line 13.

Married – Joint or Separate Returns?

Joint Returns. Most married couples pay less tax if they file a joint return. If you file a joint return, **you must report all income, exemptions, deductions, and credits for you and your spouse.** Both of you must sign the return even if only one of you had income. The State of Alabama does recognize a common law marriage for income tax purposes.

CAUTION: You cannot file a joint return if you are a resident of Alabama and your spouse is a resident of another state. You should file as "married filing separate."

You and your spouse can file a joint return if you were living together on December 31, 2014 even if you did not live together for the entire year. Both of you are responsible for any tax due on a joint return, so if one of you does not pay the other may have to.

Note: If you file a joint return, you may not, after the due date of the return, choose to file separate returns for that year.

If your spouse died in 2014, you can file a joint return for 2014. You can also file a joint return if your spouse died in 2015 before filing a 2014 return. For details on how to file a joint return, see Death of Taxpayer on page 18.

If you check box 2, enter \$3,000 on line 13.

Separate Returns. You can file separate returns if both you and your spouse had income, or if only one of you had income.

If you file a separate return, report only your own income, exemptions, deductions, and credits. You are responsible only for the tax due on your return.

Note: Alabama is not a community property state.

If you file a separate return, write your spouse's social security number on line 3. If your spouse is not required to file, attach a statement explaining why.

If you check box 3, enter \$1,500 on line 13.

Head of Family

An individual shall be considered "Head of Family" if, and only if, such individual is not married at the close of their tax year, is not a surviving spouse and their qualifying dependent is not a foster child.

You may check the box on line 4 **ONLY IF** on December 31, 2014 you were unmarried or legally separated and meet either test 1 or 2 below.

Test 1. You paid **more than half** the cost of keeping up a home for the entire year provided that the home was the main home of your parent whom you can claim as a dependent. Your parent did not have to live with you in your home,

OR

Test 2. You paid **more than half** the cost of keeping up a home in which you lived and in which one of the following also lived for more than 6 months of the year (temporary absences, such as for vacation or school, are counted as time lived in the home):

a. Your **unmarried** child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child does not have to be your dependent.

b. Your **married** child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child must be your dependent. But if your married child's other parent claims

him or her as a dependent under the Federal rules for "Children of Divorced or Separated Parents", this child does not have to be your dependent.

c. Any relative whom you can claim as a dependent. (See definition of dependent on page 8.)

If the person for whom you kept up a home was born or died during the year, you may still file as "Head of Family" if the home was that person's main home for the part of the year he or she was alive.

Special Rules

A nonresident taxpayer who receives income from Alabama sources or for performing services within Alabama and who also had income while a resident of Alabama during the same tax year must file both the Alabama Nonresident Form 40NR and the Alabama Part-year resident Form 40. **If you are required to file both returns, the total personal exemption and the dependent exemption must be claimed on the part-year return (Form 40). No personal exemption or dependent exemption can then be claimed on the nonresident return (Form 40NR).**

Income

All income is subject to Alabama income tax unless specifically exempted by state law. The term "income" includes, but is not limited to, salaries, wages, commissions, income from business or professions, alimony, rents, royalties, interest, dividends, and profits from sales of real estate, stocks, or bonds. Military pay is taxable income except for compensation received for active service in a designated combat zone.

Examples of Income You MUST Report

The following kinds of income should be reported on Forms 40, 40A, or 40NR and related forms and schedules.

- Wages including salaries, fringe benefits, bonuses, commissions, fees, and tips.
- Dividends (Schedule B).
- Interest on: bank deposits, bonds, notes, Federal Income Tax Refunds, mortgages on which you receive payments, accounts with savings and loan associations, mutual savings banks, credit unions, etc. (Schedule B).
- Original Issue Discount (Schedule B).
- Distributions from an Individual Retirement Arrangement (IRA) including SEPs and DEC's, if you excluded these amounts in a prior year.
- Bartering income (fair market value of goods or services you received in return for your services).
- Business expense reimbursements you received that are more than you spent for the expenses.
- Amounts received in place of wages from accident and health plans (including sick pay and disability pensions) if your employer paid for the policy.
- Alimony or separate maintenance payments received from and deductible by your spouse or former spouse.
- Life insurance proceeds from a policy you cashed if the proceeds are more than the premium you paid.
- Profits from businesses and professions (Federal Schedule C or C-EZ).
- Your share of profits from partnerships and S Corporations (Schedule E).
- Profits from farming (Federal Schedule F).
- Pensions and annuities other than those listed in "Examples of Income You DO NOT Report."
- Lump-sum distributions, endowments.
- Gains from the sale or exchange (including

barter) of real estate, securities, coins, gold, silver, gems, or other property (Schedule D).

- Gains from the sale of your personal residence as reported on your Federal return.
- Rents and Royalties (Schedule E).
- Your share of estate or trust income (Schedule E).
- Prizes and awards (contests, lotteries, and gambling winnings).
- Income from sources outside the United States.
- Director's fees.
- Fees received as an executor or administrator of an estate.
- Embezzled or other illegal income.
- Refunds of federal income tax if deducted in a prior year and resulted in a tax benefit.
- Payments received as a member of a military service are taxable except for combat pay and certain allowances.
- Property transferred in conjunction with performance of services.
- Jury duty pay.

Examples of Income You DO NOT Report

(Do not include these amounts when deciding if you must file a return.)

- United States Retirement System benefits.
- State of Alabama Teachers' Retirement System benefits.
- State of Alabama Employees' Retirement System benefits.
- State of Alabama Judicial Retirement System benefits.
- Military retirement pay.
- Tennessee Valley Authority Pension System benefits.
- United States Government Retirement Fund benefits.
- Payments from a "Defined Benefit Retirement Plan" in accordance with IRC 414(j). (Contact your retirement plan administrator to determine if your plan qualifies.)
- Federal Railroad Retirement benefits.
- Federal Social Security benefits.
- State income tax refunds.
- Unemployment compensation.
- Welfare benefits.
- Disability retirement payments (and other benefits) paid by the Veteran's Administration.
- Workman's compensation benefits, insurance damages, etc., for injury or sickness.
- Child support.
- Gifts, money, or other property you inherit or that was willed to you.
- Dividends on veteran's life insurance.
- Life insurance proceeds received because of a person's death.
- Interest on obligations of the State of Alabama or any county, city, or municipality of Alabama.
- Interest on obligations of the United States or any of its possessions.
- Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home. (You must report as income reimbursements for normal living expenses.)
- Military allowances paid to active duty military, National Guard, and active reserves for quarters, sub-

sistence, uniforms, and travel.

- Subsistence allowance received by law enforcement and corrections officers of the State of Alabama.
- All retirement compensation received by an eligible fire fighter or a designated beneficiary from any Alabama firefighting agency.
- All retirement compensation received by an eligible peace officer or a designated beneficiary from any Alabama police retirement system.
- Death benefits received by a designated beneficiary of a peace officer or fireman killed in the line of duty.
- Income earned while serving as a foreign missionary after first serving 24 months as a missionary in a foreign country.

■ Compensation received from the United States for active service as a member of the Armed Forces in a combat zone designated by the President of the United States.

■ An amount up to \$25,000 received as severance, unemployment compensation or termination pay, or as income from a supplemental income plan, or both, by an employee who, as a result of administrative downsizing, is terminated, laid-off, fired, or displaced from his or her employment, shall be exempt from state income tax. **If the exempt severance pay is included in your state wages, contact your employer for a corrected W-2.**

- Beginning January 1, 1998, all benefits received from Alabama Prepaid Tuition Contracts (PACT).
- Alabama 529 savings plan.
- Income received from the Department of Defense as a result of a member of the military killed in action in a designated combat zone.
- Any income earned by the spouse in the year of death of a member of the Military who has been killed in action in a designated combat zone.

Rounding Off to Whole Dollars

Round off cents to the nearest whole dollar on your return and schedules. You can drop amounts under 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example: \$1.39 becomes \$1.00, and \$2.69 becomes \$3.00.

Lines 5a through 5d Wages, Salaries, Tips, Etc.

Show the name and address of each employer on lines 5a through 5d. In the column headed "Income" show the amount of wages you were paid before taxes, insurance, etc. were deducted. You should use the amount shown in the box headed "State Wages" on your Form W-2. The amount shown in this box may or may not be the same as the amount taxable for Federal purposes. All other taxable items listed on your W-2 form that are not included in the "State Wages" box should be entered on page 2, Part I, line 8.

If you had more than 4 employers during the tax year and the space provided on lines 5a through 5d is insufficient for listing each employer, you should attach a schedule with identical headings, and list all employers and amounts on this schedule. On line 5a write "See Attached Schedule," and record in columns A and B the totals for withholding and wages for all employers as listed on the attached schedule.

Note: State of Alabama employees will find that the amount taxable for state purposes is, in most cases, more than the amount taxable for federal purposes. This is due to the fact that amounts deducted from their wages as "Contributions to the Alabama State Retire-

ment System" qualify for deferral on the Federal return, but do not qualify for deferral on the Alabama return.

Part-year Residents. If you were a resident of Alabama for only a part of the year, enter only the income earned during the period of residence in Alabama.

Statutory Employees. If you were a statutory employee, the "Statutory employee" box of your W-2 form should be checked. Statutory employees include full time life insurance salespeople, certain agent or commission drivers, traveling salespeople, and certain homeworkers.

If you are deducting business expenses as a statutory employee, report the amount shown in Box 1 of your W-2 form and your expenses on Schedule C. If you are not deducting business expenses, report your income on line 5.

Alabama Income Tax Withheld

In the column headed "Alabama tax withheld," enter the amount of Alabama income tax withheld by each of your employers. The amount withheld is shown on the state copy of your Form W-2. This copy should be marked "To Be Filed With Your Alabama Income Tax Return."

Note: Do not change or alter the amount of tax withheld or wages reported on your Form W-2. If any amount is incorrect or illegible, you should contact your employer and request a corrected statement.

Do not include the following as Alabama income tax:

- Federal income tax,
- FICA tax (Social Security and Medicare),
- Local, city, or occupational tax, or
- Taxes paid to another state.

List amounts withheld separately on the same line with the employer's name and amount of income.

Add the Alabama income tax withheld together and enter on line 22.

Line 6

Interest and Dividend Income

Enter your **TOTAL** taxable income from interest and dividends. If the total taxable and nontaxable interest and dividends you received in 2014 is \$1500 or more, you must complete and attach **Schedule B**. Part-year residents enter only the amount of interest and dividend income earned during the period of residency.

The payer should send you a **Form 1099-INT, Form 1099-OID, or 1099-DIV**, if applicable, showing interest or dividends you must report.

To see what interest and dividends are taxable, read the instructions for Schedule B in this booklet.

Line 7

Other Income

All taxable income you received that is not reported on lines 5 and 6 should be entered on line 7. This includes rents, royalties, gains from sale of property, items not included in "State wages" box on W-2 forms, etc.

See **Examples of Income You DO NOT Report** and **Examples of Income You MUST Report** on page 7 of these instructions for further details on income which should be included on this line.

If you received a refund from the IRS in 2014 for a tax year prior to 2000, you are required to report the amount of the refund, net of any earned income credit, as income on line 7 of Form 40. Also, if any additional tax was paid to the IRS in 2014, for tax years prior to 2000, the

amount of your payment, net of any interest or penalty, can be claimed as a negative amount on line 7.

If you have income from other sources, you must complete page 2, Part I, and attach the appropriate schedule(s).

Line 9

Adjustments to Income

If you made payments to a traditional Individual Retirement Arrangement (IRA) or to a Keogh plan, you may be entitled to claim these payments as an adjustment to income.

Also deductible as an adjustment to income are penalties you incurred for the early withdrawal of interest before maturity.

You can deduct payments of alimony or separate maintenance made under a court decree to the same extent allowed for federal income tax purposes.

Certain legal and medical expenses paid or incurred in the adoption of a minor are deductible as an adjustment to income.

Employees and self-employed persons may deduct certain moving expenses. The new job location must be within the state of Alabama.

Self-employed persons may deduct health insurance premiums to the same extent as allowed for federal purposes.

For more information on the above exclusions, please see the instructions for Part II on page 15.

The total adjustments to income from line 12, Part II, should be entered on line 9, page 1.

Line 10

Adjusted Gross Income

If the amount on line 10 is less than zero, you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, you should file **Form 40X** and attach **Form NOL-85** and/or **Form NOL-85A**.

Line 11

Itemized or Standard Deduction

You may elect to itemize your deductions for medical expenses, interest, contributions, taxes, etc., **OR** you may claim the Standard Deduction, but you **cannot** claim both.

If you elect to claim the Standard Deduction on your 2014 Alabama return and it becomes necessary to change to itemized deductions, you may do so by filing an amended return. You should figure your deduction both ways, and claim the one that gives you the larger deduction.

If you are married and filing separate Alabama returns, **both** spouses must itemize their deductions or **both** must claim the Standard Deduction. Each spouse may claim only the itemized deductions he/she actually paid. See the instructions for **Schedule A** for items that may be claimed as itemized deductions.

Part-year residents of Alabama may claim only the itemized deductions **actually paid** during the period of Alabama residency.

Itemized Deductions. If you elect to itemize your deductions, you should check **box a** on line 11 and complete and attach **Schedule A**.

Standard Deduction. If you elect to claim the Standard Deduction, you **must** check **box b** on line 11 and use the chart below to determine the Standard Deduction allowable on your return. A dependent or student may take the standard deduction even if claimed as a de-

pendent by someone else.

Line 12

Federal Income Tax Deduction

Use your 2014 federal income tax return and the worksheet on page 9 to determine your federal income tax deduction.

PLEASE NOTE: The Federal line references were correct at the time these forms and instructions were printed. However, there may have been changes to Federal forms after our print deadline and the line numbers referenced for our forms may have changed. If you have questions as to the correct line number on the Federal return, please feel free to call one of our taxpayer service centers listed on page 2.

Joint Federal and Separate Alabama Returns, or Part Year Residents. If a married couple elects to file a joint federal return and separate Alabama returns, the federal income tax liability must be determined by a ratio of each spouse's federal adjusted gross income to total joint federal adjusted gross income, or if filing as a part year resident, the ratio of Alabama adjusted gross income to federal adjusted gross income. This calculation is required regardless of the method used in claiming other deductions.

Line 13

Personal Exemption

Enter the personal exemption from line 1, 2, 3, or 4.

Note: Part year residents are allowed the full exemption amount. A dependent or student may take the personal exemption even if claimed as a dependent by someone else.

Line 14

Dependent Exemption

A "dependent" as defined under Alabama law is an individual **other than the taxpayer and his or her spouse** who received over 50% of his or her support from the taxpayer during the tax year and is also related to the taxpayer in one of the following relationships:

Son	Stepfather
Daughter	Mother-in-law
Stepson	Father-in-law
Stepdaughter	Brother-in-law
Legally adopted child	Sister-in-law
Parent	Son-in-law
Grandparent	Daughter-in-law
Grandchild	If related by blood:
Brother	Uncle
Sister	Aunt
Stepbrother	Nephew
Stepsister	Niece
Stepmother	

Note: You **cannot** claim a foster child, friend, cousin, yourself, or your spouse as a dependent under Alabama law.

Birth or Death of Dependent. You can take an exemption for a dependent who was born or who died during 2014 if he or she met the qualifications for a dependent while alive.

Support. You **must** have provided over 50% of the dependent's support in 2014. If you file a joint return, the support can be from you or your spouse. You cannot claim credit on an Alabama return for a dependent if you

Standard Deduction

Married Filing Joint		Married Filing Separate		Head of Family		Single	
AL Adjusted Gross Income (AL Line 10)	Standard Deduction	AL Adjusted Gross Income (AL Line 10)	Standard Deduction	AL Adjusted Gross Income (AL Line 10)	Standard Deduction	AL Adjusted Gross Income (AL Line 10)	Standard Deduction
0 – 20,499	7,500	0 – 10,249	3,750	0 – 20,499	4,700	0 – 20,499	2,500
20,500 – 20,999	7,325	10,250 – 10,499	3,662	20,500 – 20,999	4,565	20,500 – 20,999	2,475
21,000 – 21,499	7,150	10,500 – 10,749	3,574	21,000 – 21,499	4,430	21,000 – 21,499	2,450
21,500 – 21,999	6,975	10,750 – 10,999	3,486	21,500 – 21,999	4,295	21,500 – 21,999	2,425
22,000 – 22,499	6,800	11,000 – 11,249	3,398	22,000 – 22,499	4,160	22,000 – 22,499	2,400
22,500 – 22,999	6,625	11,250 – 11,499	3,310	22,500 – 22,999	4,025	22,500 – 22,999	2,375
23,000 – 23,499	6,450	11,500 – 11,749	3,222	23,000 – 23,499	3,890	23,000 – 23,499	2,350
23,500 – 23,999	6,275	11,750 – 11,999	3,134	23,500 – 23,999	3,755	23,500 – 23,999	2,325
24,000 – 24,499	6,100	12,000 – 12,249	3,046	24,000 – 24,499	3,620	24,000 – 24,499	2,300
24,500 – 24,999	5,925	12,250 – 12,499	2,958	24,500 – 24,999	3,485	24,500 – 24,999	2,275
25,000 – 25,499	5,750	12,500 – 12,749	2,870	25,000 – 25,499	3,350	25,000 – 25,499	2,250
25,500 – 25,999	5,575	12,750 – 12,999	2,782	25,500 – 25,999	3,215	25,500 – 25,999	2,225
26,000 – 26,499	5,400	13,000 – 13,249	2,694	26,000 – 26,499	3,080	26,000 – 26,499	2,200
26,500 – 26,999	5,225	13,250 – 13,499	2,606	26,500 – 26,999	2,945	26,500 – 26,999	2,175
27,000 – 27,499	5,050	13,500 – 13,749	2,518	27,000 – 27,499	2,810	27,000 – 27,499	2,150
27,500 – 27,999	4,875	13,750 – 13,999	2,430	27,500 – 27,999	2,675	27,500 – 27,999	2,125
28,000 – 28,499	4,700	14,000 – 14,249	2,342	28,000 – 28,499	2,540	28,000 – 28,499	2,100
28,500 – 28,999	4,525	14,250 – 14,499	2,254	28,500 – 28,999	2,405	28,500 – 28,999	2,075
29,000 – 29,499	4,350	14,500 – 14,749	2,166	29,000 – 29,499	2,270	29,000 – 29,499	2,050
29,500 – 29,999	4,175	14,750 – 14,999	2,078	29,500 – 29,999	2,135	29,500 – 29,999	2,025
30,000 and over	4,000	15,000 and over	2,000	30,000 and over	2,000	30,000 and over	2,000

Federal Income Tax Deduction Worksheet

1 Enter the tax as shown on line 56, Form 1040, line 37 on Form 1040A, line 10 on Form 1040EZ or line 53 on Form 1040NR	1		
2 Net Investment Income Tax. Enter amount from line 17, Form 8960	2		
3 Federal Tax. Add lines 1 and 2	3		
4 a Earned income credit (EIC). Enter the amount from line 66a, Form 1040, line 42a on Form 1040A or line 8a on Form 1040EZ	4a		
	4b		
	4c		
	4d		
5 Add lines 4a, b, c and d	5		
6 Subtract line 5 from line 3 and enter on line 12 on Form 40, line 9 Form 40A or line 4, Part IV, page 2 on Form 40NR. If amount is negative enter zero.	6		

Alabama Use Tax Worksheet

Report 2014 purchases for use in Alabama from out-of-state sellers on which tax was not collected by the seller.

1. All purchases EXCEPT automotive vehicles and farm machinery
2. ATVs, off-road motorcycles, riding lawnmowers, self propelled construction equipment and other automotive vehicles that are not titled or registered by the county licensing official
3. Farm machinery or equipment and replacement parts thereof
4. **TOTAL TAX DUE (Total of Column C). Carry this amount to Form 40 Line 19b**

Column A	Column B	Column C
Total Purchase Price	Tax Rate	Tax Due – (Multiply Col. A by Col. B)
	.04	
	.02	
	.015	

provided less than 50% of the support under Alabama law as you can under federal law in certain conditions.

In figuring total support, you must include money the dependent used for his or her own support even if this money was not taxable (for example: gifts, savings, welfare benefits). If your child was a student, do not include amounts he or she received as scholarships.

Support includes items such as food, a place to live, clothes, medical and dental care, recreation, and education. In figuring support, use the actual cost of these items. However, the cost of a place to live is figured at its fair rental value.

In figuring support, do not include items such as income taxes, social security taxes, premiums for life insurance, or funeral expenses.

If you qualify to claim your child and/or other individuals as your dependent, you must complete Part III on page 2. The amount entered on page 2, Part III, line 2, should be entered on line 14, page 1.

Use the following chart to determine the per-dependent exemption amount.

Amount on Line 10, Page 1	Dependent Exemption
0 - 20,000	1,000
20,001 - 100,000	500
Over 100,000	300

Line 17

Figuring Your Tax

You must figure your tax from the **Tax Tables** unless you are claiming a carryover or carryback Net Operating Loss from another year.

Indicate the method you are using by checking the appropriate box. If you are claiming a Net Operating Loss from another year you must complete and attach **Form NOL-85A**.

Line 18

Net Tax Due Alabama

If you are using tax credits to reduce your tax you must use Schedule NTC to compute your net tax due. You must check the box to indicate you are using Schedule NTC to compute your net tax due. If you do not have any tax credits then enter the amount from line 17.

Credits

Credit for Taxes Paid to Another State. You must complete Schedule CR and you must attach a copy of other state's return or W-2G's if the taxing state does not allow a return to be filed for gambling winnings.

The credit is provided to prevent the double taxation of income and is only available to legal residents of Alabama filing Form 40 who have income from sources outside of Alabama that is being taxed by Alabama and another state (or territory of the United States) in the same tax year. Residents of Alabama for only a part of the tax year can claim this credit only if the returns filed with Alabama and the other state cover the same periods.

If the state for which you are claiming a credit allows for credits instead of personal exemptions, call (334) 242-1000 for further information in converting this credit for Alabama purposes.

No credit is allowable when the income from sources outside of Alabama is totally offset by a corresponding deduction. However, income from sources outside of Alabama that is reported on the return and not totally offset

by a corresponding deduction may result in a credit. In such cases the credit is limited to the lesser of the tax actually due to the other state or territory or the amount that would be due on the same income computed at the income tax rate in Alabama. An example of this situation is shown in the booklet in the instructions for Schedule CR on page 22. The Schedule CR calculation should not be used by a taxpayer who paid income tax to a foreign country. Taxpayers who paid taxes to a foreign country should use Part L of Schedule OC. Please see rule 810-3-21-.03 for calculation of credit when tax was paid to a foreign country.

For further information for Schedule CR see page 22.

Schedule OC. Schedule OC must be completed if you are claiming credit for taxes paid to another state, an employer sponsored basic skills education credit, rural physician credit, coal credit, Alabama Enterprise Zone credit, capital credit, Full Employment Act of 2011 credit, Heroes for Hire Tax Credit Act of 2012 Employee credit, Heroes for Hire Tax Credit Act of 2012 Business Start-up Expense Credit, qualified irrigation system/reservoir system credit, credit for taxes paid to a foreign county.

Basic Skills Education Credit is available to employers who provide basic skills education programs approved by the Alabama Department of Education to its employees.

Rural Physician Credit is available to licensed physicians who practice and reside in a small or rural Alabama community of less than 25,000 residents with admission privileges to a small or rural hospital having an emergency room. This credit is limited to 5 years.

Coal Credit is available for corporations producing coal mined in Alabama. See *Code of Alabama 1975*, §40-18-220.

Alabama Enterprise Zone Act Credit. To stimulate business and industrial growth in depressed areas of the state, Alabama offers certain tax incentives to corporations, partnerships, and proprietorships which locate or expand within a designated enterprise zone. These tax credit incentives were enacted by Act No. 87-573 of the Alabama Legislature and signed into law on July 22, 1987 as the "Alabama Enterprise Zone Act."

In order to qualify for the tax credits, a business **must be located within a designated zone** as approved by the Alabama Department of Economic and Community Affairs.

If a credit is earned by a partnership or S corporation, the credit will be distributed to each partner or shareholder based on the percentage of ownership. The partnership or S corporation should advise each partner or shareholder of the amount of his/her income subject to this credit.

For further information regarding the "Alabama Enterprise Zone Act" and the necessary forms to claim this credit, you should contact:

**Alabama Department of Economic and Community Affairs
Development Division
401 Adams Avenue
P. O. Box 5690
Montgomery, AL 36103-5690
Phone (334) 242-8672**

or

**Alabama Department of Revenue
P.O. Box 327410
Montgomery, AL 36132-7410
Phone (334) 242-1000**

Capital Credit is available to investing companies and their recipients involved in a project undertaken by certain new businesses to be located in the state and certain expansions of certain existing businesses. This capital credit was enacted by Act 95-187 of the Alabama Legislature and signed into law on June 15, 1997 as the "**Capital Credit.**"

For further information regarding the credits listed above and the necessary forms to claim these credits, you should contact:

**Alabama Department of Revenue
P.O. Box 327410
Montgomery, AL 36132-7410
(334) 242-1000**

Full Employment Act of 2011 Credit. This credit is available to small business that creates new jobs paying more than ten dollars per hour. A small business is defined as a business that employs 50 or fewer employees. The credit shall equal \$1,000 dollars for each qualifying new employee. The credit is 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 increase must equal or exceed the number of newly hired employees for which a credit is sought by one employee for each newly hired employee for whom a credit is being sought for the current year, plus one employee for all employees for whom credits were claimed in prior years.

Heroes for Hire Tax Credit Act of 2013 Employee Credit. This credit is available to small businesses that hire recently deployed and now discharged unemployed veterans. The credit is \$1,000 and is in addition to the credit allowed by the Full Employment Act of 2011. The employer cannot take this credit for any employee that claims a business start-up credit allowed under the Heroes for Hire Tax Credit Act of 2012.

Heroes for Hire Tax Credit Act of 2012 Business Start-Up Expense Credit. This credit is available to recently deployed and now discharged unemployed veterans who start their own business. The amount of this credit is up to \$2,000 dollars. To qualify the recently deployed unemployed veteran must hold at least 50 percent ownership interest in the business which must be located in Alabama and show a net profit of at least \$3,000 for the year in which the credit is taken. The recently deployed unemployed veteran is not allowed to claim this credit if an employer has claimed a hire credit for him or her under the Heroes for Hire Tax Credit Act of 2012.

Qualified Irrigation System/Reservoir System Credit. This credit is available to any agricultural trade or business as described in the 2007 North American Industry Classification System, Sector 11. The credit is equal to 20 percent of the cost of the purchase and installation of any qualified irrigation equipment and any conversion costs related to the conversion of irrigation equipment from fuel to electricity or 20 percent of the cost of constructing the qualified reservoir. The credit shall not exceed \$10,000.00 in any tax year and shall not exceed the taxpayer's Alabama income tax liability computed without regard to the credit. Taxpayers can either take a credit for an irrigation system or a reservoir but not both. Qualified irrigation equipment is any equipment used by an agricultural trade or business in irrigation systems, including but not limited to equipment used

to construct irrigation systems and water wells. A qualified reservoir is an off-stream upland reservoir used as a source of water for irrigation by an agricultural trade or business.

Credit for Taxes Paid to a Foreign Country. This credit is only allowed to resident individual owners of Subchapter K entities, Alabama S corporations, and resident beneficiaries of an estate or trust on their proportionate share of the entity's tax paid or accrued on foreign income. This credit does not apply to wages or any other type income earned in a foreign country. The amount of the credit allowable is 50 percent of the taxpayer's proportionate share of the income taxes paid or accrued to a foreign country by the entity or the tax using Alabama tax rates on the taxpayer's proportionate share of the entity's income derived from the foreign country whichever is less.

Schedule AATC. Schedule AATC must be completed if you are claiming the Credit for Transferring from Failing Public School to Nonfailing Public School or Non Public School and/or Credit for Contributing to Scholarship Granting Organization.

Credit for Transferring from Failing Public School to Nonfailing Public School or Non Public School. This credit is available to taxpayers who transfer their child from a failing public school to a nonfailing public school or nonpublic school. The amount of the credit is the lesser of 80 percent of the average annual state cost attendance for a public K-12 student during the applicable tax year or the Actual cost of attending a nonfailing public school or nonpublic school. For more information go to www.revenue.alabama.gov.

Adoption Credit. Taxpayers that reside in Alabama can take a tax credit of \$1,000 for a private intrastate adoption or the adoption of a qualified foster child. You must attach a completed Schedule AAC to claim the credit. To qualify for an adoption through a private agency the birth mother, the baby and the adoptive parent(s) must reside in Alabama. To qualify for an adoption of a foster child the foster child must be in the permanent legal custody of the Alabama Department of Human Resources.

Credit for Contributing to Scholarship Granting Organization. This credit is available to taxpayers who make a contribution to an approved scholarship granting organization. The credit is the amount contributed to the scholarship granting organization for educational scholarships during the taxable year for which the credit is claimed up to 50 percent of the tax liability of the taxpayer not to exceed \$7,500.00 per taxpayer or married couple filing jointly. For more information go to www.revenue.alabama.gov.

Line 19

Consumer Use Tax

Review the purchases you made during 2014. If you purchased items for use in Alabama from out-of-state sellers who did not charge sales or use tax, you owe consumers use tax on the items. If you made no purchases from out-of-state sellers, enter 0 (zero) on line 19 and check the box.

Use tax is the counterpart of the sales tax. State use tax is imposed at the same rate and on the same type of

transactions as sales tax and is due from the consumer when the sales tax is not collected. When you purchase merchandise from a retail store or other business establishment in Alabama, the seller is required to collect sales tax on the purchase. When you purchase merchandise from a business located outside of Alabama the seller might collect use tax on the purchase. However, not all out-of-state businesses are registered and required to collect Alabama tax. As the consumer, you are responsible for ensuring that sales or use tax is paid on your purchases. When you purchase merchandise for storage, use or consumption in Alabama and the retail seller does not collect tax on the purchase, you must report and pay consumer use tax on the purchase price. Usually, these purchases are made from catalogs, over the internet, or by telephone and include items such as:

- Clothing
- Books
- Computers
- Computer Software
- Furniture
- Magazine Subscriptions
- Sporting Goods
- Jewelry
- Electronic Equipment
- CDs, DVDs, Audio & Video Cassettes
- Photographic Equipment
- Musical Equipment
- Automotive Accessories and Parts
- ATVs
- Lawn and garden equipment

Applicable State Use Tax Rates

The general use tax rate of 4% applies to all purchases of merchandise, except where a different rate of tax is expressly provided.

The automotive use tax rate of 2% applies to purchases of automotive vehicles. Where any used vehicle is traded-in on the purchase of a new or used vehicle, the tax is due on the trade difference, that is, the price of the new or used vehicle purchased less the credit for the used vehicle taken in trade. The county licensing official will collect the tax due on purchases of automotive vehicles that are required to be titled or registered including purchases of automobiles, trucks, trailers, mobile homes, and motor boats. Do not include purchases of vehicles that are titled or registered in the calculation on the worksheet below. **You must report and pay the use tax due on other purchases of automotive vehicles including ATVs, off-road motorcycles, riding lawnmowers, self-propelled construction equipment, and other self-propelled instruments of conveyance.**

The agriculture use tax rate of 1-1/2% applies to purchases of machinery or equipment used in connection with the production of agricultural products, livestock, or poultry on farms and the replacement parts for such machinery or equipment. Where any used farm machinery or equipment is traded-in on the purchase of new or used farm machinery or equipment, the tax is due on the trade difference, that is, the price of the new or used machinery or equipment less the credit for the used machinery or equipment taken in trade.

Local Use Tax: City and County use tax may also be due and should be reported and paid to the appropriate local tax authority. For information about reporting local use tax please see the department's web page at <http://www.revenue.alabama.gov/salestax/cutax.html>.

You can use either the Alabama Use Tax Table below or the worksheet on page 9 if you only have Internet or catalog purchases that do not include automotive vehicles, farm machinery, or farm machinery replacement

Alabama Use Tax Table for General Internet and Catalog Purchases

Purchases Subject to Use Tax

At least	But less than	Use Tax Due
0	50	1
50	100	3
100	150	5
150	200	7
200	250	9
250	300	11
300	350	13
350	400	15
400	450	17
450	500	19
500	550	21
550	600	23
600	650	25
650	700	27
700	750	29
750	800	31
800	850	33
850	900	35
900	950	37
950	1,000	39
1,000	1,050	41
1,050	1,100	43
1,100	1,150	45
1,150	1,200	47
1,200	1,250	49

Purchases Subject to Use Tax

At least	But less than	Use Tax Due
1,250	1,300	51
1,300	1,350	53
1,350	1,400	55
1,400	1,450	57
1,450	1,500	59
1,500	1,550	61
1,550	1,600	63
1,600	1,650	65
1,650	1,700	67
1,700	1,750	69
1,750	1,800	71
1,800	1,850	73
1,850	1,900	75
1,900	1,950	77
1,950	2,000	79
2,000	2,050	81
2,050	2,100	83
2,100	2,150	85
2,150	2,200	87
2,200	2,250	89
2,250	2,300	91
2,300	2,350	93
2,350	2,400	95
2,400	2,450	97
2,450	2,500	99

If purchases are over \$2,499 use the Alabama Use Tax Worksheet on page 9

parts; otherwise use the worksheet on page 9 to compute Alabama Use Tax. For more information regarding consumers use tax call (334) 242-1490.

Line 20

Alabama Election Campaign Fund

If you wish to make a voluntary contribution to Alabama's Democratic Party or Republican Party indicate the amount and party by checking the proper box(es) on lines 20a or 20b.

Each individual may contribute \$1 to either party. If a joint return is filed, each spouse may contribute \$1 to either party. If you make a voluntary contribution to this fund it **WILL INCREASE** your tax by the amount of the contribution.

The total amount entered on line 20a or 20b cannot exceed \$2 for a married couple filing a joint return or \$1 for all other filers.

Line 22

Alabama Income Tax Withheld

Enter the total Alabama income tax withheld as shown on lines 5a thru 5d.

Line 23

2014 Estimated Tax Payments/ Automatic Extension Payment

Enter on this line any payments you made on your estimated Alabama income tax (Form 40ES) for 2014 or automatic extension (Form 40V).

CAUTION — DO NOT INCLUDE:

- The amount shown on line 27 of your 2013 Form 40. This is the balance you owed for the tax year 2013, and cannot be claimed as paid on your 2014 estimated tax even though you paid it in 2014.
- Any overpayment from 2013 that was refunded to you.

If you and your spouse paid joint estimated tax but are now filing separate Alabama income tax returns, either of you may claim all of the amount paid, OR you can each claim a part of it. Please be sure to show both social security numbers on the separate returns. If you and your spouse paid separate estimated tax but are now filing a joint income tax return, add the amounts you each paid.

These instructions also apply if your spouse died during the year.

Name Change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to Form 40 explaining all the payments you and your spouse made in 2014 and the name(s) and social security number(s) under which you made the payments.

Caution: It is very important that the social security numbers be the same on your current return, your last year's return, and all of your estimate vouchers. The Department will be unable to allow you proper credit for your payments unless the numbers are the same. If the Department is unable to verify the amount claimed, you may be requested to submit copies of all your canceled checks substantiating the amount claimed. This will cause considerable delay in processing your return.

Line 24

Previous Payments

This line is for amended returns only. Enter the amount of your previous payment made with your original return and/or billing notices and amended returns(s).

Line 25

Refundable Portion of Alabama Accountability Act

Enter the amount from Schedule AATC, line 40.

Line 26

Refundable Portion of Adoption Credit

Enter the amount from Schedule AAC, Part II, line 6.

Line 28

Previous Refund

This line is for amended returns only. Enter the amount of your previous refund from your original return and amended return(s).

Line 30

Amount You Owe (If line 21 is larger than line 29)

Subtract line 29 from line 21, and enter the amount on line 30 – this is the amount you owe the State of Alabama. It must be paid using Form 40V.

Pay the full amount by **check or money order** payable to the "Alabama Department of Revenue." On your payment write your social security number, your daytime telephone number, and "2014 Form 40," and remit your payment with Form 40V.

Electronic Bank Draft (E-Check): You can pay your taxes due electronically from your bank account online at <https://www.officialpayments.com>. Enter Jurisdiction Code 1100. You will need to have your bank routing number and your checking account number to use this service. **There is no charge for this service.**



Credit Card: You can also pay your taxes due by credit card online at <https://www.officialpayments.com> or by phone at 1-800-272-9829. Enter Jurisdiction Code 1100. You can also pay your taxes by credit card online at <https://www.ALtaxPayment.com> or by phone at 1-866-272-9829 or by visiting Value Payment Systems at www.payaltax.com. Discover/NOVUS®, MasterCard®, Visa® and American Express® cards are currently being accepted. There is a convenience fee for this service. This fee is paid directly to the company you use based on the amount of your tax payment.

How do I pay by ACH Debit?

You may pay by ACH Debit by going to www.revenue.alabama.gov/efiling.htm. Do not use Form 40V when paying by ACH Debit. You will need to have your bank routing number and checking account number to use this service. No fee is charged for this service.

If payment for the full amount of tax due is not paid by the due date of the return, you will be charged interest and will be subject to penalties. See **Penalties and Interest** on page 17. More importantly, if you submit your return **without payment**, a final assessment may be en-

tered by the Department. A final assessment which is not appealed is as conclusive as a judgment of a circuit court. The Department may then proceed with collection by issuance of legal processes including recording of **tax liens, garnishment of wages or bank accounts, levy, or a writ of seizure** directed to the county sheriff as provided by Sections 40-1-2, 40-2-11(16), and 40-29-23, *Code of Alabama 1975*.

Line 31

Estimated Tax Penalty

If the amount you owe (line 28) exceeds \$500.00, you may be subject to an estimate or underestimation penalty. Page 17 of this booklet provides additional information on these penalties. You may need to complete Form 2210AL. See page 31, "How to Obtain Forms."

Line 32

Overpayment

(If line 29 is larger than line 21)

Subtract line 21 from line 29, and enter the amount on line 32 – this is the amount you overpaid.

Note: The Alabama Department of Revenue will issue you a Form 1099-G for the overpayment amount.

If you elect to itemize deductions on your 2014 Federal return and claim a deduction for Alabama Income Tax paid in 2014, the amount shown on line 32 should be reported as income on your 2015 Federal return.

Line 33

Applied to 2015 Estimated Tax

You may elect to credit all or part of the overpayment shown on line 32 to your 2015 estimated tax. (Place amount on line 33.)

Once an election is made to apply this overpayment to your 2015 estimated tax, it cannot later be refunded to you or applied to pay additional tax for 2014. The amount entered on this line can only be claimed as a credit on your 2015 Alabama return.

Line 34

Donation of Refunds

Enter amount from line 2, Schedule DC. (See page 21.)

You may elect to donate all or part of your overpayment, as shown on line 33, page 1, to one or more of the funds as provided by the Alabama Legislature. The amounts entered on these lines will be paid to the programs you indicate. Any amount you contribute may be claimed as an itemized deduction when you file your 2015 Alabama Income Tax Return. (**Caution:** When reporting your refund on your 2015 Federal return, you should report the amount of overpayment shown on line 32.)

Note: Amounts contributed to these funds **WILL REDUCE** your refund. Also, once an election is made to contribute to these funds, that election is irrevocable and cannot later be refunded. If your return is corrected by the Department, the amount contributed cannot be used to pay any additional tax due.

Line 35

Refunded to You

Subtract the amounts on lines 33 and 34 from the amount on line 32. You should receive a refund for the overpayment. If you prefer you can elect to receive your refund via a debit card by checking the box. If you file an early, accurate return, we will be able to process your refund more quickly. See **When Should I Expect My Refund? and Common Mistakes That Delay Refunds** on page 4 of this booklet for further information about your refund.

Sign Your Return

Form 40 is not considered a return unless you sign it. Please sign in black ink only. Your spouse must also sign if it is a joint return. If you are filing a joint return with your deceased spouse, see Death of Taxpayer on page 18.

Did You Have Someone Else Prepare Your Return? If you fill in your own return, the **Paid Preparer's Use Only** area should remain blank. Someone who prepares your return but does not charge you should not sign.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the **Paid Preparer's Use Only** area of the return. If you have questions about whether a preparer is required to sign a return, please contact an Alabama Taxpayer Service Center.

The preparer required to sign your return MUST:

- Sign in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give you a copy of your return for your records in addition to the copy to be filed with the Alabama Department of Revenue.

BEFORE signing and mailing your return you

should review it to make sure the preparer has entered the correct name(s), address, and social security number(s) in the spaces provided and reported all of your income. **REMEMBER**, you are responsible for the information on your return even if you pay someone else to prepare it.

Please enter your daytime phone number. This will enable us to contact you and help speed your refund if there are any problems with processing your return.

If you want the Department to contact your tax preparer instead, please give permission to do so by checking the box above the signature line.

Where To File

Your envelope should be addressed in accordance with one of the following examples:

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

**Alabama Department of Revenue
P.O. Box 154
Montgomery, AL 36135-0001**

If you are making a payment, mail your return, Form 40V and payment to:

**Alabama Department of Revenue
P.O. Box 2401
Montgomery, AL 36140-0001**

Only your 2014 Form 40 return should be mailed to one of the above addresses. Prior year returns, amended returns, and any correspondence pertaining to your return should be mailed to:

**Alabama Department of Revenue
Income Tax Division
P.O. Box 327464
Montgomery, AL 36132-7464**

Part I, Page 2 Other Income

Line 1

Alimony Received

Enter the amounts you received as alimony or separate maintenance. Amounts you received in 2014 are taxable to the same extent as for federal purposes.

If you received payments under a divorce or separation instrument after 1984, see the instructions for line 4, Part II for information in determining whether these payments qualify as alimony.

Transfers of Property Between Spouses or Former Spouses. In general, no gain or loss will be recognized on a transfer of property between spouses or former spouses. Please refer to Federal Law for more details.

Lines 2

Business Income or (Loss)

If you conducted a business or practiced a profession during the taxable year, you must complete and attach a copy of Federal Schedule C or C-EZ to your Alabama return.

Generally, you may deduct the ordinary and necessary expenses of doing business — the cost of merchandise, salaries, interest, taxes, rent, repairs, and incidental supplies. In the case of capital investments and improvements in depreciable property such as buildings, machines, and similar items having a useful life of more than one year, Alabama law provides for a "reasonable allowance" for depreciation over the useful life of the property.

If some of your expenses are part business and part

WORKSHEET – Partially Taxable Pensions, Annuities, and IRA Distributions.

Use Worksheet to report IRA distributions, other distributions, and pension and annuity income which are not fully taxable. If a distribution is fully taxable, it is not necessary to complete this worksheet

Not Fully Taxable Pensions, Annuities, and IRA Distributions (Include SEP, Keogh, 401(k)(2), and 403(b) Distributions)

A – IRA, SEP, Keogh, 401(k)(2), or 403(b) Distributions you received in 2014 which included nondeductible contributions.			
1	Enter the Total Value (including withdrawals) of your account at the end of the taxable year	1	00
2	Nondeductible Contributions (see instructions). Enter the total of all amounts you contributed that did not qualify as an adjustment to income	2	00
3	Enter the total of all amounts you have withdrawn and excluded from income in a previous year's Alabama return	3	00
4	Balance of Nondeductible Contributions . Subtract line 3 from line 2	4	00
5	2014 Withdrawals . Enter the amount you withdrew during the 2014 taxable year	5	00
6	Exclusion Ratio . Divide the amount on line 4 by the amount on line 1	6	%
7	Amount of Exclusion . Multiply the amount on line 5 by the percentage on line 6. Enter the result here, but DO NOT enter more than the amount on line 4	7	00
8	Amount Taxable . Subtract the amount on line 7 from the amount on line 5. If an IRA Distribution, enter result here and on Form 40, page 2, Part I, line 4b. If other than an IRA Distribution, enter the result on line 5b. ▶	8	00
B – Pensions, annuities, etc., you first began receiving after December 31, 1986 in which you had a cost basis.			
9	Enter the total amount received this year	9	00
10	Amount Taxable . Use Federal Simplified General Rule or Federal General Rule (see page 14 of instructions) ▶	10	00
C – Pensions, annuities, etc., you first began receiving prior to January 1, 1987 in which you have not recovered your cost.			
11	Enter amount received this year	11	00
12	Enter the amount of your unrecovered cost	12	00
13	Amount Taxable . Subtract line 12 from line 11 ▶	13	00
14	TOTAL AMOUNT TAXABLE . Add the amounts on lines 10 and 13. If an IRA Distribution, enter the total here and on Form 40, page 2, Part I, line 4b. If other than an IRA distribution, enter on line 5b. ▶	14	00

personal, you can deduct **ONLY** the business portion.

Adjustments to Federal Schedules C and F. Alabama law differs from federal law in the treatment of some of the expenses shown on Federal Schedules C and F, and certain items may need adjusting for Alabama purposes. The expenses which may need adjusting are:

■ **Percentage Depletion Gas and Oil.** In the case of oil and gas wells, the allowance for depletion shall be 12 percent of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect to the property. Such amounts shall not exceed 50 percent of the net income of the taxpayer, computed without allowance for depletion, from the property, except that in no case shall the depletion allowance be less than the amount allowable under federal income tax law.

■ **Cost Depletion Natural Resources Other than Gas and Oil.** Alabama law has no provision for percentage depletion of natural resources other than gas and oil, as currently allowed under federal law. For Alabama purposes, the depletion allowance shall be computed using the cost depletion method.

■ **Depreciation.** Alabama law allows IRC Section 179 Expense for all taxable years beginning after December 31, 1989. Adjustments may be necessary if assets were acquired and placed in service prior to tax years beginning before January 1, 1990.

■ **Targeted "Jobs Credit."** You may have been allowed to take a portion of your payroll expense as a "Targeted Jobs Credit" on your federal return. This is an allowable expense for Alabama income tax purposes.

■ **Passive Activity Losses.** Alabama law has no provision, similar to current federal law, which limits the deduction of passive trade or business activity losses.

■ **Office and Home Expense.** Alabama Law has no provision similar to current Federal Law which limits the amount of otherwise deductible office and home expense.

■ **Federal Economic Stimulus Act of 2008 Bonus Depreciation.** Alabama law has no provision to allow a deduction for the bonus depreciation allowed by the Federal Economic Stimulus Act of 2008.

If you have adjustments involving any of the previously described expenses, attach an explanation and show the adjustment as "Other Expenses" on Federal Schedule C or F.

The net profit or (loss) from business, as shown on Federal Schedule C-EZ or C after above adjustments (if applicable), should be entered on line 2, Part I.

Line 3

Gain or (Loss) from Sale of Real Estate, Stocks, Bonds, Etc.

If you sold real estate, stocks, bonds or other capital assets, use Schedule D to report the net gain (or loss). Schedule D is also used to report the net gain (or loss) from involuntary conversion of capital assets that are NOT held in connection with a trade or business, or a transaction entered into for profit.

If you sold your personal residence, any gain realized is taxable to the same extent as reported on your federal return. **NOTE: A loss on the sale of a personal residence is NOT deductible.**

For additional information, see the instructions for Schedule D on page 23.

Lines 4a and 4b

IRA Distributions ROTH and Educational IRAs

Use lines 4a and 4b to report IRA distributions you received. This includes regular distributions, early distributions, rollovers, Roth conversions, and any other money or property you received from your IRA account or annuity. Generally, you will receive a FORM 1099-R showing the "gross amount" and "taxable amount" of your distribution.

If your distribution is fully taxable, enter it on line 4b; no entry is required on line 4a. If only part of the distribution is taxable, enter the "taxable amount" on line 4b. You MAY need to complete the worksheet on page 13 to determine the amount taxable. If the "taxable amount" listed on your Form 1099R is correct for Alabama purposes as for Federal purposes then you will NOT need to complete the worksheet. If the "taxable amount" listed on your Form 1099R is NOT the same for Alabama purposes as for Federal purposes because you have a different cost basis, then you will need to complete the worksheet on page 13 to calculate the amount taxable for Alabama purposes.

IF THE IRA DISTRIBUTION IS ROLLED OVER, enter the total amount received on line 4a and the taxable portion, if any, on line 4b. Attach a statement to your return with complete information about the IRA, your cost in the plan, and the type of retirement account in which the distributed funds were invested.

Beginning in 1998, ROTH and EDUCATIONAL IRAs were recognized by the Alabama Department of Revenue. The same restrictions and limitations provided by the IRS apply when completing your Alabama return. However, be sure to use Alabama Adjusted Gross Income when computing your limitations.

FOR 2014, WHEN CONVERTING FROM A TRADITIONAL IRA TO A ROTH IRA, the taxable portion of the distribution (to be reported on Line 4b) is the amount that you would have to include in income if you had not converted or rolled over the traditional IRA into a Roth IRA. The taxable portion should not include any part of a withdrawal from a traditional IRA that is a return of your basis.

CAUTION: *If you have to complete the worksheet below to calculate partially taxable distributions from IRA withdrawals any "taxable amount" from the worksheet must be added to the taxable amount from any Roth conversion, or the taxable amount of any other IRA rollovers or distributions. The "grand total" of all taxable amounts from IRA distributions, rollovers, conversions, etc. should be included on Line 4b, of Form 40, Page 2, Part 1.*

Rollover Distributions

A "rollover" is a tax-free transfer of cash or other assets from one retirement program to another. There are two kinds of rollovers to an individual retirement arrangement (IRA): (1) a rollover from one IRA to another, and (2) a rollover from a qualified employer's plan to an IRA.

If you received a lump sum distribution from an Employee Benefit Plan, it should be included in gross income in the year received. There is no provision in Alabama law for forward averaging of such distributions.

If the lump sum distribution qualifies for the rollover provision of the Internal Revenue Code, it may also qualify for the rollover provision of the Alabama Income Tax Code as provided in Alabama Income Tax Regulation 810-3-25-.05(4) reprinted below:

Regulation 810-3-25-.05(4) — [Distributions from a trust that are not included in gross income of the indi-

vidual for federal purposes due to the "rollover provisions" of Internal Revenue Code Sections 402, 403, 408, and 409 are excluded from Alabama gross income of the individual. These are:

(a) qualified stock bonus, pensions, or profit sharing plans as described in Internal Revenue Code Section 401(a), and which are exempt under Internal Revenue Code Section 501(a), and meet the rollover requirements of Internal Revenue Code Section 402,

(b) employee's annuities which meet the requirements of Internal Revenue Code Section 404(a)(2), and the rollover requirements of Internal Revenue Code Section 403,

(c) individual retirement accounts that qualify under and meet the rollover provisions of Internal Revenue Code Section 408, and

(d) retirement bonds that qualify under Internal Revenue Code Section 409 or Internal Revenue Code Section 219 and meet the "rollover provisions" of Internal Revenue Code Section 409.]

If the lump sum distribution qualifies and is rolled over, enter the total amount received and the taxable portion, if any, in the spaces provided on Form 40, Part I, lines 4a and 4b. A statement should also be attached to your return giving complete information about the retirement fund rolled over, your cost in the plan, and the type of retirement account in which the distributed funds were reinvested.

Lines 5a and 5b

Pensions and Annuities

Use lines 5a and 5b to report pension and annuity income you received. Also, use these lines to report distributions from SEP, Keogh, 401(k)(2), 403(b), and profit sharing plans. Generally, you will receive a Form 1099-R or a Form W-2P showing the amount of your distribution.

Generally, unless specifically excluded by law, your pension payments are fully taxable if you did not contribute to the cost of your pension annuity or you have recovered your cost in the plan on prior Alabama income tax returns.

If your pension or annuity is fully taxable, enter it on line 5b; no entry is required on line 5a. If only part is taxable, see the worksheet on page 13 to determine the amount taxable. Enter the taxable amount of your pension or annuity on line 5b.

Worksheet for Partially Taxable Pensions, Annuities, and IRA Distributions

Use the worksheet on the previous page to report distributions from profit-sharing plans, retirement plans, employee savings plans, and individual retirement arrangements not fully taxable. Also, use this worksheet to report pension and annuity income not fully taxable. If the income or distribution is fully taxable you do NOT need to complete this worksheet. In general, you should receive a 1099-R showing the amount of your retirement plan distribution or income. If the taxable portion shown on your 1099-R is the same for Alabama purposes as for Federal purposes you do NOT need to complete this worksheet. Instead report the total and the taxable amount on Form 40, page 2, Part I, lines 4 or 5.

The taxable portion may **NOT** be the same for Alabama purposes as for Federal purposes because you may have a different cost basis. In this case, you must complete this worksheet to calculate the amount taxable for Alabama purposes.

Amounts you received from the following retirement systems are not taxable and should not be reported.

- Alabama Teacher's Retirement System.

- Alabama Employee's Retirement System.
- Alabama Judicial Retirement System.
- Civil Service Retirement System.
- Retirement Systems created by the Federal Social Security Acts.
- Railroad retirement benefits received under the Federal Railroad Retirement Acts of 1935 and 1937.
- Military Retirement Pay.
- TVA Pension System Benefits.
- U.S. Foreign Service Retirement and Disability Fund Annuities.
- U.S. Government Retirement Fund Benefits.
- Retirement benefits received from any Alabama firefighting agency by any eligible firefighter or designated beneficiary.
- Retirement benefits received from any Alabama police system by any eligible peace officer or designated beneficiary.
- Any "defined benefit" retirement plan in accordance with IRC 414(j). (Contact your retirement plan administrator to determine if your plan qualifies.)

Use lines 1 through 8 to report amounts you withdrew from your IRA, SEP, Keogh, 401(k)(2), or 403(b) account which are not fully taxable and for which you have not recovered any of your cost basis before January 1, 1987. If you began recovering your cost before January 1, 1987, you should report these distributions on lines 11, 12, and 13.

A – IRA, SEP, Keogh, 401(k)(2) or 403(b) Distributions you received in 2014 which included nondeductible contributions.

Line 1. Enter the total value of your IRA, SEP, Keogh, 401(k)(2) or 403(b) account at the end of the taxable year. The amount entered on this line should include

Worksheet for Federal Simplified General Rule

1. Total pension received this year.
Also enter this amount on Form 40, Page 2, Part I, line 5a _____
2. Your cost in the plan (contract), including any death benefit exclusion _____
3. Age at annuity starting date:

Enter:	
55 and under	300
56-60	260
61-65	240
66-70	170
71 and older	120
4. Divide amount on line 2 by the number on line 3, and round to two decimal places _____
5. Multiply line 4 by the number of months for which this year's payments were made _____
6. Taxable pension for year. Subtract line 5 from line 1 (do not enter less than zero). Also, enter this amount on Form 40, Page 2, Part I, line 5b. If your Form 1099R shows a larger taxable amount, use the amount on this line instead of the amount from the Form 1099R. _____

any withdrawals you made from the account during 2014. If you have more than one IRA (or other type account) you must enter the total value of all such accounts even though you made withdrawals in 2014 from only one or more of these accounts.

Caution: If you have more than one type of account (IRA, SEP, etc.) which includes contributions from which you received nondeductible distributions in 2014, you must make a separate computation for each type of account.

Line 2. Nondeductible contributions. Nondeductible contributions are those contributions to an IRA (or other type account) for which you have not claimed an adjustment to income on a previous year's return.

If a distribution is made from an IRA you contributed to prior to your residency in Alabama, your basis in that IRA for Alabama purposes will be the same as your basis for federal purposes.

Amounts may be considered nondeductible contributions for the following reasons:

- The Federal Tax Reform Act of 1986 allowed you to make nondeductible contributions to your IRA even if you were unable to deduct all, part, or none of the contributions. Your nondeductible contribution is the difference between your total allowable IRA contributions (up to the maximum amount) and the amount you deducted on your Alabama return that year.

- Qualified contributions made by you to an individual retirement arrangement (IRA), simplified employee pension (SEP), or Keogh plan **before January 1, 1982**, are considered part of your nondeductible contributions since Alabama did not allow you to defer tax on these contributions.

- Qualified contributions you made to a Federal 401(k)(2) plan or 403(b) plan **before January 1, 1985** are considered part of your cost since Alabama did not allow you to defer tax on these contributions.

Line 3. Enter the total of all amounts you have withdrawn from these accounts and excluded from income on a previous year's Alabama return.

Line 4. Subtract line 3 from line 2 and enter the result on line 4. The difference in these amounts represents the balance of your nondeductible contributions.

Line 5. 2014 Withdrawals. Enter the total of all amounts you withdrew from your IRA or other deferred compensation accounts during the taxable year.

Line 6. Exclusion Ratio. Divide the amount on line 4 by the amount on line 1. This ratio will be used to figure the amount of nondeductible contributions that may be excluded this year.

Line 7. Amount of Exclusion. Multiply the amount on line 5 by the percentage on line 6. Enter the result here, but do not enter more than the amount on line 4.

Line 8. Subtract the amount on line 7 from the amount on line 5.

If the amount on line 8 is received from an IRA account, enter it on line 4b, Part I, Form 40. If from some other type account, it should be entered on line 5b. If you received distributions from two or more different types of accounts (IRA, SEP, Keogh, etc.), you should complete a worksheet for each type of account.

B – Pensions, annuities, etc., you began receiving after December 31, 1986 in which you had a cost basis.

Lines 9 and 10. Use these lines to report **only** the pensions and annuities you first began receiving in 1987

which **are not fully taxable** and for which you used the Federal Annuity Tables to compute the taxable portion on your federal return.

The taxable part of these pensions and annuities is computed in the same manner as figured for federal purposes. If the cost basis for Alabama purposes and Federal purposes is the same, the taxable part will be the same. If the cost basis is different for Alabama, the taxable part will be different. For details, refer to Federal instructions and **Federal Publication 575**, Pension and Annuity Income. Enter the full amount you received on line 9 and the taxable portion on line 10.

If you qualify to use the **Federal Simplified General Rule**, you will probably find it both simpler and more beneficial than the Federal General Rule in figuring the taxable and nontaxable parts of your annuity.

If you meet the conditions to choose the Federal Simplified General Rule, use the worksheet on below to figure your taxable pension for 2014. In completing this worksheet, use your age at the birthday preceding your annuity starting date. Be sure to keep a copy of the completed worksheet because it will help you figure your 2014 taxable pension.

C – Pensions, annuities, etc., you began receiving prior to January 1, 1987 in which you have not recovered your cost.

Lines 11 and 12. Use these lines to report pensions and annuities, which are not fully taxable, that you first began receiving prior to 1987. Enter on line 11 the full amount of these pensions that you received in 2014 and enter your unrecovered cost on line 12.

For amounts you began receiving **prior to 1987**, you can exclude from the taxable amount your unrecovered cost to the plan. Your cost is the amount you contributed plus the contributions your employer made on which you have already paid tax. After you recover your costs, all amounts you receive are fully taxable. Refer to the instructions for line 2 for information concerning amounts that are considered part of your cost basis of an IRA, SEP, Keogh, 401(k)(2), or 403(b) account.

Beneficiaries. If a former employee is receiving a pension or annuity and dies after recovering all of his or her cost, the entire amount the beneficiary receives is taxable for Alabama purposes. However, if the pension or annuity was exempt under Alabama law to the former employee, it is also exempt to the beneficiary.

If a former employee dies before recovering the entire cost, the beneficiary should continue to report the amounts received in the same manner as reported by the former employee. If the former employee began receiving payments **after December 31, 1986**, the beneficiary must continue to use the Federal Annuity Tables based on the beneficiary's life expectancy in determining the taxable part. If the deceased former employee began receiving payments before January 1, 1987, and has not recovered the cost, the beneficiary will continue to recover the cost before any amounts become taxable.

Line 14. Add the amounts on lines 10 and 13.

If the amount on line 14 is received from an IRA account, enter it on line 4b, Part I, Form 40. If from some other type account, the amount on line 14 should be entered on line 5b, Part I, Form 40. If you received distributions from two or more different types of accounts, you should report the total of all accounts on either line 4b, Part I, Form 40, or line 5b, Part I, Form 40 depending on the type of distribution received.

Line 6

Rents, Royalties, Partnerships, Estates, Trusts, Etc.

Use line 6 to report income from rents, royalties, partnerships, S corporations, trusts, and estates.

For more information, see the instructions for **Schedule E**. Schedule E should be completed and attached to Form 40.

Lines 7

Farm Income or (Loss)

If you operated a farm during the year, you must attach **Federal Schedule F** to your return.

Alabama law differs from federal law in the treatment of certain items. See the instructions for line 2a, Part I, for a description of the items that may need adjusting. If you have adjustments to any of these items, attach an explanation, and show the adjustment as "Other Expenses" on Federal Schedule F.

The net profit or (loss) from farming as shown on Federal Schedule F, after making the necessary adjustments, should be entered on line 7, Part I.

Line 8

Other Income

Enter on line 8 any income you cannot find a place for on your return or other schedules. State the nature and source in the spaces provided, or attach a separate explanation.

Part II, Page 2 Adjustments To Income

Lines 1a and 1b

Individual Retirement Arrangement (IRA) Deduction

Contributions to an Individual Retirement Arrangement (IRA) may be taken as an adjustment to income. These contributions represent a deferral of tax on a portion of your income. At the time funds are distributed from these accounts, the amount on which tax has been deferred cannot be claimed as a cost basis in the fund.

Since the Alabama Income Tax Law prior to 1982 did not allow these contributions to be deducted from gross income, you may have a cost basis in the fund for amounts contributed prior to 1982. Accurate records should be kept of the amounts contributed in order for you to be able to determine your cost basis when the funds are withdrawn.

Use the worksheet in your Federal Form 1040 line-by-line instructions to calculate the amount allowable. The amount deductible on your Alabama return is subject to the same limitations as allowable on your 2014 Federal return. However, when figuring the limitation on the amount deductible use the adjusted gross income shown on line 10 of your Alabama return without benefit of the IRA deduction.

Line 2

Keogh Retirement Plan and SEP Deduction

Self-employed individuals may deduct contributions to a Keogh plan from gross income. These contributions

represent a deferral of tax on a portion of income. The allowable contributions also include those qualified contributions made under a Simplified Employee Pension (SEP) Plan. At the time funds are distributed from these accounts, the amount on which tax has been deferred cannot be claimed as a cost basis in the fund.

Since the Alabama Income Tax Law prior to 1982 did not allow these contributions to be deducted from gross income, you may have a cost basis in the fund for amounts contributed prior to 1982. Accurate records should be kept of the amounts contributed in order to determine your cost basis when the funds are withdrawn.

Line 3

Penalty on Early Withdrawal of Savings

The **Form 1099-INT** given to you by your bank or savings and loan association will show the amount of any penalty charged because you withdrew funds from a time savings deposit before its maturity. Enter this amount on line 3. (Be sure to include the interest income on Form 40, page 1, line 6.) Note: Penalties on early withdrawal from retirement plans are not deductible.

Line 4

Alimony Paid

You can deduct payments of alimony or separate maintenance made under a court decree to the same extent allowed for federal income tax purposes. Do not deduct lump-sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement, or amounts specified as child support. The name, social security number, and address of the person receiving the payments should be shown in the space provided.

Line 5

Adoption Expenses

Beginning January 1, 1991, the reasonable medical and legal expenses paid or incurred by the taxpayer in connection with the adoption of a minor may be deducted as an adjustment to income. The term "medical expenses" include any medical and hospital expenses of the adoptee and the adoptee's biological mother which are incident to the adoptee's birth, and subsequent medical care and which, in the case of the adoptee, are paid or incurred before the petition is granted. Adoption agency fees are not deductible.

The expenses allowed in your 2014 return are limited to those expenses paid or incurred on or after January 1, 2014, even though adoption proceedings may have begun before this date. A resident of Alabama for only a part of 2014 may deduct only those expenses paid or incurred while a resident of Alabama. Accurate records of all expenses claimed as an adjustment to income must be maintained by the taxpayer and be available to the Alabama Department of Revenue upon request.

Line 6

Moving Expenses

Employees and self-employed persons (including partners) may deduct certain moving expenses as an adjustment to gross income to the same extent and subject to the same limitations as currently allowed under federal rules with the following exception:

— The new job location must be within the State of Alabama.

This deduction may be taken if you moved in connection with your job or business and your new workplace in Alabama is at least 50 miles farther from your old residence than your old workplace was from your former residence. If you had no former workplace, your new workplace must be at least 50 miles from your old residence.

Only expenses incurred in the moving of household goods and personal effects from the former residence to the new residence and traveling expenses, including lodging while en route to the new location are deductible. Expenses which are no longer deductible include the cost of meals while en route to the new location, pre-move house hunting trips, temporary living expenses, closing costs of selling the old house, costs of purchasing a new house, and costs incurred in settling an unexpired lease.

If you meet the requirements complete and attach **Federal Form 3903** to figure the amount of moving expenses. Enter the total and the new job location as indicated on line 6.

Line 7

Self-employed Health Insurance Deduction

You can deduct self-employed health insurance premiums to the same extent as allowed for federal purposes.

Line 8

Alabama Prepaid Affordable College Tuition Program (PACT) or Alabama College Education Savings Program Deduction

Beginning January 1, 2008 you can deduct up to \$5,000.00, or \$10,000.00 if filing joint, per year for payments made to the Alabama Prepaid Affordable Tuition Program (PACT) or the Alabama College Education Savings Program.

Line 9

Health Insurance Premium Deduction

Alabama resident taxpayers may deduct from Alabama gross income 100 percent of the amounts that they pay as health insurance premiums as part of an employer provided health insurance plan who are employed by an employer that has less than 25 employees and earns no more than \$50,000.00 of wages and reports no more than \$75,000.00 of adjusted gross income on their Alabama individual income tax return or \$150,000.00 if married filing joint.

Line 10

Expenses to Retrofit/Upgrade Home to Resist Wind or Flood Damage

Alabama residents may deduct from gross income the lesser of 50 percent of the cost or \$3,000.00 to retrofit or upgrade their home to resist wind or flood damage. The taxpayer must have a certification as prescribed under Chapter 31D, Title 27, *Code of Alabama 1975* or the Alabama Residential and Energy Codes Board.

Line 11

Deposits to a Catastrophe Savings Account

Alabama residents may deduct from gross income deposits made to a catastrophe savings account. The deduction is \$2,000.00 if the insurance deductible is equal to or less than \$1,000.00. If the deductible is greater than \$1,000.00 the amount of the deduction is the lesser of \$15,000.00 or twice the amount of the insurance deductible. If the taxpayer is self-insured and chooses not to obtain insurance then the deduction is the lesser of \$250,000.00 or the value of the taxpayer's legal residence.

Part III, Page 2 Dependents

Before completing this section, see page 8 of these instructions for the definition of a dependent. Please follow the line-by-line instructions on Form 40 to complete this section.

NOTE: If you used Federal Form 8332 (Release/Revocation to claim exemption for child by custodial parent), or if you are NOT claiming a dependent as a dependent for this tax year – DO NOT fill out (4) Did you provide more than one-half dependent's support.

Part IV, Page 2 General Information

ALL TAXPAYERS MUST COMPLETE THIS SECTION

Line 1

Check the appropriate block for either full year or part year residency status.

Full Year Resident. Check here if you were a legal resident of Alabama even if you were employed outside Alabama.

Part-Year Resident. Check here if you were not a legal resident of Alabama for the entire year. (EXAMPLE: During 2014 you moved into Alabama and became a resident, or you moved out of Alabama and became a resident of another state.)

Line 4

Enter the **Adjusted Gross Income and Taxable Income** as reported on your 2014 Federal Income Tax Return. This information is required under Section 40-18-56, Code of Alabama 1975.

Line 5

If you received income from sources taxable for Federal purposes but exempt for Alabama tax purposes, the source(s) and amount(s) should be entered on line 5 unless they are explained elsewhere on the Alabama return.

Example: U.S. Civil Service Retirement is exempt for Alabama purposes and therefore should be shown on line 5.

Direct Deposit Information

Direct deposit is only available for electronically filed or Alabama Form 40 individual returns.

In order to receive a direct deposit refund for a paper return, your return must be prepared using tax preparation software that utilizes 2D bar code technology or from our Web site by using the Form 40 with calculations.

Note: You cannot use the blank Form 40 to receive a direct deposit refund.

WARNING: Due to changes in the electronic banking rules, the Alabama Department of Revenue will no longer allow direct deposits to or through foreign financial institutions. If you use a foreign financial institution you will be issued a paper check.

Line 1

The routing number **must** be nine digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on line 1a.

Line 3

The account number can be up to 17 characters (both numbers and letters), to include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. Be sure not to include the check number.

WARNING: Some financial institutions will not allow a joint refund to be deposited into an individual account. If the direct deposit is rejected, a check will be sent instead. The Department is not responsible if a financial institution rejects a direct deposit. If you are unsure of the routing number and/or account number, you should check with your financial institution to ensure they are correct. The Department is not responsible for a lost refund if you enter the wrong account information.

SECTION

4 General Information

This section contains general information about items such as amending your tax return, how long to keep records, and filing a return for a deceased person.

Substitute Tax Forms

You may not use your own version of a tax form unless it meets the requirements of the Alabama Department of Revenue. All privately designed and printed substitute tax forms **must be approved** by the Alabama Department of Revenue.

Penalties and Interest

Interest. Interest is charged on taxes not paid by their due date even if an extension of time is granted. If

your return is not filed by the due date and you owe additional tax, you should add interest from April 15, 2014 to date of payment. Submit payment of the tax and interest with your return. Alabama law provides that the same rate of interest shall be collected as currently prescribed by the Internal Revenue Service. Any of the Alabama Taxpayer Service Centers listed on page 2 of this booklet will provide the current rate of interest in effect at the time your return is filed.

Failure To Timely File Return. Alabama law provides a penalty of 10% of the tax due or \$50.00, whichever is greater, if filed late. The penalty does not apply to a tax return filed indicating no tax due or a refund.

Failure To Timely Pay Tax. The penalty for not paying the tax when due is 1% of the unpaid amount for each month or fraction of a month that the tax remains unpaid. The maximum penalty is 25%.

Underpayment Penalty. If the amount you owe for 2014 is \$500.00 or more you may owe the penalty for 2014 if the total of your withholding and timely estimated tax payments did not equal at least the smaller of:

1. 90% of your 2014 tax (66-2/3% for farmers), or
2. 100% of your 2013 tax. (Your 2013 tax return must cover a 12-month period.) Use Form 2210AL to calculate the penalty.

Note: If you included interest, a failure to timely file, or a failure to timely pay penalty with your payment, identify and enter these amounts in the bottom margin of Form 40, page 1. The only penalty to be included on lines 30 and 31 of Form 40 is the underpayment penalty.

Other Penalties. There are also penalties for filing a frivolous return, underpayment due to negligence, underpayment due to fraud, substantial understatement of estimated tax, and failure to file estimated tax.

Any person failing to file a return as required by Alabama law or rendering a willfully false or fraudulent return will be assessed by the Alabama Department of Revenue on the basis of the best information obtainable by the Department with respect to the income of such taxpayer.

Criminal Liability. Section 40-29-112, Code of Alabama 1975, as amended, provides for a more severe penalty for not filing tax returns. Any person required to file a return under this title who willfully fails to make such return shall be guilty of a misdemeanor and upon conviction thereof, shall be fined not more than \$25,000 or imprisoned not more than 1 year, or both. Section 40-29-110 provides that any person who willfully attempts to evade any tax imposed by this title or the payment thereof shall be guilty of a felony and, upon conviction thereof, shall be fined not more than \$100,000 or imprisoned for not more than 5 years, or both. These penalties are in addition to any other penalties provided for by Alabama law.

Address Change

If you move after filing your return and expect a refund, you should notify the Department of Revenue and send a change of address notice to: **Alabama Department of Revenue, Individual and Corporate Tax Division, P. O. Box 327410, Montgomery, AL 36132-7410.** This will help forward your check to you as soon as possible.

Corresponding With Alabama Department of Revenue

Be sure to include your social security number and phone number in any letter to the Alabama Department of Revenue. (See “Where To File,” page 13.)

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your return, as well as any worksheets used to figure them, until the statute of limitations runs out for that return. Usually this is 3 years from the date the return was filed. If income that should have been reported was not reported and the income omitted is in excess of 25% of the stated income, the period of limitation does not expire until six (6) years after the due date of the return or six (6) years after the date the return was filed, whichever is later. **There is no period of limitation when a return is false or fraudulent, or when no return is filed.**

Also keep copies of your filed tax returns as part of your records. You should keep some records longer than the period of limitation. For example, keep property records (including those on your own home) as long as they are needed to figure the basis of the original or replacement property. Copies of your tax returns will help in preparing future returns, and they are necessary if you file an amended return. Copies of your returns and your other records may be helpful to your survivor, or the executor or administrator of your estate.

Requesting a Copy of Your Tax Return

If you need a copy of your tax return or tax account information use **Form 4506-A**, Request for Copy of Tax Form or Income Tax Account Information. The charge for a copy of a return is \$5. There is no charge for tax account information.

Amended Return

If you have already filed a return and become aware of any changes to income, deductions or credits, you should file an amended tax return. For tax years prior to tax year 2008 you should mail in a completed Form 40X, Amended Alabama Individual Income Tax Return, to change those items. Beginning with tax year 2008 you should file a completed Alabama Individual Income Tax Return with the “Amended” box checked. A detailed explanation page of all the changes made should be attached to the tax return.

Note: If your State return is changed for any reason, it may affect your Federal Income Tax liability. This would include changes made as a result of an examination of your return by the Alabama Department of Revenue. Contact the Internal Revenue Service for more information.

Death of Taxpayer

If the taxpayer died before filing a return for 2014, the taxpayer’s spouse or personal representative must file a return for the person who died if the deceased was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer’s property.

The person who files the return should write

“DECEASED” after the decedent’s name. Also write “DECEASED,” the decedent’s full name, and date of death across the top of the tax return.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to receive a refund.

If your spouse died in 2014, you can file a joint return even if you did not remarry in 2014. You can also file a joint return if your spouse died in 2015 before filing a 2014 return. A joint return should show your spouse’s 2014 income before death and your income for all of 2014. Also write “Filing as surviving spouse” in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

If you are claiming a refund as a surviving spouse filing a joint return with the deceased and you follow the above instructions, no other form is needed to have the refund issued to you. **Please note: An Alabama refund of a deceased taxpayer cannot be issued to a third party.**

Payment of Estimated Tax

Every individual who reasonably expects to owe at least \$500.00 in tax in 2015 is required to file and pay estimated tax.

Note: If the **TOTAL ESTIMATED TAX** for 2015 is less than five hundred dollars (\$500), an estimate is not required to be paid.

Alabama law provides for penalties if an estimate is due and is not paid, or is underpaid. The due dates for making estimated tax payments are the same as required by Federal Income Tax Law. **Do not** include payment of your estimated tax with the payment for tax due on your individual return because the quarterly voucher and remittance **MUST** be mailed separately. Additional instructions for filing your estimates are on the back of Form 40ES.

No refund will be made for any estimated taxes paid except when such amount is taken as a credit on an income tax return filed at the end of the taxable year by the payor or his authorized representative, or on an amended income tax return if the full amount paid is not claimed on the original income tax return.

Automatic Extension

If you know you cannot file your return by the due date you do not need to file for an extension. You will automatically be granted an extension until October 15, 2015. If you anticipate that you will owe additional tax on your return you should submit your payment with a payment voucher (Form 40V) by April 15, 2015.

Except in cases where taxpayers are abroad, no extension will be granted for more than 6 months.

An extension means only that you will not be assessed a penalty for filing your return after the due date. Interest on the additional tax due from the due date of the return and any penalties will be assessed if applicable to your return.

Setoff Debt Collection

If you owe money or have a delinquent account under any of the following public assistance programs, your refund may be applied to offset that debt:

- Any and all of the public assistance programs administered by the Alabama Department of Human Resources, including the Child Support Act of 1979, Chapter 10 of Title 38.

- Any and all of the assistance programs administered by the Alabama Medicaid Agency.

- Overpayment of unemployment compensation.
- Any and all court fees/fines owed to the Administrative Office of Courts.

If the Alabama Department of Human Resources, Alabama Department of Industrial Relations, Alabama Medicaid Agency, or the Administrative Office of Courts notifies the Alabama Department of Revenue that you have a delinquent account in excess of \$25, part or all of your refund may be applied to offset that debt. If you are married and filing a joint return, the joint refund may be applied to offset any of the above debts.

IMPORTANT: If you have been assessed taxes from a prior year, your current year refund will be applied to that debt even if the liability resulted from a jointly filed return.

Federal Refund Offset Program

Your 2014 Federal or State refund will be taken to satisfy any outstanding liabilities owed to the State of Alabama or to the Internal Revenue Service.

SECTION 5 Instructions for Schedules to Form 40

Instructions For Schedule A (Form 40) Itemized Deductions

Changes You Should Note

The itemized deductions you may claim on your 2014 Alabama return are similar to the deductions allowed for Federal purposes; however, certain items may be treated differently. Please see the line by line instructions which follow for an explanation of these differences.

Purpose of Schedule

Some taxpayers should itemize their deductions because they will save money. See **Itemized or Standard Deduction** on page 8.

Schedule A **must** be completed in detail if you elect to itemize your deductions instead of claiming the standard deduction.

If you itemize, you can deduct part of your medical and dental expenses, part of your unreimbursed employee business expenses, amounts you paid for certain taxes, interest, contributions, and other miscellaneous expenses. You may also deduct certain casualty and theft losses.

Married, Filing Separate Returns. If you are married and filing separate Alabama returns, both spouses may itemize their deductions or both may claim the standard deduction. **One spouse cannot itemize and the other claim the standard deduction.** Each spouse may claim only the itemized deductions he/she actually paid.

Part-year Residents. Individuals becoming or ceasing to be residents during the year are entitled to claim **ONLY** the itemized deductions that were **actually paid while a resident of Alabama.** The Department will per-

mit you to prorate a deduction (such as interest or taxes) based on the number of months you were a resident if the deduction was paid during the entire year and the amount actually paid while a resident cannot be determined.

Lines 1 through 4

Medical and Dental Expenses

Before you can figure your total medical and dental expenses, you must complete your Form 40, page 1, through line 10.

Medical and dental expenses are allowed as itemized deductions to the same extent as allowed for federal purposes with the following exceptions:

- You may deduct only that part of your medical and dental expenses that is more than 4% of the amount on Form 40, page 1, line 10.

- Qualified long term care premiums are not included in medical and dental expenses. They are deductible in full on Line 26.

Do not include in medical and dental expenses insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan).

Line 1

Enter the total of your medical and dental expenses after reducing these expenses by any payments received from insurance or other sources. Include amounts you paid for doctors, dentists, nurses, hospitals, prescription medicine and drugs, or insulin. Also include the total amount you paid for insurance premiums for medical and dental care, amounts paid for transportation and lodging, and other expenses such as hearing aids, dentures, eyeglasses, and contact lenses.

If your insurance company paid your doctor or dentist directly for part of your medical expenses and you paid only the amount that remained, include in your medical expenses ONLY the amount you paid.

If you received a reimbursement in 2014 of prior year medical or dental expenses, do not reduce your 2014 expenses by this amount. You must include the reimbursement in income on Form 40, Part 1, line 8, if you deducted the medical expenses in the earlier year and the deduction reduced your tax. **Federal Pub. 502** tells you how to figure the amount to include in income.

When figuring the deduction, you may include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents claimed on your return.
- Your child whom you do not claim as a dependent because of the federal rules explained for **Children of Divorced or Separated Parents**.

Examples of Medical and Dental Payments You CAN Deduct

To the extent you were not reimbursed, you can deduct what you paid for:

- Medicare Part B insurance.
- Prescription medicines and drugs, or insulin.
- Premiums paid to private insurers for additional Medicare coverage.

- Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).

- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths the doctor ordered.

- Nursing help. If you pay someone to do both nursing and housework, you can deduct only the cost of the nursing help.

- Hospital care (including meals and lodging), clinic costs, and lab fees.

- Medical treatment at a center for drug addicts or alcoholics.

- Cost of a weight-loss program for the purpose of treating diagnosed obesity or another recognized disease. Cost must be out-of-pocket and uncompensated.

- Medical aids such as hearing aid batteries, braces, crutches, wheelchairs, guide dogs, and the cost of maintaining them.

- Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than \$50 a night for each eligible person.

- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to travel to and from the place you received medical care, or you can claim the federal mileage rate. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You CANNOT Deduct

- Premiums paid by an employer-sponsored health insurance plan (cafeteria plan).

- The basic cost of Medicare insurance (Medicare A).

Note: If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

- Life insurance or income protection policies.
- The 1.45% Medicare (hospital insurance benefits) tax withheld from your pay as part of the social security tax or the Medicare tax paid as part of social security self-employment tax.

- Nursing care for a healthy baby.
- Illegal operations or drugs.
- Nonprescription medicines or drugs.
- Travel your doctor ordered for rest or change.
- Funeral, burial, or cremation costs. **Federal Pub. 502** has a discussion of expenses that may and may not be deducted. It also explains when you may deduct capital expenditures and special care for handicapped persons.

Lines 5 through 9

Taxes (Other than Federal Income Tax) You CAN Deduct

If deductions are itemized, you CAN DEDUCT the following taxes:

- **Real estate taxes** (line 5). Include taxes you paid on property you own in any state that was not used for business. If you pay real estate taxes as part of your mortgage payments, do not take a deduction for that amount. Deduct the taxes in the year the mortgage company actually paid them to the taxing authority.

- **FICA tax (Social Security and Medicare)** (line 6). You can deduct the FICA tax (Social Security and Medicare) withheld on your income by your employer. If you worked for more than one employer which resulted in more than the maximum FICA tax being withheld, the excess amount claimed as Federal Income Tax Withheld on your Federal return cannot be claimed as an itemized deduction on your Alabama return.

- **Federal Self-Employment taxes** (line 6). You can deduct the Federal self-employment tax you paid during the year 2014 for the tax year 2013 and/or prior years.

- **Railroad Retirement tax** (line 7). You can deduct the railroad retirement tax you paid in 2014. Only your contribution to tier one railroad retirement is deductible as an itemized deduction.

- **Other taxes** (line 8). In addition to the above taxes, you can also deduct:

- (a) **City, County, and Occupational Tax** as reported on your W-2.

- (b) **State Unemployment Insurance Tax (S.U.I.)**. Employees were not required to pay S.U.I. Tax in 2014 since the full amount was paid by their employer. However, if S.U.I. Tax was paid to a state other than Alabama, it may be deducted.

- (c) **Federal gift taxes**. Federal gift taxes are deductible only if you are the person making the gift and you paid the tax. (The person receiving the gift cannot claim this deduction even though he paid the tax.)

- (d) **Personal property taxes**. This tax must be based on the value alone. For example, if part of the fee you paid for the registration of your car was based on the car's value and part was based on its weight, you can deduct only the part based on value.

- (e) **Generation-Skipping Transfer (GST) taxes**. Generation-Skipping transfer taxes imposed on income distributions by 26 U.S.C. 2601 are deductible if you paid or accrued the taxes within the taxable year.

Taxes You CANNOT Deduct include but are not limited to

- State income taxes. (If you paid state income taxes to another state, you may be entitled to a tax credit. See instructions for Schedule CR for further information.)

- State and local sales taxes.

- Income tax you paid to a foreign country.

- Taxes you paid for another person.

- License fees (marriage, driver's, dog, hunting, pistol, etc.).

- Civil Service Retirement contributions (State or Federal).

- Federal excise tax on personal property, transportation, telephone, and gasoline.

- Customs duties.

- Gasoline tax.

- State utility taxes.

- Tax on liquor, beer, wine, cigarettes, and tobacco.

- Car inspection fees.

- Taxes you paid for your business or profession.

(Use Schedule C, C-EZ, E, or F to deduct these business expenses.)

- Assessments for sidewalks or other improvements to your property.

Lines 10a through 14

Interest You Paid

The interest you paid that can be claimed as an itemized deduction is limited in most cases to the same amount as currently allowable for federal purposes.

You should show on Schedule A interest you paid on nonbusiness items only. Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds.

Note: Personal interest is no longer deductible.

Complete and attach **Alabama Form 4952A** if you are claiming investment interest as an itemized deduction.

If you qualify for the Mortgage Interest Credit on your Federal return, the total interest you paid (before the credit) is deductible for Alabama purposes.

For further information describing the interest you may deduct, refer to federal instructions and publications.

Lines 15 through 18

Gifts to Charity

Contributions are allowable as itemized deductions to the same extent as currently allowed for federal purposes. However, when determining the 50% and special 20% and 30% limitations, you **must** use Alabama (not Federal) adjusted gross income.

You can deduct what you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals.

Examples of these organizations are:

- Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.

- Fraternal orders if the gifts will be used for the purposes listed above.

- Veteran's and certain cultural groups.

- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.

- Federal, state, and local governments if the gifts are solely for public purposes.

If you contributed to a charitable organization and also received a benefit from it, you can deduct only the amount that is more than the benefit you received. If you do not know whether you can deduct what you gave to an organization, check with that organization or with the IRS.

Contributions You MAY Deduct

Contributions may be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 14 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

Limit on the amount you may deduct

Get Federal Pub. 526 to figure the amount of your deduction if any of the following applies:

- Your cash contributions or contributions of ordinary income property to certain organizations are more than 30% of Form 40, page 1, line 10.

- Your gifts of capital gain property to certain organizations are more than 20% of Form 40, page 1, line 10.

- You gave gifts of property that increased in value or gave the use of property as gifts.

You MAY NOT Deduct as Contributions

- Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation, or vacation in the travel.

- Political contributions.

- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.

- Value of any benefit such as food, entertainment, or merchandise that you received in connection with a contribution to a charitable organization.

Example. You paid \$100 to a charitable organization to attend a fund-raising dinner. To figure the amount of your deductible charitable contribution, subtract the value of the dinner from the total amount you paid. If the value of the dinner was \$40, your deductible contribution is \$60.

- Cost of raffle, bingo, or lottery tickets.

- Cost of tuition.

- Value of your time or services.

- Value of blood given to a blood bank.

- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

- Gifts to:

- a. Individuals.

- b. Foreign organizations.

- c. Groups that are run for personal profit.

- d. Groups whose purpose is to lobby for changes in the laws.

- e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Record Keeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record that shows the organization's name and address, the date and location of the gift, and a description of the property. You should also keep reliable written records for each gift of property that include the following information:

- a. How you figured the property's value at the time it was given. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)

- b. The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.

- c. How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.

- d. Any conditions attached to the gift.

Note: If your total deduction for gifts of property is over \$500, or if you gave less than your entire interest in the property, or you made a "qualified conservation contribution" under Federal Section 170(h), your records should contain additional information. See **Federal Pub. 526** for details.

Line 15

Enter the total contributions you made in cash or by check (including out-of-pocket expenses).

Line 16

Enter the contributions of property. If you gave used items such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the con-

ditions of the sale. If the amount of your deduction is more than \$500, you must complete and attach **Federal Form 8283**, Noncash Charitable Contributions. If your total deduction is over \$5,000, you may also need appraisals of the values of the donated property. For this purpose, the "amount of your deduction" means your deduction BEFORE applying any income limitations that could result in a carryover of contributions. See **Federal Form 8283** and its instructions for details.

Line 17

Enter on line 17 any carryover of contributions that you were unable to deduct in an earlier year because it exceeded your adjusted gross income limit.

Line 19a, b, and c

Casualty and Theft Losses

A casualty or theft loss is determined in the same manner as on your federal return with the following exceptions:

- The loss may be claimed **only** in the year during which the loss occurred or the theft was discovered.

- The loss on personal property must be reduced by 10% of the **Alabama** adjusted gross income as shown on Form 40, page 1, line 10.

Use lines 19a, b, and c to report casualty or theft losses of property that are not a trade or business, income-producing, or rent or royalty property. Complete and attach **Federal Form 4684** to figure your loss. Enter on line 19a of Alabama Schedule A the amount of loss as shown on line 16 (Section A) of Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that —

- a. the amount of **EACH** separate casualty or theft loss is more than \$100, and

- b. the total amount of **ALL** losses during the year is more than 10% of your adjusted gross income on Form 40, page 1, line 10.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. Get **Federal Form 4684** for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.

- Breakage of china, glassware, furniture, and similar items under normal conditions.

- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.

Use line 21 of Schedule A to deduct the costs of proving that you had a property loss. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, refer to federal instructions and publications.

Lines 20 through 24

Miscellaneous Deductions Expenses Subject to the 2% Limit

Most miscellaneous deductions cannot be deducted in full. You must subtract 2% of your Alabama adjusted

gross income from the total. You figure the 2% limit on line 23.

Generally, the 2% limit applies to job expenses you paid for which you were not reimbursed (line 20). The limit also applies to certain expenses you paid to produce or collect taxable income (line 21). See the instructions for lines 20 and 21 for examples of expenses to deduct on these lines.

The 2% limit does not apply to certain other miscellaneous expenses that you may deduct. See the instructions for line 25 for examples of these expenses.

Line 20

Use this line to report Alabama job expenses you paid for which you were not reimbursed. In some cases you must first fill out **Federal Form 2106**, Employee Business Expenses. Fill out Form 2106 if:

1. You claim any travel, transportation, meal, or entertainment expenses for your job; **OR**
2. Your employer paid you for any of your job expenses reportable on line 20.

If 1 or 2 above applies, enter the net deductible amount from Federal Form 2106 on line 20 of Schedule A.

If you do not have to fill out Form 2106, list the type and amount of your expenses on the space provided on line 20. If you need more space, attach a statement showing the type and amount of the expense.

Examples of expenses to include on line 20 are:

- Travel, transportation, meal, or entertainment expense. (**Note:** If you have any of these expenses, you must use **Federal Form 2106** for all your job expenses.)
- Union dues.
- Safety equipment, small tools, and supplies you used in your job.
- Uniforms your employer said you must have and which you may not usually wear away from work.
- Protective clothing required in your work such as hard hats, safety shoes, and glasses.
- Physical examinations your employer said you must have.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and job search expenses in your present occupation.
- **Education expenses** you paid that were required by your employer, or by law or regulations, to keep your salary or job. In general, you may include the cost of keeping or improving skills you must have in your job. Some educational expenses are not deductible. See **Examples You MAY NOT Deduct**.
- Business use of part of your home, but **ONLY** if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see **Federal Pub. 587**, Business Use of Your Home. Also see the instructions for Part I, line 2 on page 12.

Line 21

Use this line for amounts you paid for the production or collection of taxable income; for the management, conservation, or maintenance of property held for the production of taxable income; or in connection with the determination, collection, or refund of any tax. List the type and amount of each expense in the space provided on line 21. If you need more space, attach a statement showing the type and amount of each expense. Enter

one total in the amount space for line 21. Examples of these expenses are:

- Tax return preparation fee.
- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution.

For more information (including limits on the amount you can deduct), see **Federal Pub. 529**.

Line 25

Miscellaneous Deductions Expenses NOT Subject to the 2% Limit

Use this line to report miscellaneous deductions that are NOT subject to the 2% AGI limit. Only the expenses listed below can be deducted on line 25:

- Gambling losses to the extent of gambling winnings. Report gambling winnings on Form 40, page 2, Part I, Line 8.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if \$3,000 or more.
- Unrecovered investment in a pension. See **Federal Pub. 17**.
- Impairment-related work expenses of a disabled person.

List the type and amount of each expense. Enter the total on line 25.

Expenses You MAY NOT Deduct

Some expenses are not deductible at all. Examples are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property (but see Casualty and Theft Losses).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Expenses of:
 - a. Travel as a form of education.
 - b. Attending a seminar, convention, or similar meeting unless it is related to your employment.
- Fines and penalties.
- Funeral expenses

Line 26

Qualified Long-term Care Coverage

Premiums paid pursuant to a qualifying insurance contract for qualified long term care coverage paid by the taxpayer may be deducted on line 26. Qualified long-term care services include care for necessary diagnostic, preventive, therapeutic and rehabilitative services and maintenance or personal care services which are required by a chronically ill individual in a qualified facility or services which are provided pursuant to a place of care prescribed by a licensed health care practitioner.

Instructions For Schedule B Interest and Dividend Income

Purpose of Schedule

Use Schedule B if you are filing Form 40 and the total taxable and nontaxable income from interest and dividends is \$1500 or more.

Mutual Funds. If you received a 1099-DIV, 1099-INT or substitute statement from a brokerage firm or mutual fund, include the interest and dividends on Schedule B. Capital gains should be reported on Schedule D. List the mutual fund or brokerage firm's name as the payer and enter the total interest or dividends shown on that form on Schedule B.

Interest Income

All interest you received in 2014 is taxable for Alabama purposes except interest on obligations of the United States or its possessions, and interest on obligations of the State of Alabama or any county, municipality, or other political subdivision of Alabama.

Show the name of the payer and the amount of all interest you received on **Schedule B**. Exempt interest should be listed in Column A and taxable interest in Column B.

Examples of TAXABLE Interest

- Accounts (including certificates of deposit and money market accounts) with banks, credit unions, and savings and loan associations.
- The percentage of dividends not derived from interest on United States obligations and/or Alabama municipal obligations which are received from a regulated investment company.
 - Asian Development Bank.
 - African Development Fund.
 - Building and loan accounts.
 - Federal Home Loan Mortgage Corporation.
 - Federal National Mortgage Association (FNMA).
 - Government National Mortgage Association (GNMA).
 - Inter-American Bank, International Bank for Reconstruction and Development, and World Bank.
 - International Finance Corporation.
 - International Development Association.
 - International Monetary Fund.
 - National Consumer Cooperative Bank.
 - Refunds of federal income tax.
 - Refunds of state income tax.
 - Federal Land Credit Banks.
 - Federal Housing Authority.
 - Small Business Association.

Examples of EXEMPT Interest

- The percentage of dividends derived from interest on United States obligations and/or Alabama municipal obligations which are received from a regulated investment company.
 - Bank for Cooperatives.
 - Student Loan Marketing Association (SLMA).
 - Bonds issued by the Government of Puerto Rico or the Government of Guam.
 - Bonds issued by the government of the Virgin Islands
 - Federal Financing Bank.
 - Federal Land Banks.

- Federal Intermediate Credit Banks.
- Federal Home Loan Banks.
- Production Credit Associations.
- U.S. Treasury Bills, U.S. Treasury Notes, or U.S. Series E and H Bonds.
- Tennessee Valley Authority.
- Federal Farm Credit Bonds.
- Federal Home Administration.
- Commodity Credit Corporation.
- Federal Deposit Insurance Corporation.
- Federal Saving & Loan Insurance Corporation.
- General Insurance Fund.
- GSA Public Building Trust Participation Certificates.
- Participation Certificates in the Federal Assets Financing Trust.
- Special Food Service Program.

Dividend Income

All dividends, including liquidating dividends, you received in 2014 are fully taxable. Gain or loss on liquidating dividends should be reported on **Schedule D**. Dividends from savings and loan associations are also taxable. Include cash and the value of stock, property, or merchandise you received as a dividend.

List the payer's name and show the amount of income. If securities are held in a brokerage account, list the name of the brokerage firm as the payer.

Instructions For Schedule CR Credit for Taxes Paid To Other States

See the general instructions for credit for tax paid to another state on page 10. **Below is an example when all of the income in the other state is not taxed on the Alabama return. In such situations, you may not be entitled to the full amount of tax paid to the other state. The following example can be used by changing the figures to fit your income and/or loss.**

The taxpayer is a single filing resident of Alabama and has income from wages of \$66,666.67. The taxpayer has gambling winnings of \$100,000.00. The taxpayer has substantiated gambling losses of \$50,000.00 of which only \$30,000.00 is allowed as a deduction on the other state's return.

Use this example to compute the income from the other state under Alabama Tax Law.

- (1) Income from Other State \$100,000.00
- (2) All Alabama allowed Expenses (Losses) associated with Income from Other State:
- (2a) Gambling Losses . . \$ 50,000.00
- (2b) \$
- (2c) \$
- (3) Add lines 2a, 2b, and 2c. \$ 50,000.00
- (4) Income from other state under Alabama Law (subtract line 3 from 1 to get the same income taxed by Alabama . . . \$ 50,000.00

(a) If the result is zero or less STOP here, you are not due a credit against your Alabama income tax.

(b) If there is no entry on line 2 above, the "taxable income" from the other state return should be entered on

Schedule CR, line 1.

(c) If there is an entry on line 2 above, compute the Alabama tax on the amount on line 4 using the tax tables on pages 25-30. In this example the tax credit would be \$2,463.00. See schedule CR, line 10 for additional instructions.

Instructions For Schedule DC Donation Check-Offs

Line 1a

Alabama Senior Services Trust Fund

This fund will assist in the support of programs for the aging in Alabama. If you wish to make a contribution to this program, enter a dollar amount.

Line 1b

Alabama Arts Development Fund

This fund provides for grants to tax exempt organizations or associations to encourage development of quality arts activities or cultural facilities in local areas. If you wish to make a contribution to this program, enter a dollar amount.

Line 1c

Alabama Nongame Wildlife Fund

This is a program under the jurisdiction of the Game and Fish Division of the Department of Conservation which provides management of such nongame wildlife. If you wish to make a contribution to this program, enter a dollar amount.

Line 1d

Child Abuse Trust Fund

This fund encourages the direct provision of services to prevent child abuse and neglect. If you wish to make a contribution to this program, enter a dollar amount.

Line 1e

Alabama Veterans' Program

This fund provides supportive assistance through nursing and related health care for Alabama ailing and aged veterans of the armed forces who have need of special nursing and related health care services. If you wish to make a contribution to this program, enter a dollar amount.

Line 1f

Alabama State Historic Preservation Fund

Your donations to this fund will be used by the Alabama Historical Commission to pay the costs of the maintenance, acquisitions, preservation and operations of its acquisitions. If you wish to make a contribution to this fund enter a dollar amount.

Line 1g

Archives Services Fund

Your donations to this fund will be used to help pay the cost of providing services for maintaining historical records. If you wish to make a contribution to this fund enter a dollar amount.

Line 1h

Foster Care Trust Fund

The Foster Care Trust Fund provides educational, athletic, artistic, and special occasion opportunities to Alabama's foster children. If you wish to make a contribution to this fund, enter a dollar amount.

Line 1i

Mental Health

This is a non-profit organization dedicated to the eradication of mental illness and to the improvement of the quality of life of those whose lives are affected by these diseases. Your donation to this fund will help provide unconditional support to persons experiencing mental pain and those struggling toward recovery. If you wish to make a contribution to this fund, enter a dollar amount.

