



SAVE FIRST

Alabama Return

Lesson Objectives

After completing this lesson, the volunteer will be able to:

- **Assess whether a person qualifies as a dependent on the Alabama tax return**
- **Choose the most advantageous (and allowable) filing status for a taxpayer on the Alabama tax return**
- **Differentiate and explain key differences between the taxability of various income types on the federal tax return and Alabama tax return**

Filing the Alabama Tax Return

Tax softwares generally take the information you input for the federal return and transfer it to the appropriate state return. There are certain manual entries you need to be familiar with in order to ensure the return is filled out completely.

Who Must File

FULL/PART YEAR RESIDENTS	Single	Married Filing Separately	Head of Family	Married Filing Jointly
Gross Income (while an AL resident)	\$4,000	\$5,250	\$7,700	\$10,500

Who Must File

➤ Nonresidents

- Received taxable income from Alabama sources or for performing services in Alabama
- Gross income exceeds the (prorated) personal exemption amount for the appropriate filing status

Personal Exemptions

- Taxpayer receives a personal exemption in Alabama even if they CAN be claimed as a dependent by someone else
- Just like with the federal return, the software calculates exemption amounts!

Dependency Exemption

- Alabama law defines a dependent as:
 - an individual other than the taxpayer and his/her spouse WHO
 - received **over 50%** of his/her support from the taxpayer during the year AND
 - is related to the taxpayer in a certain way

Dependency Exemption

- Alabama law defines a dependent as one of the following relationships:

Son
Daughter
Stepson
Stepdaughter
Legally adopted child
Parent
Grandparent
Grandchild
Brother
Sister
Stepbrother
Stepsister
Stepmother

Stepfather
Mother-in-law
Father-in-law
Brother-in-law
Sister-in-law
Son-in-law
Daughter-in-law
If related by blood:
Uncle
Aunt
Nephew
Niece

Dependency Exemption

- How does this differ from the federal return?
 - No friends
 - No foster children
 - No cousins
 - Aunt/Uncle/Nephew/Niece must be related to taxpayer by blood

Dependency Exemption

- Support test:
 - Taxpayer must provide more than 1/2 of the person's support

Additional space is needed check here and list on page 2

To be completed by a Certified Volunteer Preparer					
and ntly	Is this person a qualifying child/relative of any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes/no)	Did this person have less than \$4,150 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)

12014 C

Dependency Exemption

Basic Information

[learn more](#)

Most of your Personal Information is carried to your Alabama return from your Federal return. Please complete the additional information below as they apply to your tax return.

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

--Select-- *

If No, Enter reason why no Alabama Return was filed last year.

Will you be using a Credit Card to pay an amount due if any?

--Select-- *

Are you filing Federal Form 4684 and are a Qualified Hurricane Victim?

--Select-- *

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

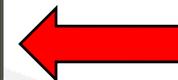
BEGIN

Federal Dependents not eligible to be claimed on the AL return

BEGIN

Change AL Filing Status from HOH to Single or MFS

BEGIN



Dependency Exemption

Alabama Return

Federal Dependents not eligible to be claimed on the AL return

Federal Dependents not eligible to be claimed on the AL return (1)

BEGIN

Federal Dependents not eligible to be claimed on the AL return (2)

BEGIN

Federal Dependents not eligible to be claimed on the AL return (3)

BEGIN

CANCEL

SAVE



Dependency Exemption

Alabama Return

Federal Dependents not eligible to be claimed on the AL return

Enter SSN of the Federal Dependents not eligible to be claimed on the AL return

123-45-678

CANCEL

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Filing Status

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Family

Filing Status: Differences from Federal Tax Return

- Single, Married Filing Separately, and Married Filing Jointly all correspond with their counterparts on the federal tax return
- Qualifying Widow(er) with Dependent Child does not exist on the Alabama tax return
 - Taxpayers will instead be classified as *Head of Family*
- Head of Family is similar to Head of Household, but with a couple of key differences

Filing Status: Head of Family

- To qualify for Head of Family, ALL of the following must apply:
 - Taxpayer is *unmarried* or *legally separated* as of December 31st of the tax year
 - Taxpayer paid more than ½ the costs of keeping up the home for the year
 - A “qualifying person*” lived with the taxpayer in his/her home for more than ½ the year

Filing Status: Head of Family Qualifying Person

➤ Qualifying person who is taxpayer's Mother/Father

- A qualifying person whether or not they live in the taxpayer's home
- A qualifying person whether or not the taxpayer claims them as dependents

Filing Status: Head of Family Qualifying Person

- *You have an unmarried child / grandchild / great-grandchild / adopted child / stepchild*
 - A qualifying person whether or not the taxpayer claims them as dependents

Filing Status: Head of Family Qualifying Person

- *You have a married child / grandchild / great-grandchild / adopted child / stepchild*
 - A qualifying person only if a taxpayer claims them as a dependent

Filing Status: Head of Family Qualifying Person

- Any relative whom you *can* claim as a dependent
 - *Other qualifying dependent (brother / sister / aunt / niece / etc.)*

Filing Status

Basic Information

[learn more](#)

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If No, Enter reason why no Alabama Return was filed last year.

Will you be using a Credit Card to pay an amount due if any?

--Select-- ▾

Are you filing Federal Form 4684 and are a Qualified Hurricane Victim?

--Select-- ▾

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

BEGIN

Federal Dependents not eligible to be claimed on the AL return

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Change AL Filing Status from HOH to Single or MFS

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Filing Status

Alabama Return

Change AL Filing Status from HOH to Single or MFS

Federal Filing Status is Head of Household, do you want to change the AL Filing Status? Note: If you need to change the status back to HOH, you will need to delete the AL and recreate the AL return.

Select AL Filing Status that you want to change to

--Select-- ▾

If you selected MFS for AL, then enter Spouse SSN

123-45-678

CANCEL

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Taxable Income

- All income is subject to Alabama income tax unless specifically exempted by state law
 - This includes all income earned inside and outside of Alabama
 - However, taxpayers may be eligible for a state tax credit if taxes were paid in another state on the income
 - The taxpayer may need to file a tax return for another state if they have income earned outside of Alabama!

Nontaxable Income

- Specific types of income that are nontaxable in Alabama include:
 - Unemployment Compensation
 - Social Security Benefits
 - United States Civil Service Retirement System benefits
 - State of Alabama Teachers Retirement System benefits
 - State of Alabama Employees Retirement System benefits
 - Other “Defined Benefits” Retirement Plans

Standard Deduction

Filing Status	Deduction Range
Single	\$2000-\$2500
Head of Family	\$2000-\$4700
Married Filing Jointly	\$4000-\$7500
Married Filing Separately	\$2000-\$3750

Itemized Deductions

- The standard deduction is much lower on the Alabama tax return than on the federal tax return
- As a result, many taxpayers will itemize deductions on their Alabama tax returns even though they won't have enough to itemize on their federal tax returns
 - Remember, itemizing is only in scope for advanced volunteers!

Finishing the Alabama Return

- The Alabama Return will ask you to address the following questions in the initial entry for the AL return:
 - Did the taxpayer file an Alabama return during the previous tax year?
 - Who is the taxpayer's current employer?
 - