



**SAVE FIRST**

## Alabama "Publication 4012": Instructions for AL-40

Volunteers: Follow these instructions as you complete the Alabama return!

### Select your State Return

Please select the state that you would like to complete below.

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Only states that accept tax returns for which you have not already created a state tax return are listed here. The following states **do not** have individual income tax returns:  
Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming

Choose State  
- Please Select -

## Chart Who Must File an Alabama Tax Return?

**A**

Probe/Action: Ask the Taxpayer:

Step 1	Did you live in Alabama all 12 months of the tax year?	If <b>YES</b> , select "Resident" If <b>NO</b> , go to <b>step 2</b>
Step 2	Did you live in Alabama for any part of the tax year?	If <b>YES</b> , select "Part-Year Resident" If <b>NO</b> , go to <b>step 3</b>
Step 3	Did you have taxable income from Alabama sources or for performing services within Alabama even though you are not a resident?	If <b>YES</b> , select "Non-Resident"* If <b>NO</b> , no further action required.

\*See AL-40 instructions for further details

### Select your Alabama Return Residency

Please choose a return type

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**Resident:** You are a Resident of Alabama if you have a permanent place to live in Alabama for the entire tax year regardless of brief, infrequent absences.

**Part Year:** You are a Part Year Resident of Alabama if you have a permanent place to live in Alabama during any part of the tax year.

**Non-Resident** You are a Nonresident of Alabama if you do not maintain a permanent place to live in Alabama during the tax year.

## Chart Did the Taxpayer File a Return Last Year?

**B**

You must answer the question:

“Did you file an Alabama tax return for [the previous tax year]? YES OR NO”

Step <b>1</b>	Did you file an Alabama tax return for the previous tax year?	If YES, check <b>YES</b> . If <b>NO</b> , go to Step 2.
Step <b>2</b>	Check <b>NO</b> and state a reason why (i.e., not required to file because too little income, did not live in Alabama, etc.)	

## Chart Name and Address of Present Employer

**C**

Step <b>1</b>	If one of the W-2s that you entered is the taxpayer's current employer, enter the information from the employer from the W-2 in the space provided.	
Step <b>2</b>	Double check that the employer and address is correct.	
Step <b>3</b>	If none of the W-2s is the current employer, leave the spaces blank.	

### Alabama State Return

Did you file an Alabama Income Tax Return for last year?

Yes ▾

Present Employer

WALMART

Employer's Address

132 WALMART ST

Employer's City

BIRMINGHAM

Employer's State

Alabama ▾

Employer's Zip Code

35203

Employer's Phone Number

Enter qualifying Health Insurance deduction for certain employer provided plans

\$

Consumer Use Tax. Enter 0 if no tax is due.

\$0

Alabama Democratic Party (Limit to \$1.00; \$2.00 for joint filers)

\$

Alabama Republican Party (Limit to \$1.00; \$2.00 for joint filers)

\$

✕ Cancel

✓ Continue

## Chart Alabama Dependency Exemption

**D**

Probe/Action: Ask the Taxpayer:

Step <b>1</b>	Was the person your son, daughter, legally adopted child, stepson, stepdaughter, or grandchild? <sup>1</sup> OR Was the person your brother, sister, half-brother, half-sister, stepbrother, or stepsister? <sup>1</sup> OR Was the person your father, mother, grandmother, grandfather, stepmother, or stepfather? <sup>1</sup> OR Was the person your mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law? <sup>1</sup>	If <b>YES</b> , go to Step 4 If <b>NO</b> , go to Step 2.
Step <b>2</b>	Was the person your uncle, aunt, nephew, or niece?	If <b>YES</b> , go to Step 3. If <b>NO</b> , you cannot claim this person as a dependent <sup>2</sup>
Step <b>3</b>	Was the person related to you by blood?	If <b>YES</b> , go to Step 4. If <b>NO</b> , you cannot claim this person as a dependent <sup>2</sup>
Step <b>4</b>	Did you provide more than 50% of the person's total support for the year?	If <b>YES</b> , you can claim this person as your dependent <sup>3</sup> If <b>NO</b> , you cannot claim this person as your dependent <sup>2</sup>

### Footnotes

<sup>1</sup> Note: **You cannot claim a foster child, friend, or cousin as a dependent under Alabama law.**

<sup>2</sup> If the person is listed on the AL-40, Part III because they were considered dependents on the federal tax return and do not meet the support test **AND/OR** do not meet the relationship test, indicate on the form that you did not provide 1/2 support to remove the person as a dependent.

<sup>3</sup> If the person passes both the support relationship tests, mark the form in AL-40, Part III indicating that you provided more than 1/2 support

## Chart Determination of Alabama Filing Status

**E**

Probe/Action: Ask the Taxpayer:

Step <b>1</b>	Were you married on December 31 of the tax year? (Answer <b>No</b> if you are legally separated from your spouse)	If <b>YES</b> , go to Step 2 If <b>NO</b> , go to Step 4.
Step <b>2</b>	Is your spouse a resident of Alabama?	If <b>YES</b> , go to Step 3. If <b>NO</b> , STOP. Your Alabama filing status is <b>married filing separately</b> .
Step <b>3</b>	Do you and your spouse wish to file a joint return?	If <b>YES</b> , STOP. Your Alabama filing status is <b>married filing jointly</b> . If <b>NO</b> , STOP. Your Alabama filing status is <b>married filing separately</b> .
Step <b>4</b>	Do ALL of the following apply? <ul style="list-style-type: none"> <li>➤ You are unmarried or legally separated as of December 31 of the tax year</li> <li>➤ You paid more than half the costs of keeping up the home for the year</li> <li>➤ A “qualifying person” as defined in <b>Chart F</b> lived with you in your home for more than 1/2 the year<sup>1, 2</sup></li> </ul>	If <b>YES</b> , STOP. Your Alabama filing status is <b>head of family</b> . If <b>NO</b> , STOP. Your Alabama filing status is <b>single</b> .

### Footnotes

<sup>1</sup> Note: There are exceptions for temporary absences, such as for vacation or school, etc. See AL-40 Instructions for more details.

<sup>2</sup> Parents do not have to live in the home with you as long as they meet the other requirements defined in Chart F.

## Chart F

### Who Is a Qualifying Person For You To File as Head of Family in Alabama?

Do NOT use this chart alone. Use as directed by the interview tips in Chart D.

IF the person is your...	AND...	THEN that person is...
qualifying dependent who is your mother or father	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 (your parent does <b>not</b> have to live with you in your home)	a qualifying person, whether or not you claim the person as a dependent
qualifying dependent who is your child, grandchild, great-grandchild, adopted child, or stepchild	he or she is single <u>and</u> he or she lived with you for more than ½ the year <sup>1</sup>	a qualifying person, whether or not you claim the person as a dependent
	he or she is married <u>and</u> you claim him/her as a dependent <u>and</u> he or she lived with you for more than ½ the year <sup>1</sup>	a qualifying person
	he or she is married <u>and</u> you do <b>not</b> claim him/her as a dependent	not a qualifying person <sup>2</sup>
qualifying dependent who is your brother, sister, grandparent, mother-in-law, father-in-law, brother-in-law, daughter-in-law, sister-in-law, son-in-law, stepmother, stepfather, or <b>if related by blood</b> , uncle aunt, nephew, niece	he or she lived with you for more than ½ the year <sup>1</sup>	a qualifying person, whether or not you claim the person as a dependent

#### Footnotes

<sup>1</sup> 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.

<sup>2</sup> If your married child’s other parent claims him or her as a dependent under Federal rules for “Children of Divorced or Separated Parents” (see Publication 4012, *Children of Divorced or Separated Parents or Parents Who Live Apart* in the “Exemptions” tab), this child does not have to be your dependent.

## Chart Alabama Standard vs. Itemized Deduction

### G

Step 1	Does the taxpayer have a tax liability?	If YES, check to see if taxpayer is eligible for any itemized deductions If NO, continue to Chart H
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**SITE COORDINATORS:** Remember that the AL standard deduction (sometimes as low as \$2,000) is lower than the federal standard deduction. If the taxpayer has any qualifying itemized deductions, list them on the Schedule A (like you would for the federal return). Those deductions will transfer to the Alabama return’s itemized deductions.

# Chart Alabama Income

**H** Even if the income is not taxable to the state, it still must be listed out on the Alabama return.

Step 1	Check the sources of income listed on the Intake/Interview Form	Go to Step 2.
Step 2	Are all sources of income reported on the Form 1040 listed on the Alabama Return in the Income Section or the Other Income Section?	If YES, stop here. You don't need to do anything. If NO, go to Step 3
Step 3	You will need to select <b>YES</b> <u>and</u> List the source and amount of income in these lines (Social Security Benefits, Unemployment Compensation, and Defined Benefits Retirement Plans are the most common forms of income not reported on the Alabama return because they are not taxable at the state level). <b>Basic Information → Edit → Income reported on your Federal return but not reported on your Alabama return → Begin → List the source and the <u>full</u> amount of the income</b>	

### Alabama State Return

Income reported on your Federal return but not reported on your Alabama return

Do you have income reported on your Federal return but not reported on your Alabama return? Yes 

1) Name of Source for Income reported on Federal but not on Alabama UNEMPLOYMENT

1) Amount of Income reported on Federal but not on Alabama \$ 1200

2) Name of Source for Income reported on Federal but not on Alabama SOCIAL SECURITY

2) Amount of Income reported on Federal but not on Alabama \$ 5000

3) Name of Source for Income reported on Federal but not on Alabama

3) Amount of Income reported on Federal but not on Alabama \$

4) Name of Source for Income reported on Federal but not on Alabama

4) Amount of Income reported on Federal but not on Alabama \$





## Getting a Refund/Paying Amount Due:

**E-File** Back Save

Return Type

Tax Preparation and E-File Information

State Return(s)

Choose how you would like to file your state returns:

State	Refund/Due	Return Type
AL	Due: \$ 63.00	Not Selected Paper Return <b>Electronic State Balance Due</b> Direct Debit

Taxpayer ID Information

Type

Number

### If you have a balance due, there are three options:

**Paper Return** - As always, taxpayers should have a specific reason for wanting to paper file if they are choosing to do so. There are going to be situations in which they have to paper file the state even though they can e-file the federal (ex: MFS and they do not have their spouse's SSN). Return is paper filed and a voucher is printed off for them to send in along with their payment.

**Electronic State Balance Due** - Return is e-filed and a voucher is printed off for them to send in along with their check

**Direct Debit** - Return is e-filed and the amount due is withdrawn from account on a certain date.

State Return(s)

Choose how you would like to file your state returns:

State	Refund/Due	Return Type
AL	Refund: \$ 337.00	Send state through bank Not Selected Paper Return Electronic Mailed Paper Return with Direct Deposit <b>Send state through bank</b>

Taxpayer ID Information

Type

### If you have a refund, there are four options:

**Paper Return** - Return is paper filed and there is no bank account information, so they will receive a refund by check in the mail.

**Electronic Mailed** - Return is e-filed with no direct deposit information, so they will receive a check in the mail.

**Paper Return with Direct Deposit** - Return is paper filed with the direct deposit information included. The refund will go to their bank account, but obviously much slower than an e-filed return.

**Send State through bank** - Return is e-filed with direct deposit information, so the refund will go to their bank account.

## Tax Laws Specific to Alabama

Most of the information you need to complete the AL 40 will be pulled automatically from information on the federal return; however, there are certain tax law differences to keep in mind.

### ➤ Head of Family vs. Head of Household

- While federal allows individuals still legally married to use the Head of Household filing status (provided they lived apart from their spouse for the last 6 months of the year), Alabama law does not.
- A taxpayer filing *Head of Family* (the AL equivalent of Head of Household) must be legally separated or divorced.
- Consequently, all taxpayers who are still legally married and choose not to file Married Filing Jointly must file Married Filing Separately and will need access to their spouse's social security number in order to electronically file.
- If the SSN is unavailable, you will need to file the return as a paper return. You can still file the federal return electronically.

### ➤ Dependents

- Under Alabama law, foster child is not a qualifying relationship for the dependency exemption
- In addition, the taxpayer must have *provided at least half the support* for any dependents claimed (whereas federal law require only that the qualifying child is not providing over half of his/her own support).

### ➤ Standard Deduction

- The state standard deduction amount is lower than the federal amount.
- Since it is possible to itemize at the state level and not at the federal, you may want to fill out a Schedule A even if a taxpayer does not benefit from itemization at the federal level.

### ➤ Defined Benefits Plans vs Defined Contributions Plans

- When the plan in question is a *Defined Benefits Plan* (i.e., the amount of retirement earnings is a defined amount depends on salary history and number of years with a company, rather than subject to market earnings from contributions), that income is nontaxable to Alabama. You need to double check and make sure the income on the AL 40 does not include the Defined Benefits Retirement income.
  - Check the list of Defined Benefits plans in the Site Coordinator Manual.
  - If the company from which the taxpayer retired is on the list, it is a Defined Benefits Plan.
  - If the provider is not on this list, ask the taxpayer if this is a 401(k) or 403(b) (these plans are always Defined Contributions).
  - The taxpayer may not know the answer. In this case, you need to call the number listed on the 1099-R and confirm with the provider that the plan is Defined Contributions.
  - Although nontaxable, report Defined Benefits income as instructed in Chart H.
- If the plan is Defined Contributions, and therefore is subject to tax on the state level, you must enter an adjustment on the state portion of the tax return in TaxSlayer.
  - See next page for how to make this manual entry

### ➤ Other Retirement plans

- For more info on retirement plans other than Defined Benefits or Defined Contributions, please see the next page regarding manual entries

## Manual Entries in TaxSlayer

- To report income that is taxable on the federal but nontaxable on the Alabama return
  - Unemployment Compensation, Social Security, Defined Benefits, Railroad Retirement: nontaxable to Alabama and shouldn't pull through to AL 40
  - Report the income using instructions from Chart H

**Alabama State Return**  
Income reported on your Federal return but not reported on your Alabama return

Do you have income reported on your Federal return but not reported on your Alabama return? Yes

1) Name of Source for Income reported on Federal but not on Alabama	DEFINED BENEFITS
1) Amount of Income reported on Federal but not on Alabama	\$ 8242
2) Name of Source for Income reported on Federal but not on Alabama	SOCIAL SECURITY BENEFIT
2) Amount of Income reported on Federal but not on Alabama	\$ 3232
3) Name of Source for Income reported on Federal but not on Alabama	RAILROAD RETIREMENT
3) Amount of Income reported on Federal but not on Alabama	\$ 2458

- Retirement income that does not require manual entries
  - IRA: taxable to Alabama and should pull through to AL 40, Page 2, Part I, Line 4a/b
    - No manual entry
  - Disability pension: taxable to Alabama and should pull through to AL 40, Page 2, Part I
    - No manual entry if 1099-R has Code 3 in Box 7, taxpayer is under retirement age, and the following box is checked on 1099-R in TaxSlayer: Check here to report on Form 1040, Line 7 (Distribution code must be a "3")
      - EXCEPTION: If from a Defined Benefits plan, manually remove. See next section.
  - Rollover: nontaxable to Alabama and shouldn't pull through to AL 40
- Other retirement income that requires manual entries
  - Defined Contributions: taxable to Alabama and should pull through to AL 40, Page 2, Part I, Line 5a/b
    - Manual entry: Alabama State Return → Adjustments to Income → Taxable Portion of Pensions - Enter the taxable portion of pensions to Alabama → Enter taxable amount found on the 1099-R
  - Disability pension: not taxable to Alabama if from a Defined Benefits plan
    - Manual entry: Alabama State Return → Adjustments to Income → Is your Federal Taxable Pension FULLY exempt from AL Income Tax? → Select "Yes" ONLY if this is the only form of retirement on the return; otherwise, return will have to be done by hand

**Alabama State Return**  
Adjustments to Income

[learn more](#)

Alabama allows the following deductions from income. Enter all that apply to your return.

Enter qualified Adoption Expenses paid or incurred in 2015	\$
Enter payments made to Alabama PACT or College Education Savings in 2015	\$
Enter qualifying Health Insurance deduction for certain employer provided plans	\$
Costs to retrofit or upgrade home to resist wind/flood	\$
Deposits to a catastrophe savings account	\$
Taxable Portion of Pensions - Enter the taxable portion of pensions to Alabama.	\$
Is your Federal Taxable Pension FULLY EXEMPT from AL Income Tax? (If YES, do not enter an amount above)	--Select--