Line 1j

Alabama Firefighters Annuity and Benefit Fund

Your donations to this fund will be used to provide retirement, disability and death benefits to firefighters who are registered with this fund. If you wish to make a contribution to this fund enter a dollar amount.

Line 1k

Alabama Breast and Cervical Cancer Research Program

The University of Alabama at Birmingham's Comprehensive Cancer Center is a nationally funded leader in breast and cervical research providing cutting edge clinical care to the people of Alabama. Your donation to this fund will help in the fight against breast and cervical cancer. If you wish to make a contribution to this fund, enter a dollar amount.

Line 1l

Victims of Violence Assistance

Donations to this fund will be used to provide services and aid to victims of crime. If you wish to make a contribution to this fund enter a dollar amount.

Line 1m

Alabama Military Support Foundation

This fund was established to promote better relations between employers and National Guard/Reserve members.

Line 1n

Alabama Veterinary Medical Foundation Spay/Neuter Program

This fund provides assistance to low income residents to spay or neuter their dog or cat. If you wish to make a contribution to this program, enter a dollar amount.

Line 1o

Cancer Research Institute

This fund was established to improve cancer survival rates for patients through research aimed at increasing prevention and treatment. If you wish to make a contribution to this program, enter a dollar amount.

Line 1p

Alabama Association of Rescue Squads

This fund provides training to member rescue squads and inspections to insure that member's equipment and buildings meet standards. If you wish to make a contribution to this program, enter a dollar amount.

Instructions For Schedule D Gain or (Loss) From Sale of Real Estate, Stocks, Bonds, Mutual Funds, Capital Gains, etc.

Purpose of Schedule

Use Schedule D (Form 40) to report the sale of real estate, stocks, bonds, etc.

Enter all sales for the entire year if you were a resident of Alabama for the entire year. If you were a resident of Alabama for only a part of the year, you should report all sales made during your period of residence.

If you sold property located in Alabama after you ceased to be a resident of Alabama, you should report the sales on Form 40NR, Nonresident Alabama Income Tax Return.

Under Alabama law the entire gain is taxable, and the entire loss is deductible in the year in which it occurs.

Mutual Funds. If you received a mutual fund or brokerage statement reporting capital or ordinary gains, you must include these amounts on Schedule D. List the mutual fund or brokerage firm's name in Column A "Kind of Property" and the net capital or ordinary gains in Column H, "Net Profit or Loss."

Gain From Sale of a Personal Residence. If you sold your personal residence, any gain realized is taxable to the same extent as reported on your federal return.

Note: A loss on the sale of a personal residence is NOT deductible.

Gain or (Loss) From Sale of Business Property. If you sold business property use Schedule D to report the net gain (or loss). You should complete Federal Form 4797 and attach a copy to your Alabama return.

State the following facts: (a) For real estate (including owner-occupied residence) – location and description of land and improvements; (b) for bonds or other evidence of indebtedness – name of issuing corporation, particular issue, denomination, and amount; (c) for stocks – name of corporation, class of stock, number of shares, and capital changes affecting basis (including nontaxable distributions). If more space is needed, use separate sheets with identical columnar headings (a) through (h) inclusive.

Cost or Other Basis. Act 85-515, known as the Corporate Income Tax Act of 1985, conformed certain rules concerning the determination of basis in assets acquired to the federal income tax rules.

The basis for computing gain or loss from the sale or other disposition of property will usually be the cost of such property. You may have to use a basis other than actual cost if you acquired the property by bequest, gift, or involuntary conversion. If you do not use cash cost, please attach an explanation of your basis.

The basis of property **acquired prior to December**

31, 1932, shall be the fair market value on December 31, 1932.

Gifts or Transfer in Trust. The basis of property acquired by gift or transfer in trust depends upon the date acquired.

If property was acquired by gift or transfer in trust **on or after December 31, 1932 and prior to March 15, 1985**, the basis shall be the fair market value on the date of acquisition.

If **acquired by gift on or after March 15, 1985**, the basis shall be the same as it would be in the hands of the donor or the preceding owner by whom it was not acquired by gift (except that if such basis is greater than the fair market value of the property at the time of the gift, then for the purpose of determining loss, the basis shall be the fair market value).

If the property was **acquired by a transfer in trust** (other than a transfer in trust by gift, bequest, or devise) on or after **March 15, 1985**, the basis shall be the same as it would be in the hands of the grantor, increased in the amount of gain, or decreased in the amount of loss, recognized to the grantor of such transfer.

Property Transmitted at Death. Basis shall be the fair and reasonable market value of the property at the time of death of the decedent.

The value of property as of the date of the decedent's death as appraised for the purpose of the federal estate tax or the alternate value as appraised for such purpose, whichever is applicable, shall be deemed to be its fair market value for Alabama income tax purposes.

Involuntary Conversion. If a taxpayer elects to determine gain under 26 U.S.C. §1033 (relating to involuntary conversions), the amount of gain recognized for Alabama purposes shall be determined in accordance with the same federal statute.

Installment Sales. Alabama law was changed to conform the Alabama code to the federal law regarding the installment method of reporting income. For taxable years beginning after December 31, 1984, income arising from an installment sale shall be reported in accordance with Internal Revenue Code Section 453 with the exception of 453(i) which deals with the recognition of recapture income.

Sales of property under revolving credit plans and sales of stock, securities, and other property traded on established markets can no longer be reported on the installment method effective for sales made after 1987.

Instructions For Schedule E Supplemental Income

Purpose of Schedule

Use Schedule E to report income (or loss) from rents, royalties, partnerships, S corporations, estates, and trusts.

Part I

Rental and Royalty Income or (Loss)

If you receive rent from property owned or controlled by you, or royalties from copyrights, mineral leases, and similar rights, report the total amount received in Part I, columns (a) through (c). If property other than cash was received as rent, its fair market value should be reported.

Line 1. Indicate the kind of rental real estate property you rented out (brick house, apartment complex, etc). Include the street address, city, or town, and state,

and your percentage of ownership in the property if less than 100%.

Line 2. Check "Yes" if you or your family used the unit this year for personal purposes more than the greater of: 14 days; or 10% of the total days it was rented to others at a fair rental price. Otherwise, check "No".

Lines 3 & 4. If you receive rent from property owned or controlled by you, or royalties from copyrights, mineral leases, and similar rights, report the total amount received in Part I, columns (a) through (c). If property other than cash was received as rent, its fair market value should be reported.

Lines 5-18. Enter your rental and royalty expenses for each property in the appropriate column. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, and agent's commissions. Do Not deduct the value of your own labor or amounts paid for capital investments or capital improvements.

Line 20. Depreciation. A reasonable allowance for the exhaustion, wear, and obsolescence of property used in a trade or business, or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. The allowance does not apply to inventories or stock-in-trade nor to land apart from the improvements or physical development added to it.

Depreciation computed using the "Accelerated Cost Recovery System" (ACRS) for assets placed in service on or after January 1, 1981, and before January 1, 1987, in the same manner with the same limitations provided for federal income tax returns will be considered to be a "reasonable allowance" for Alabama purposes.

For assets placed in service after December 31, 1986, depreciation using the "Modified Accelerated Cost Recovery System" provided for in I.R.C. §168 (as modified by §201(a) of P.L. 99-514) will be considered a "reasonable allowance" for depreciation.

For taxable years beginning after December 31, 1989, Alabama will allow the depreciation allowed by Federal 26 U.S.C. §179.

Federal Economic Stimulus Act of 2008 Bonus Depreciation. Alabama law has no provision to allow a deduction for the bonus depreciation allowed by the Federal Economic Stimulus Act of 2008.

Depletion. A depletion expense deduction is allowable in computing net royalty income from mines, oil wells, and gas wells.

In the case of oil and gas wells, the allowance for depletion shall be 12 percent of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect to the property. Such amounts shall not exceed 50 percent of the net income of the taxpayer, computed without allowance for depletion, from the property, except that in no case shall the depletion allowance be less than the amount allowable under federal income tax law.

Part II

Income or (Loss) From Partnerships, S Corporations, Estates, and Trusts

If you received income from a partnership, S corporation, estate, or trust, the amounts should be reported in Part II, column (j). The name and address must be given in column (g) showing the source of the income received. Check column (h), and enter the FEIN in column (i).

Federal Economic Stimulus Act of 2008 Bonus Depreciation. Alabama law has no provision to allow a deduction for the bonus depreciation allowed by the Fed-

eral Economic Stimulus Act of 2008. If you received a K-1 from a partnership, S corporation, estate or trust you must add back to you income or loss from that entity any bonus depreciation attributable to the Federal Economic Stimulus Act of 2008 deducted by that entity. You should contact the entity that provided you the K-1 to obtain this information.

Partnerships. A partnership does not pay income tax in the firm's name. If you are a member of a partnership or joint venture, include in this part your share of the partnership income (whether you received it or not) or net loss (not to exceed your basis) for the partnership tax year that ends during the year covered by your return. You should receive a statement from the partnership advising you of the amount to report. Do not attach the statement to your return. Keep it for your records.

S Corporations. An "Alabama S corporation" is a corporation with respect to which an election under 26 U.S.C. §1362 is in effect.

If you are a shareholder of an S corporation, you should receive a Schedule K-1 from the S corporation. Report your pro rata share of the income (whether you received it or not) or net loss (**not to exceed your basis**) of the corporation as shown on your Schedule K-1.

Information from your partnerships or S corporation K-1's should be reported as follows:

Line M. Pass-through entity owners that are individuals would report this amount less any amount shown on Line Y on Schedule E of the Alabama Form 40 or Alabama Form 40NR.

Line N. Line N applies only to owners of subchapter K entities.

Pass-through entity owners that are individuals would report this amount on Schedule E of the Alabama Form 40 or Alabama Form 40NR.

The entire amount of guaranteed payments received by the owner of the subchapter K entity should be reported on this line of the Schedule K-1, if the owner is an Alabama resident individual. The apportioned amount of the guaranteed payments received by the owner of the subchapter K entity should be reported on this line, if the owner is an individual, but not an Alabama resident.

Line O. Pass-through entity owners that are individuals would claim this amount on the Form 4562, Depreciation and Amortization, which accompanies the individual's Alabama Form 40 or Alabama Form 40NR.

Line P. Pass-through entity owners that are individuals would report this amount on the Alabama Form 4852A that accompanies the individuals Alabama Form 40 or Alabama Form 40NR.

Line Q. Pass-through entity owners that are individuals would report this amount on the appropriate schedule of the Alabama Form 40 or Alabama Form 40NR filed by the individual, depending upon the nature of the portfolio income. Accompanying the Alabama Schedule K-1 should be an explanation of the different types and amounts of portfolio income making up the amount on Line Q.

Line R. Pass-through entity owners that are individuals would claim this amount on Schedule A of the Alabama Form 40 or Alabama Form 40NR, depending upon the nature of the expense. Accompanying the Alabama Schedule K-1 should be an explanation of the different types and amounts of expenses making up the amount on Line R.

Line S. Pass-through entity owners that are individuals would claim this amount on Schedule A of the Alabama Form 40 or Alabama Form 40NR.

Line T. Pass-through entity owners that are individuals would report or claim these items on the appropriate schedule of the Alabama Form 40 or Alabama Form 40NR, filed by the individual, depending upon the nature of the other separately stated business item. Accompanying the Alabama Schedule K-1 should be an explanation of the different types and amounts of other separately stated business items making up the amount on Line T.

Line U. Pass-through entity owners that are individuals would claim this amount on the Alabama Form 40 or Alabama Form 40NR.

Line V. Pass-through entity owners that are individuals would report this amount on the Alabama Form 40 or Alabama Form 40NR.

Line W. Pass-through entity owners that are individuals would claim this amount on the Form 4684 that accompanies the Alabama Form 40 or Alabama Form 40NR.

Line X. Pass-through entity owners that are individuals would report the portion of this amount that represents reportable income on the Schedule D accompanying the Alabama Form 40 or Alabama Form 40NR. Accompanying the Alabama Schedule K-1 should be a detailed explanation of the amount on Line X.

Line Y. Pass through owners should subtract the amount shown on line Y from the amount shown on line M. This figure represents the additional health insurance deduction allowed for small business employers with Alabama employees. For more information on this deduction, see §40-18-15.3.

Line Z. Pass-through entity owners that are individuals should claim this amount on Schedule E of the Alabama Form 40 or Alabama Form 40NR. Accompanying the Alabama Schedule K-1 should be a computation of the amount reported on Line Z. Alabama income tax law concerning oil and gas depletion differs from the federal law - care should be exercised in claiming this deduction, to ensure that the proper amount is deducted.

Line AA. Pass-through entity owners that are individuals would report or claim this amount on the Alabama Form 40 or Alabama Form 40NR, depending upon the nature of the separately stated nonbusiness items. Accompanying the Alabama Schedule K-1 should be an explanation showing the different types of nonbusiness items and amounts making up the amount reported on Line AA.

Line AB. Pass-through entity owners that are individuals are encouraged to disclose the amount of Alabama exempt income on the Alabama Form 40 or Alabama Form 40NR, filed by the individual. Accompanying the Alabama Schedule K-1 should be an explanation showing the different types of Alabama exempt income items and amounts making up the amount reported on Line AB.

Estates and Trusts. If you are a beneficiary of an estate or trust, you should receive a statement from the fiduciary advising you of the amount to report. **Do not** attach the statement to your return. Keep it for your records. Report your taxable part of the income (whether you received it or not) in Part II.

Tax Table

(Form 40)

Based on Taxable Income

This tax table is based on the taxable income shown on line 16 of Form 40 and the filing status you checked on lines 1, 2, 3, or 4 of your return.

EXAMPLE:

Mr. and Mrs. Brown are filing a joint return and checked box 2 on their return. Their taxable income on line 16 of Form 40 is \$23,360. First, they find the \$23,300 - \$23,400 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and the filing status column meet is \$1,088. This is the amount they must write on line 17 of Form 40.

At least		But less than		Single * Married filing sepa- rately * Head of family	Married filing jointly
Your tax is—					
\$23,000					
23,000	23,100	1,113	1,073		
23,100	23,200	1,118	1,078		
23,200	23,300	1,123	1,083		
23,300	23,400	1,128	1,088		
23,400	23,500	1,133	1,093		



If taxable income is —		And you are —	
At least	But less than	Single * Married filing sepa- rately * Head of family	Married filing jointly
Your tax is —			
Under \$1,000			
0	50	0	0
50	100	1	1
100	200	3	3
200	300	5	5
300	400	7	7
400	500	9	9
500	600	12	11
600	700	16	13
700	800	20	15
800	900	24	17
900	1,000	28	19
1,000			
1,000	1,100	32	22
1,100	1,200	36	26
1,200	1,300	40	30
1,300	1,400	44	34
1,400	1,500	48	38
1,500	1,600	52	42
1,600	1,700	56	46
1,700	1,800	60	50
1,800	1,900	64	54
1,900	2,000	68	58
2,000			
2,000	2,100	72	62
2,100	2,200	76	66
2,200	2,300	80	70
2,300	2,400	84	74
2,400	2,500	88	78
2,500	2,600	92	82
2,600	2,700	96	86
2,700	2,800	100	90
2,800	2,900	104	94
2,900	3,000	108	98
3,000			
3,000	3,100	113	102
3,100	3,200	118	106
3,200	3,300	123	110
3,300	3,400	128	114
3,400	3,500	133	118
3,500	3,600	138	122
3,600	3,700	143	126
3,700	3,800	148	130
3,800	3,900	153	134
3,900	4,000	158	138

If taxable income is —		And you are —	
At least	But less than	Single * Married filing sepa- rately * Head of family	Married filing jointly
Your tax is —			
4,000			
4,000	4,100	163	142
4,100	4,200	168	146
4,200	4,300	173	150
4,300	4,400	178	154
4,400	4,500	183	158
4,500	4,600	188	162
4,600	4,700	193	166
4,700	4,800	198	170
4,800	4,900	203	174
4,900	5,000	208	178
5,000			
5,000	5,100	213	182
5,100	5,200	218	186
5,200	5,300	223	190
5,300	5,400	228	194
5,400	5,500	233	198
5,500	5,600	238	202
5,600	5,700	243	206
5,700	5,800	248	210
5,800	5,900	253	214
5,900	6,000	258	218
6,000			
6,000	6,100	263	223
6,100	6,200	268	228
6,200	6,300	273	233
6,300	6,400	278	238
6,400	6,500	283	243
6,500	6,600	288	248
6,600	6,700	293	253
6,700	6,800	298	258
6,800	6,900	303	263
6,900	7,000	308	268
7,000			
7,000	7,100	313	273
7,100	7,200	318	278
7,200	7,300	323	283
7,300	7,400	328	288
7,400	7,500	333	293
7,500	7,600	338	298
7,600	7,700	343	303
7,700	7,800	348	308
7,800	7,900	353	313
7,900	8,000	358	318

If taxable income is —		And you are —	
At least	But less than	Single * Married filing sepa- rately * Head of family	Married filing jointly
Your tax is —			
8,000			
8,000	8,100	363	323
8,100	8,200	368	328
8,200	8,300	373	333
8,300	8,400	378	338
8,400	8,500	383	343
8,500	8,600	388	348
8,600	8,700	393	353
8,700	8,800	398	358
8,800	8,900	403	363
8,900	9,000	408	368
9,000			
9,000	9,100	413	373
9,100	9,200	418	378
9,200	9,300	423	383
9,300	9,400	428	388
9,400	9,500	433	393
9,500	9,600	438	398
9,600	9,700	443	403
9,700	9,800	448	408
9,800	9,900	453	413
9,900	10,000	458	418
10,000			
10,000	10,100	463	423
10,100	10,200	468	428
10,200	10,300	473	433
10,300	10,400	478	438
10,400	10,500	483	443
10,500	10,600	488	448
10,600	10,700	493	453
10,700	10,800	498	458
10,800	10,900	503	463
10,900	11,000	508	468
11,000			
11,000	11,100	513	473
11,100	11,200	518	478
11,200	11,300	523	483
11,300	11,400	528	488
11,400	11,500	533	493
11,500	11,600	538	498
11,600	11,700	543	503
11,700	11,800	548	508
11,800	11,900	553	513
11,900	12,000	558	518

If taxable income is —		And you are —	
At least	But less than	Single * Married filing sepa- rately * Head of family	Married filing jointly
Your tax is —			
12,000			
12,000	12,100	563	523
12,100	12,200	568	528
12,200	12,300	573	533
12,300	12,400	578	538
12,400	12,500	583	543
12,500	12,600	588	548
12,600	12,700	593	553
12,700	12,800	598	558
12,800	12,900	603	563
12,900	13,000	608	568
13,000			
13,000	13,100	613	573
13,100	13,200	618	578
13,200	13,300	623	583
13,300	13,400	628	588
13,400	13,500	633	593
13,500	13,600	638	598
13,600	13,700	643	603
13,700	13,800	648	608
13,800	13,900	653	613
13,900	14,000	658	618
14,000			
14,000	14,100	663	623
14,100	14,200	668	628
14,200	14,300	673	633
14,300	14,400	678	638
14,400	14,500	683	643
14,500	14,600	688	648
14,600	14,700	693	653
14,700	14,800	698	658
14,800	14,900	703	663
14,900	15,000	708	668
15,000			
15,000	15,100	713	673
15,100	15,200	718	678
15,200	15,300	723	683
15,300	15,400	728	688
15,400	15,500	733	693
15,500	15,600	738	698
15,600	15,700	743	703
15,700	15,800	748	708
15,800	15,900	753	713
15,900	16,000	758	718

