

empt for Alabama income tax purposes. Interest income from the obligations of the State of Alabama and the obligations of Alabama local political subdivisions is exempt for federal income tax purposes, and is exempt for Alabama income tax purposes. Interest income from non-Alabama state and local government obligations is exempt for federal income tax purposes, but not for Alabama income tax purposes – see §40-18-14.

**Federal Passive Activity Loss Restrictions.** Estates and trusts are subject to certain federal passive activity loss restrictions, which are not applicable in computing Alabama taxable income.

**Capital Gains and Losses.** While federal income tax law may limit the amount of capital losses that may be claimed by a taxpayer in a tax year, in computing Alabama taxable income estates and trusts shall report gains and losses in accordance with §40-18-8.

**Deductions not Claimed on the Federal Return in Order to Take a Federal Employment Tax Credit.** Certain federal employment tax credits require the wages to be reduced by the amount of the credit taken – the amount the wages were reduced would be allowed as a deduction for Alabama income tax purposes.

## Schedule D

### Purpose of Schedule

Use Schedule D (Form 41) to report the sale of real estate, stocks, bonds, etc.

Under current Alabama law, the entire gain is taxable, and the entire loss is deductible in the year in which it occurs. 40-18-6,7, and 8.

Column (a) Kind of property and description.

Column (b) Date Acquired (month, day, and year).

If the shares were acquired on different dates enter "Various" in column (b).

Column(c) Date sold (month, day, and year).

Column (d) Gross Sale price.

Column (e) Cost or Other Basis, plus Expense of Sale.

Column (f) Gain (Loss) (d) less (e).

**Line 2.** Subtotal of capital gains and losses in column (f).

**Line 2 through 7.** Report gain or loss and attach applicable schedules.

**Line 8.** Report total capital gain or loss of lines 2 through 7 and, enter total here and on Form 41, page 3, Schedule C, Column C, line 3c, or Schedule G, line3.

## Schedule E

### Purpose of Schedule

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

#### Part I

**Line 1.** Indicate the kind of rental real estate property the trust or estate rented out. Include the street address, city, or town, and state along with percentage of ownership in the property.

**Line 2.** Indicate yes or no if the unit was used by you or your family for personal purposes more than 14 day's or 10% percent of the total days rented to others at a fair rental price.

**Line 3 and 4.** If the trust or estate received rent from property owned or controlled, or royalties from copyrights, mineral leases, and similar rights, report the total amount received in Part I, columns (a) through (c).

**Line 5 through 18.** Enter 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 commissions.

## Part II

If the estate or trust received income from a partnership or S Corporations the amounts should be reported in part II, column (j). The name and address must be given in column (g) showing source of income received. In column (h) check the appropriate entity for which for which the income or (loss) is being received and enter the fein in column (i).

**Line 24.** Report total income or (loss) from partnerships and s corporations. Add the amounts in column (j) enter here and include on line 25 below.

**Line 25.** Report total income or (loss) Combine lines 23 and 24. Enter here and on Form 41, page 3, Schedule C, Column C, line 5a, or Schedule G, line 5.

## Part III

If the estate or trust received income from an estate or trust the amounts should be reported in part III, column (n). The name and address must be given in column (k) showing source of income received. In column (l) check the appropriate entity for which the income or (loss) is being received and enter the fein in column (m).

**Line 26.** Report total income or (loss) from estates and trusts. Add the amounts in column (n) . Enter here and on Form 41, page 3, Schedule C, line 5b, or Schedule G, line 6.

## Schedule K – Summary of Alabama K-1 Information

Schedule K is a summary of the information reported on the Alabama Schedule K-1s, which are prepared and filed as a part of the Alabama Form 41 return. Line 1 through 14 on Schedule K coincide with the lines in Part III (Beneficiary Share of Current Year Income, Deductions, and Credit) in the column labeled Income sourced to Alabama. On the Alabama Schedule K-1 (Form 41).

**Character of Income** – In accordance with §40-18-25(b), the character of the income that is reported by the beneficiary or owner of an estate or trust must reflect the same character the income possessed when the income was originally received by the estate or trust.

**Allocation of the Alabama Income Distribution Deduction** – The amount entered on page 1, line 2 must be allocated to the different classes of income included in the Alabama Distributable Net Income, so that the income reported by the beneficiaries or owners will retain its character. Generally the allocation is completed in accordance with Internal Revenue Code §§652 and 662.

## Preparation of Alabama Schedule K-1 (For Form 41)

**Alabama Fiduciary Income Tax Beneficiary Information.** Enter the tax year information if other than for a calendar year. Also, on the upper right area of the form indicate if the Schedule K-1 is a final K-1 or an amended K-1. The Alabama K-1 has two columns for Part III. The first column is for non-resident beneficiaries and should be reported as Alabama sourced income. If the income is tax exempt for non-resident beneficiaries, please check the box: NR Exempt. The second column of Part III should be completed for resident beneficiaries only and should be reported as the resident beneficiary's share of income (loss).

**Part I – Information about the Estate or Trust.** Enter information requested about the entity.

**Part II – Information about the Beneficiary.** Enter beneficiary information.