

If some of your expenses are part business and part 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.

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 Part I, line 2.

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.

Line 4

Retirement Income (Schedule RS)

Complete Schedule RS to report fully or partially taxable pensions, annuities, IRA distributions (include SEP, Keogh, 401(k)(2), 403(b) distributions), other distributions and retirement distribution(s) exempt from Alabama

Income. See the Schedule RS instructions for more information.

IRA Distributions ROTH and Educational IRAs

Use Schedule RS 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 or if only part of the distribution is taxable, enter it on Schedule RS, Part II or Part III if spouse's distribution. You MAY need to complete the worksheet on page 13 to determine the amount taxable. If the "taxable amount" listed on your Form 1099-R 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 1099-R 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 this page to calculate the amount taxable for Alabama purposes.

IF THE IRA DISTRIBUTION IS ROLLED OVER, complete Schedule RS, Part I if no amount is taxable. Complete Schedule RS, Part II or Part III if amount is taxable. 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 In-

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 2023 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	2023 Withdrawals . Enter the amount you withdrew during the 2023 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 Schedule RS, Part II for primary taxpayer and Part III for spouse. If other than an IRA Distribution, enter the result on Schedule RS Part II for primary taxpayer and Part III for spouse	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 15 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 Schedule RS, Part II for primary taxpayer and Part III for spouse. If other than an IRA distribution, enter on Schedule RS, Part II for primary taxpayer and Part III for spouse.	14	00