Tax Table – Continued

If taxable income is —		And you are —		If taxable income is —		And you are —		If taxable income is —		And you are —		If taxable income is —		And you are —	
At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly
Your tax is —				Your tax is —				Your tax is —				Your tax is —			
16,000				21,000				26,000				31,000			
16,000	16,100	763	723	21,000	21,100	1,013	973	26,000	26,100	1,263	1,223	31,000	31,100	1,513	1,473
16,100	16,200	768	728	21,100	21,200	1,018	978	26,100	26,200	1,268	1,228	31,100	31,200	1,518	1,478
16,200	16,300	773	733	21,200	21,300	1,023	983	26,200	26,300	1,273	1,233	31,200	31,300	1,523	1,483
16,300	16,400	778	738	21,300	21,400	1,028	988	26,300	26,400	1,278	1,238	31,300	31,400	1,528	1,488
16,400	16,500	783	743	21,400	21,500	1,033	993	26,400	26,500	1,283	1,243	31,400	31,500	1,533	1,493
16,500				21,500				26,500				31,500			
16,500	16,600	788	748	21,500	21,600	1,038	998	26,500	26,600	1,288	1,248	31,500	31,600	1,538	1,498
16,600	16,700	793	753	21,600	21,700	1,043	1,003	26,600	26,700	1,293	1,253	31,600	31,700	1,543	1,503
16,700	16,800	798	758	21,700	21,800	1,048	1,008	26,700	26,800	1,298	1,258	31,700	31,800	1,548	1,508
16,800	16,900	803	763	21,800	21,900	1,053	1,013	26,800	26,900	1,303	1,263	31,800	31,900	1,553	1,513
16,900	17,000	808	768	21,900	22,000	1,058	1,018	26,900	27,000	1,308	1,268	31,900	32,000	1,558	1,518
17,000				22,000				27,000				32,000			
17,000	17,100	813	773	22,000	22,100	1,063	1,023	27,000	27,100	1,313	1,273	32,000	32,100	1,563	1,523
17,100	17,200	818	778	22,100	22,200	1,068	1,028	27,100	27,200	1,318	1,278	32,100	32,200	1,568	1,528
17,200	17,300	823	783	22,200	22,300	1,073	1,033	27,200	27,300	1,323	1,283	32,200	32,300	1,573	1,533
17,300	17,400	828	788	22,300	22,400	1,078	1,038	27,300	27,400	1,328	1,288	32,300	32,400	1,578	1,538
17,400	17,500	833	793	22,400	22,500	1,083	1,043	27,400	27,500	1,333	1,293	32,400	32,500	1,583	1,543
17,500				22,500				27,500				32,500			
17,500	17,600	838	798	22,500	22,600	1,088	1,048	27,500	27,600	1,338	1,298	32,500	32,600	1,588	1,548
17,600	17,700	843	803	22,600	22,700	1,093	1,053	27,600	27,700	1,343	1,303	32,600	32,700	1,593	1,553
17,700	17,800	848	808	22,700	22,800	1,098	1,058	27,700	27,800	1,348	1,308	32,700	32,800	1,598	1,558
17,800	17,900	853	813	22,800	22,900	1,103	1,063	27,800	27,900	1,353	1,313	32,800	32,900	1,603	1,563
17,900	18,000	858	818	22,900	23,000	1,108	1,068	27,900	28,000	1,358	1,318	32,900	33,000	1,608	1,568
18,000				23,000				28,000				33,000			
18,000	18,100	863	823	23,000	23,100	1,113	1,073	28,000	28,100	1,363	1,323	33,000	33,100	1,613	1,573
18,100	18,200	868	828	23,100	23,200	1,118	1,078	28,100	28,200	1,368	1,328	33,100	33,200	1,618	1,578
18,200	18,300	873	833	23,200	23,300	1,123	1,083	28,200	28,300	1,373	1,333	33,200	33,300	1,623	1,583
18,300	18,400	878	838	23,300	23,400	1,128	1,088	28,300	28,400	1,378	1,338	33,300	33,400	1,628	1,588
18,400	18,500	883	843	23,400	23,500	1,133	1,093	28,400	28,500	1,383	1,343	33,400	33,500	1,633	1,593
18,500				23,500				28,500				33,500			
18,500	18,600	888	848	23,500	23,600	1,138	1,098	28,500	28,600	1,388	1,348	33,500	33,600	1,638	1,598
18,600	18,700	893	853	23,600	23,700	1,143	1,103	28,600	28,700	1,393	1,353	33,600	33,700	1,643	1,603
18,700	18,800	898	858	23,700	23,800	1,148	1,108	28,700	28,800	1,398	1,358	33,700	33,800	1,648	1,608
18,800	18,900	903	863	23,800	23,900	1,153	1,113	28,800	28,900	1,403	1,363	33,800	33,900	1,653	1,613
18,900	19,000	908	868	23,900	24,000	1,158	1,118	28,900	29,000	1,408	1,368	33,900	34,000	1,658	1,618
19,000				24,000				29,000				34,000			
19,000	19,100	913	873	24,000	24,100	1,163	1,123	29,000	29,100	1,413	1,373	34,000	34,100	1,663	1,623
19,100	19,200	918	878	24,100	24,200	1,168	1,128	29,100	29,200	1,418	1,378	34,100	34,200	1,668	1,628
19,200	19,300	923	883	24,200	24,300	1,173	1,133	29,200	29,300	1,423	1,383	34,200	34,300	1,673	1,633
19,300	19,400	928	888	24,300	24,400	1,178	1,138	29,300	29,400	1,428	1,388	34,300	34,400	1,678	1,638
19,400	19,500	933	893	24,400	24,500	1,183	1,143	29,400	29,500	1,433	1,393	34,400	34,500	1,683	1,643
19,500				24,500				29,500				34,500			
19,500	19,600	938	898	24,500	24,600	1,188	1,148	29,500	29,600	1,438	1,398	34,500	34,600	1,688	1,648
19,600	19,700	943	903	24,600	24,700	1,193	1,153	29,600	29,700	1,443	1,403	34,600	34,700	1,693	1,653
19,700	19,800	948	908	24,700	24,800	1,198	1,158	29,700	29,800	1,448	1,408	34,700	34,800	1,698	1,658
19,800	19,900	953	913	24,800	24,900	1,203	1,163	29,800	29,900	1,453	1,413	34,800	34,900	1,703	1,663
19,900	20,000	958	918	24,900	25,000	1,208	1,168	29,900	30,000	1,458	1,418	34,900	35,000	1,708	1,668
20,000				25,000				30,000				35,000			
20,000	20,100	963	923	25,000	25,100	1,213	1,173	30,000	30,100	1,463	1,423	35,000	35,100	1,713	1,673
20,100	20,200	968	928	25,100	25,200	1,218	1,178	30,100	30,200	1,468	1,428	35,100	35,200	1,718	1,678
20,200	20,300	973	933	25,200	25,300	1,223	1,183	30,200	30,300	1,473	1,433	35,200	35,300	1,723	1,683
20,300	20,400	978	938	25,300	25,400	1,228	1,188	30,300	30,400	1,478	1,438	35,300	35,400	1,728	1,688
20,400	20,500	983	943	25,400	25,500	1,233	1,193	30,400	30,500	1,483	1,443	35,400	35,500	1,733	1,693
20,500				25,500				30,500				35,500			
20,500	20,600	988	948	25,500	25,600	1,238	1,198	30,500	30,600	1,488	1,448	35,500	35,600	1,738	1,698
20,600	20,700	993	953	25,600	25,700	1,243	1,203	30,600	30,700	1,493	1,453	35,600	35,700	1,743	1,703
20,700	20,800	998	958	25,700	25,800	1,248	1,208	30,700	30,800	1,498	1,458	35,700	35,800	1,748	1,708
20,800	20,900	1,003	963	25,800	25,900	1,253	1,213	30,800	30,900	1,503	1,463	35,800	35,900	1,753	1,713
20,900	21,000	1,008	968	25,900	26,000	1,258	1,218	30,900	31,000	1,508	1,468	35,900	36,000	1,758	1,718

Tax Table – Continued

If taxable income is —		And you are —		If taxable income is —		And you are —		If taxable income is —		And you are —					
At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly				
		Your tax is —				Your tax is —				Your tax is —					
36,000				41,000				46,000				51,000			
36,000	36,100	1,763	1,723	41,000	41,100	2,013	1,973	46,000	46,100	2,263	2,223	51,000	51,100	2,513	2,473
36,100	36,200	1,768	1,728	41,100	41,200	2,018	1,978	46,100	46,200	2,268	2,228	51,100	51,200	2,518	2,478
36,200	36,300	1,773	1,733	41,200	41,300	2,023	1,983	46,200	46,300	2,273	2,233	51,200	51,300	2,523	2,483
36,300	36,400	1,778	1,738	41,300	41,400	2,028	1,988	46,300	46,400	2,278	2,238	51,300	51,400	2,528	2,488
36,400	36,500	1,783	1,743	41,400	41,500	2,033	1,993	46,400	46,500	2,283	2,243	51,400	51,500	2,533	2,493
36,500	36,600	1,788	1,748	41,500	41,600	2,038	1,998	46,500	46,600	2,288	2,248	51,500	51,600	2,538	2,498
36,600	36,700	1,793	1,753	41,600	41,700	2,043	2,003	46,600	46,700	2,293	2,253	51,600	51,700	2,543	2,503
36,700	36,800	1,798	1,758	41,700	41,800	2,048	2,008	46,700	46,800	2,298	2,258	51,700	51,800	2,548	2,508
36,800	36,900	1,803	1,763	41,800	41,900	2,053	2,013	46,800	46,900	2,303	2,263	51,800	51,900	2,553	2,513
36,900	37,000	1,808	1,768	41,900	42,000	2,058	2,018	46,900	47,000	2,308	2,268	51,900	52,000	2,558	2,518
37,000				42,000				47,000				52,000			
37,000	37,100	1,813	1,773	42,000	42,100	2,063	2,023	47,000	47,100	2,313	2,273	52,000	52,100	2,563	2,523
37,100	37,200	1,818	1,778	42,100	42,200	2,068	2,028	47,100	47,200	2,318	2,278	52,100	52,200	2,568	2,528
37,200	37,300	1,823	1,783	42,200	42,300	2,073	2,033	47,200	47,300	2,323	2,283	52,200	52,300	2,573	2,533
37,300	37,400	1,828	1,788	42,300	42,400	2,078	2,038	47,300	47,400	2,328	2,288	52,300	52,400	2,578	2,538
37,400	37,500	1,833	1,793	42,400	42,500	2,083	2,043	47,400	47,500	2,333	2,293	52,400	52,500	2,583	2,543
37,500	37,600	1,838	1,798	42,500	42,600	2,088	2,048	47,500	47,600	2,338	2,298	52,500	52,600	2,588	2,548
37,600	37,700	1,843	1,803	42,600	42,700	2,093	2,053	47,600	47,700	2,343	2,303	52,600	52,700	2,593	2,553
37,700	37,800	1,848	1,808	42,700	42,800	2,098	2,058	47,700	47,800	2,348	2,308	52,700	52,800	2,598	2,558
37,800	37,900	1,853	1,813	42,800	42,900	2,103	2,063	47,800	47,900	2,353	2,313	52,800	52,900	2,603	2,563
37,900	38,000	1,858	1,818	42,900	43,000	2,108	2,068	47,900	48,000	2,358	2,318	52,900	53,000	2,608	2,568
38,000				43,000				48,000				53,000			
38,000	38,100	1,863	1,823	43,000	43,100	2,113	2,073	48,000	48,100	2,363	2,323	53,000	53,100	2,613	2,573
38,100	38,200	1,868	1,828	43,100	43,200	2,118	2,078	48,100	48,200	2,368	2,328	53,100	53,200	2,618	2,578
38,200	38,300	1,873	1,833	43,200	43,300	2,123	2,083	48,200	48,300	2,373	2,333	53,200	53,300	2,623	2,583
38,300	38,400	1,878	1,838	43,300	43,400	2,128	2,088	48,300	48,400	2,378	2,338	53,300	53,400	2,628	2,588
38,400	38,500	1,883	1,843	43,400	43,500	2,133	2,093	48,400	48,500	2,383	2,343	53,400	53,500	2,633	2,593
38,500	38,600	1,888	1,848	43,500	43,600	2,138	2,098	48,500	48,600	2,388	2,348	53,500	53,600	2,638	2,598
38,600	38,700	1,893	1,853	43,600	43,700	2,143	2,103	48,600	48,700	2,393	2,353	53,600	53,700	2,643	2,603
38,700	38,800	1,898	1,858	43,700	43,800	2,148	2,108	48,700	48,800	2,398	2,358	53,700	53,800	2,648	2,608
38,800	38,900	1,903	1,863	43,800	43,900	2,153	2,113	48,800	48,900	2,403	2,363	53,800	53,900	2,653	2,613
38,900	39,000	1,908	1,868	43,900	44,000	2,158	2,118	48,900	49,000	2,408	2,368	53,900	54,000	2,658	2,618
39,000				44,000				49,000				54,000			
39,000	39,100	1,913	1,873	44,000	44,100	2,163	2,123	49,000	49,100	2,413	2,373	54,000	54,100	2,663	2,623
39,100	39,200	1,918	1,878	44,100	44,200	2,168	2,128	49,100	49,200	2,418	2,378	54,100	54,200	2,668	2,628
39,200	39,300	1,923	1,883	44,200	44,300	2,173	2,133	49,200	49,300	2,423	2,383	54,200	54,300	2,673	2,633
39,300	39,400	1,928	1,888	44,300	44,400	2,178	2,138	49,300	49,400	2,428	2,388	54,300	54,400	2,678	2,638
39,400	39,500	1,933	1,893	44,400	44,500	2,183	2,143	49,400	49,500	2,433	2,393	54,400	54,500	2,683	2,643
39,500	39,600	1,938	1,898	44,500	44,600	2,188	2,148	49,500	49,600	2,438	2,398	54,500	54,600	2,688	2,648
39,600	39,700	1,943	1,903	44,600	44,700	2,193	2,153	49,600	49,700	2,443	2,403	54,600	54,700	2,693	2,653
39,700	39,800	1,948	1,908	44,700	44,800	2,198	2,158	49,700	49,800	2,448	2,408	54,700	54,800	2,698	2,658
39,800	39,900	1,953	1,913	44,800	44,900	2,203	2,163	49,800	49,900	2,453	2,413	54,800	54,900	2,703	2,663
39,900	40,000	1,958	1,918	44,900	45,000	2,208	2,168	49,900	50,000	2,458	2,418	54,900	55,000	2,708	2,668
40,000				45,000				50,000				55,000			
40,000	40,100	1,963	1,923	45,000	45,100	2,213	2,173	50,000	50,100	2,463	2,423	55,000	55,100	2,713	2,673
40,100	40,200	1,968	1,928	45,100	45,200	2,218	2,178	50,100	50,200	2,468	2,428	55,100	55,200	2,718	2,678
40,200	40,300	1,973	1,933	45,200	45,300	2,223	2,183	50,200	50,300	2,473	2,433	55,200	55,300	2,723	2,683
40,300	40,400	1,978	1,938	45,300	45,400	2,228	2,188	50,300	50,400	2,478	2,438	55,300	55,400	2,728	2,688
40,400	40,500	1,983	1,943	45,400	45,500	2,233	2,193	50,400	50,500	2,483	2,443	55,400	55,500	2,733	2,693
40,500	40,600	1,988	1,948	45,500	45,600	2,238	2,198	50,500	50,600	2,488	2,448	55,500	55,600	2,738	2,698
40,600	40,700	1,993	1,953	45,600	45,700	2,243	2,203	50,600	50,700	2,493	2,453	55,600	55,700	2,743	2,703
40,700	40,800	1,998	1,958	45,700	45,800	2,248	2,208	50,700	50,800	2,498	2,458	55,700	55,800	2,748	2,708
40,800	40,900	2,003	1,963	45,800	45,900	2,253	2,213	50,800	50,900	2,503	2,463	55,800	55,900	2,753	2,713
40,900	41,000	2,008	1,968	45,900	46,000	2,258	2,218	50,900	51,000	2,508	2,468	55,900	56,000	2,758	2,718

Tax Table – Continued

If taxable income is —		And you are —		If taxable income is —		And you are —		If taxable income is —		And you are —					
At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly				
		Your tax is —				Your tax is —				Your tax is —					
56,000				61,000				66,000				71,000			
56,000	56,100	2,763	2,723	61,000	61,100	3,013	2,973	66,000	66,100	3,263	3,223	71,000	71,100	3,513	3,473
56,100	56,200	2,768	2,728	61,100	61,200	3,018	2,978	66,100	66,200	3,268	3,228	71,100	71,200	3,518	3,478
56,200	56,300	2,773	2,733	61,200	61,300	3,023	2,983	66,200	66,300	3,273	3,233	71,200	71,300	3,523	3,483
56,300	56,400	2,778	2,738	61,300	61,400	3,028	2,988	66,300	66,400	3,278	3,238	71,300	71,400	3,528	3,488
56,400	56,500	2,783	2,743	61,400	61,500	3,033	2,993	66,400	66,500	3,283	3,243	71,400	71,500	3,533	3,493
56,500	56,600	2,788	2,748	61,500	61,600	3,038	2,998	66,500	66,600	3,288	3,248	71,500	71,600	3,538	3,498
56,600	56,700	2,793	2,753	61,600	61,700	3,043	3,003	66,600	66,700	3,293	3,253	71,600	71,700	3,543	3,503
56,700	56,800	2,798	2,758	61,700	61,800	3,048	3,008	66,700	66,800	3,298	3,258	71,700	71,800	3,548	3,508
56,800	56,900	2,803	2,763	61,800	61,900	3,053	3,013	66,800	66,900	3,303	3,263	71,800	71,900	3,553	3,513
56,900	57,000	2,808	2,768	61,900	62,000	3,058	3,018	66,900	67,000	3,308	3,268	71,900	72,000	3,558	3,518
57,000				62,000				67,000				72,000			
57,000	57,100	2,813	2,773	62,000	62,100	3,063	3,023	67,000	67,100	3,313	3,273	72,000	72,100	3,563	3,523
57,100	57,200	2,818	2,778	62,100	62,200	3,068	3,028	67,100	67,200	3,318	3,278	72,100	72,200	3,568	3,528
57,200	57,300	2,823	2,783	62,200	62,300	3,073	3,033	67,200	67,300	3,323	3,283	72,200	72,300	3,573	3,533
57,300	57,400	2,828	2,788	62,300	62,400	3,078	3,038	67,300	67,400	3,328	3,288	72,300	72,400	3,578	3,538
57,400	57,500	2,833	2,793	62,400	62,500	3,083	3,043	67,400	67,500	3,333	3,293	72,400	72,500	3,583	3,543
57,500	57,600	2,838	2,798	62,500	62,600	3,088	3,048	67,500	67,600	3,338	3,298	72,500	72,600	3,588	3,548
57,600	57,700	2,843	2,803	62,600	62,700	3,093	3,053	67,600	67,700	3,343	3,303	72,600	72,700	3,593	3,553
57,700	57,800	2,848	2,808	62,700	62,800	3,098	3,058	67,700	67,800	3,348	3,308	72,700	72,800	3,598	3,558
57,800	57,900	2,853	2,813	62,800	62,900	3,103	3,063	67,800	67,900	3,353	3,313	72,800	72,900	3,603	3,563
57,900	58,000	2,858	2,818	62,900	63,000	3,108	3,068	67,900	68,000	3,358	3,318	72,900	73,000	3,608	3,568
58,000				63,000				68,000				73,000			
58,000	58,100	2,863	2,823	63,000	63,100	3,113	3,073	68,000	68,100	3,363	3,323	73,000	73,100	3,613	3,573
58,100	58,200	2,868	2,828	63,100	63,200	3,118	3,078	68,100	68,200	3,368	3,328	73,100	73,200	3,618	3,578
58,200	58,300	2,873	2,833	63,200	63,300	3,123	3,083	68,200	68,300	3,373	3,333	73,200	73,300	3,623	3,583
58,300	58,400	2,878	2,838	63,300	63,400	3,128	3,088	68,300	68,400	3,378	3,338	73,300	73,400	3,628	3,588
58,400	58,500	2,883	2,843	63,400	63,500	3,133	3,093	68,400	68,500	3,383	3,343	73,400	73,500	3,633	3,593
58,500	58,600	2,888	2,848	63,500	63,600	3,138	3,098	68,500	68,600	3,388	3,348	73,500	73,600	3,638	3,598
58,600	58,700	2,893	2,853	63,600	63,700	3,143	3,103	68,600	68,700	3,393	3,353	73,600	73,700	3,643	3,603
58,700	58,800	2,898	2,858	63,700	63,800	3,148	3,108	68,700	68,800	3,398	3,358	73,700	73,800	3,648	3,608
58,800	58,900	2,903	2,863	63,800	63,900	3,153	3,113	68,800	68,900	3,403	3,363	73,800	73,900	3,653	3,613
58,900	59,000	2,908	2,868	63,900	64,000	3,158	3,118	68,900	69,000	3,408	3,368	73,900	74,000	3,658	3,618
59,000				64,000				69,000				74,000			
59,000	59,100	2,913	2,873	64,000	64,100	3,163	3,123	69,000	69,100	3,413	3,373	74,000	74,100	3,663	3,623
59,100	59,200	2,918	2,878	64,100	64,200	3,168	3,128	69,100	69,200	3,418	3,378	74,100	74,200	3,668	3,628
59,200	59,300	2,923	2,883	64,200	64,300	3,173	3,133	69,200	69,300	3,423	3,383	74,200	74,300	3,673	3,633
59,300	59,400	2,928	2,888	64,300	64,400	3,178	3,138	69,300	69,400	3,428	3,388	74,300	74,400	3,678	3,638
59,400	59,500	2,933	2,893	64,400	64,500	3,183	3,143	69,400	69,500	3,433	3,393	74,400	74,500	3,683	3,643
59,500	59,600	2,938	2,898	64,500	64,600	3,188	3,148	69,500	69,600	3,438	3,398	74,500	74,600	3,688	3,648
59,600	59,700	2,943	2,903	64,600	64,700	3,193	3,153	69,600	69,700	3,443	3,403	74,600	74,700	3,693	3,653
59,700	59,800	2,948	2,908	64,700	64,800	3,198	3,158	69,700	69,800	3,448	3,408	74,700	74,800	3,698	3,658
59,800	59,900	2,953	2,913	64,800	64,900	3,203	3,163	69,800	69,900	3,453	3,413	74,800	74,900	3,703	3,663
59,900	60,000	2,958	2,918	64,900	65,000	3,208	3,168	69,900	70,000	3,458	3,418	74,900	75,000	3,708	3,668
60,000				65,000				70,000				75,000			
60,000	60,100	2,963	2,923	65,000	65,100	3,213	3,173	70,000	70,100	3,463	3,423	75,000	75,100	3,713	3,673
60,100	60,200	2,968	2,928	65,100	65,200	3,218	3,178	70,100	70,200	3,468	3,428	75,100	75,200	3,718	3,678
60,200	60,300	2,973	2,933	65,200	65,300	3,223	3,183	70,200	70,300	3,473	3,433	75,200	75,300	3,723	3,683
60,300	60,400	2,978	2,938	65,300	65,400	3,228	3,188	70,300	70,400	3,478	3,438	75,300	75,400	3,728	3,688
60,400	60,500	2,983	2,943	65,400	65,500	3,233	3,193	70,400	70,500	3,483	3,443	75,400	75,500	3,733	3,693
60,500	60,600	2,988	2,948	65,500	65,600	3,238	3,198	70,500	70,600	3,488	3,448	75,500	75,600	3,738	3,698
60,600	60,700	2,993	2,953	65,600	65,700	3,243	3,203	70,600	70,700	3,493	3,453	75,600	75,700	3,743	3,703
60,700	60,800	2,998	2,958	65,700	65,800	3,248	3,208	70,700	70,800	3,498	3,458	75,700	75,800	3,748	3,708
60,800	60,900	3,003	2,963	65,800	65,900	3,253	3,213	70,800	70,900	3,503	3,463	75,800	75,900	3,753	3,713
60,900	61,000	3,008	2,968	65,900	66,000	3,258	3,218	70,900	71,000	3,508	3,468	75,900	76,000	3,758	3,718

Tax Table – Continued

If taxable income is —		And you are —		If taxable income is —		And you are —		If taxable income is —		And you are —					
At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly	At least	But less than	Single * Married filing separately * Head of family	Married filing jointly				
		Your tax is —				Your tax is —				Your tax is —					
76,000				81,000				86,000				91,000			
76,000	76,100	3,763	3,723	81,000	81,100	4,013	3,973	86,000	86,100	4,263	4,223	91,000	91,100	4,513	4,473
76,100	76,200	3,768	3,728	81,100	81,200	4,018	3,978	86,100	86,200	4,268	4,228	91,100	91,200	4,518	4,478
76,200	76,300	3,773	3,733	81,200	81,300	4,023	3,983	86,200	86,300	4,273	4,233	91,200	91,300	4,523	4,483
76,300	76,400	3,778	3,738	81,300	81,400	4,028	3,988	86,300	86,400	4,278	4,238	91,300	91,400	4,528	4,488
76,400	76,500	3,783	3,743	81,400	81,500	4,033	3,993	86,400	86,500	4,283	4,243	91,400	91,500	4,533	4,493
76,500	76,600	3,788	3,748	81,500	81,600	4,038	3,998	86,500	86,600	4,288	4,248	91,500	91,600	4,538	4,498
76,600	76,700	3,793	3,753	81,600	81,700	4,043	4,003	86,600	86,700	4,293	4,253	91,600	91,700	4,543	4,503
76,700	76,800	3,798	3,758	81,700	81,800	4,048	4,008	86,700	86,800	4,298	4,258	91,700	91,800	4,548	4,508
76,800	76,900	3,803	3,763	81,800	81,900	4,053	4,013	86,800	86,900	4,303	4,263	91,800	91,900	4,553	4,513
76,900	77,000	3,808	3,768	81,900	82,000	4,058	4,018	86,900	87,000	4,308	4,268	91,900	92,000	4,558	4,518
77,000				82,000				87,000				92,000			
77,000	77,100	3,813	3,773	82,000	82,100	4,063	4,023	87,000	87,100	4,313	4,273	92,000	92,100	4,563	4,523
77,100	77,200	3,818	3,778	82,100	82,200	4,068	4,028	87,100	87,200	4,318	4,278	92,100	92,200	4,568	4,528
77,200	77,300	3,823	3,783	82,200	82,300	4,073	4,033	87,200	87,300	4,323	4,283	92,200	92,300	4,573	4,533
77,300	77,400	3,828	3,788	82,300	82,400	4,078	4,038	87,300	87,400	4,328	4,288	92,300	92,400	4,578	4,538
77,400	77,500	3,833	3,793	82,400	82,500	4,083	4,043	87,400	87,500	4,333	4,293	92,400	92,500	4,583	4,543
77,500	77,600	3,838	3,798	82,500	82,600	4,088	4,048	87,500	87,600	4,338	4,298	92,500	92,600	4,588	4,548
77,600	77,700	3,843	3,803	82,600	82,700	4,093	4,053	87,600	87,700	4,343	4,303	92,600	92,700	4,593	4,553
77,700	77,800	3,848	3,808	82,700	82,800	4,098	4,058	87,700	87,800	4,348	4,308	92,700	92,800	4,598	4,558
77,800	77,900	3,853	3,813	82,800	82,900	4,103	4,063	87,800	87,900	4,353	4,313	92,800	92,900	4,603	4,563
77,900	78,000	3,858	3,818	82,900	83,000	4,108	4,068	87,900	88,000	4,358	4,318	92,900	93,000	4,608	4,568
78,000				83,000				88,000				93,000			
78,000	78,100	3,863	3,823	83,000	83,100	4,113	4,073	88,000	88,100	4,363	4,323	93,000	93,100	4,613	4,573
78,100	78,200	3,868	3,828	83,100	83,200	4,118	4,078	88,100	88,200	4,368	4,328	93,100	93,200	4,618	4,578
78,200	78,300	3,873	3,833	83,200	83,300	4,123	4,083	88,200	88,300	4,373	4,333	93,200	93,300	4,623	4,583
78,300	78,400	3,878	3,838	83,300	83,400	4,128	4,088	88,300	88,400	4,378	4,338	93,300	93,400	4,628	4,588
78,400	78,500	3,883	3,843	83,400	83,500	4,133	4,093	88,400	88,500	4,383	4,343	93,400	93,500	4,633	4,593
78,500	78,600	3,888	3,848	83,500	83,600	4,138	4,098	88,500	88,600	4,388	4,348	93,500	93,600	4,638	4,598
78,600	78,700	3,893	3,853	83,600	83,700	4,143	4,103	88,600	88,700	4,393	4,353	93,600	93,700	4,643	4,603
78,700	78,800	3,898	3,858	83,700	83,800	4,148	4,108	88,700	88,800	4,398	4,358	93,700	93,800	4,648	4,608
78,800	78,900	3,903	3,863	83,800	83,900	4,153	4,113	88,800	88,900	4,403	4,363	93,800	93,900	4,653	4,613
78,900	79,000	3,908	3,868	83,900	84,000	4,158	4,118	88,900	89,000	4,408	4,368	93,900	94,000	4,658	4,618
79,000				84,000				89,000				94,000			
79,000	79,100	3,913	3,873	84,000	84,100	4,163	4,123	89,000	89,100	4,413	4,373	94,000	94,100	4,663	4,623
79,100	79,200	3,918	3,878	84,100	84,200	4,168	4,128	89,100	89,200	4,418	4,378	94,100	94,200	4,668	4,628
79,200	79,300	3,923	3,883	84,200	84,300	4,173	4,133	89,200	89,300	4,423	4,383	94,200	94,300	4,673	4,633
79,300	79,400	3,928	3,888	84,300	84,400	4,178	4,138	89,300	89,400	4,428	4,388	94,300	94,400	4,678	4,638
79,400	79,500	3,933	3,893	84,400	84,500	4,183	4,143	89,400	89,500	4,433	4,393	94,400	94,500	4,683	4,643
79,500	79,600	3,938	3,898	84,500	84,600	4,188	4,148	89,500	89,600	4,438	4,398	94,500	94,600	4,688	4,648
79,600	79,700	3,943	3,903	84,600	84,700	4,193	4,153	89,600	89,700	4,443	4,403	94,600	94,700	4,693	4,653
79,700	79,800	3,948	3,908	84,700	84,800	4,198	4,158	89,700	89,800	4,448	4,408	94,700	94,800	4,698	4,658
79,800	79,900	3,953	3,913	84,800	84,900	4,203	4,163	89,800	89,900	4,453	4,413	94,800	94,900	4,703	4,663
79,900	80,000	3,958	3,918	84,900	85,000	4,208	4,168	89,900	90,000	4,458	4,418	94,900	95,000	4,708	4,668
80,000				85,000				90,000				95,000			
80,000	80,100	3,963	3,923	85,000	85,100	4,213	4,173	90,000	90,100	4,463	4,423	95,000	95,100	4,713	4,673
80,100	80,200	3,968	3,928	85,100	85,200	4,218	4,178	90,100	90,200	4,468	4,428	95,100	95,200	4,718	4,678
80,200	80,300	3,973	3,933	85,200	85,300	4,223	4,183	90,200	90,300	4,473	4,433	95,200	95,300	4,723	4,683
80,300	80,400	3,978	3,938	85,300	85,400	4,228	4,188	90,300	90,400	4,478	4,438	95,300	95,400	4,728	4,688
80,400	80,500	3,983	3,943	85,400	85,500	4,233	4,193	90,400	90,500	4,483	4,443	95,400	95,500	4,733	4,693
80,500	80,600	3,988	3,948	85,500	85,600	4,238	4,198	90,500	90,600	4,488	4,448	95,500	95,600	4,738	4,698
80,600	80,700	3,993	3,953	85,600	85,700	4,243	4,203	90,600	90,700	4,493	4,453	95,600	95,700	4,743	4,703
80,700	80,800	3,998	3,958	85,700	85,800	4,248	4,208	90,700	90,800	4,498	4,458	95,700	95,800	4,748	4,708
80,800	80,900	4,003	3,963	85,800	85,900	4,253	4,213	90,800	90,900	4,503	4,463	95,800	95,900	4,753	4,713
80,900	81,000	4,008	3,968	85,900	86,000	4,258	4,218	90,900	91,000	4,508	4,468	95,900	96,000	4,758	4,718

Tax Table – Continued

If taxable income is —		And you are —		If taxable income is —		And you are —		If taxable income is —		And you are —		If taxable income is —		And you are —	
At least	But less than	Single *	Married filing jointly	At least	But less than	Single *	Married filing jointly	At least	But less than	Single *	Married filing jointly	At least	But less than	Single *	Married filing jointly
96,000		Your tax is —		97,000		Your tax is —		98,000		Your tax is —		99,000		Your tax is —	
96,000	96,100	4,763	4,723	97,000	97,100	4,813	4,773	98,000	98,100	4,863	4,823	99,000	99,100	4,913	4,873
96,100	96,200	4,768	4,728	97,100	97,200	4,818	4,778	98,100	98,200	4,868	4,828	99,100	99,200	4,918	4,878
96,200	96,300	4,773	4,733	97,200	97,300	4,823	4,783	98,200	98,300	4,873	4,833	99,200	99,300	4,923	4,883
96,300	96,400	4,778	4,738	97,300	97,400	4,828	4,788	98,300	98,400	4,878	4,838	99,300	99,400	4,928	4,888
96,400	96,500	4,783	4,743	97,400	97,500	4,833	4,793	98,400	98,500	4,883	4,843	99,400	99,500	4,933	4,893
96,500	96,600	4,788	4,748	97,500	97,600	4,838	4,798	98,500	98,600	4,888	4,848	99,500	99,600	4,938	4,898
96,600	96,700	4,793	4,753	97,600	97,700	4,843	4,803	98,600	98,700	4,893	4,853	99,600	99,700	4,943	4,903
96,700	96,800	4,798	4,758	97,700	97,800	4,848	4,808	98,700	98,800	4,898	4,858	99,700	99,800	4,948	4,908
96,800	96,900	4,803	4,763	97,800	97,900	4,853	4,813	98,800	98,900	4,903	4,863	99,800	99,900	4,953	4,913
96,900	97,000	4,808	4,768	97,900	98,000	4,858	4,818	98,900	99,000	4,908	4,868	99,900	100,000	4,958	4,918

Over \$100,000.00

If taxable income is over \$100,000, use the following worksheet to figure your tax.

- Single
- Married filing separately
- Head of family

1 Enter taxable income . . . _____

2 Less – 100,000.00

3 Subtract line 2 from line 1 _____

4 Multiply line 3 by .05 . . x _____ .05

5 Enter result here _____

6 Plus + 4,958.00

7 Add lines 5 and 6.

Your tax is. ► _____

- Married filing jointly

1 Enter taxable income . . . _____

2 Less – 100,000.00

3 Subtract line 2 from line 1 _____

4 Multiply line 3 by .05 . . x _____ .05

5 Enter result here _____

6 Plus + 4,918.00

7 Add lines 5 and 6.

Your tax is. ► _____

How To Obtain Forms

To obtain instructions, schedules and forms visit our Web site at: www.revenue.alabama.gov. Additional booklets, forms, and schedules are listed below. These booklets and forms may be obtained by visiting the Alabama Taxpayer Service Center nearest you.

NOTE:

Accountants, banks, post offices, military bases, libraries, and businesses needing forms may use our Web site which lists all Alabama forms and instructions available for individuals, partnerships, fiduciaries, employers, etc.

BOOKLETS

Form 40 Booklet. This booklet contains the following forms and schedules with instructions: Form 40, Schedules A, B, CR, DC, D, & E and Form 40V.

Form 40A Booklet. This booklet contains Form 40A with instructions and Form 40V.

Form 40NR Booklet. This booklet contains the following forms and schedules with instructions: Form 40NR, Schedules A, B, D, & E and Form 40V.

Note: See **Which Form To File** on page 5 of this booklet for requirements you must meet to file Form 40, Form 40A, and Form 40NR.

FORMS

Form 40 Individual Income Tax Return for full year residents of Alabama and also part-year residents of Alabama.

Form 40A Individual Income Tax Return (Short Form) for full year residents of Alabama.

Form 40NR Nonresident Individual Income Tax Return for nonresidents of Alabama.

Form 40ES to make estimated tax payments.

SCHEDULES

Schedule A for itemized deductions.

Schedule B for interest and dividend income.

Schedule CR for computation of credit for taxes paid to other states.

Schedule DC for computation of total donations.

Schedule D for reporting income from the sale or exchange of capital assets.

Schedule E for reporting income from rents, royalties, partnerships, estates, and trusts.

Schedule OC for computation of credits.

Schedule NTC for computation of the net tax due.

Schedule AATC for computation of the credit for transferring a student from a failing public school to a nonfailing public school or nonpublic school and/or credit for contributing to a scholarship granting organization.

NOTE:

Alabama does not provide the following forms and schedules and requests that the appropriate federal schedule be used making the modifications as required by Alabama law.

Schedule C for reporting income from a personally owned business.

Schedule F for reporting income from farming.

Form 2106 for claiming employee business expenses.

Form 3903 for claiming moving expenses.

Form 4684 for reporting casualty and theft losses.

Form 4797 for reporting sale of business property.

Form 6252 for reporting installment sale income.

Form 8283 for reporting noncash contributions.

Do you need

help

paying for

PHONE SERVICE?

DO YOU, OR SOMEONE IN YOUR HOUSEHOLD, PARTICIPATE IN ANY OF THESE PROGRAMS?

- Medicaid
- Food Stamps
- Supplemental Security Income (SSI)
- Section 8 Federal Public Housing Assistance (FPHA)
- Low Income Home Energy Assistance Program (LIHEAP)
- Temporary Assistance for Needy Families (TANF)

YOU MAY QUALIFY FOR THESE TWO SPECIAL PROGRAMS:

• **LINK-UP**

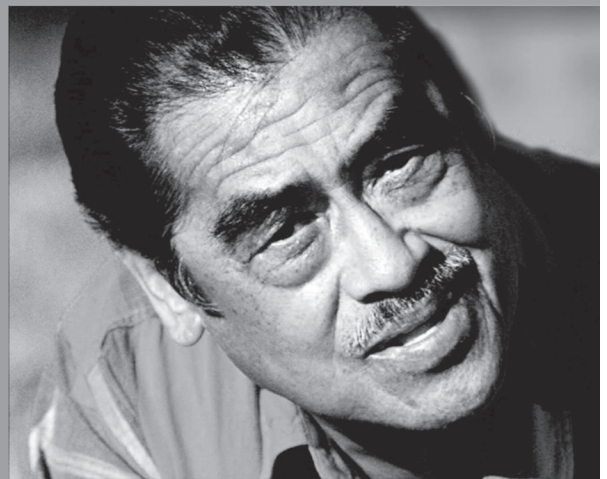
This program provides a discount on the cost of installing telephone service.

• **LIFELINE**

This program provides a discount on the cost of monthly telephone service.

For a complete set of terms for the Link-Up and Lifeline programs, call or visit your local telephone company. You may also contact any other eligible telecommunications company that is certified to provide service in Alabama by the Alabama Public Service Commission or the Federal Communications Commission.

Link-Up and Lifeline are part of the Federal Universal Service Fund program. The Federal Communications Commission introduced this program, and the Universal Service Administrative Company oversees it. The goal of Universal Service is to make sure consumers throughout the United States have essential telecommunications service.



To find out if you qualify for these programs, **call your local telephone company.**

You may also call the Alabama Public Service Commission toll free at

1-800-882-3919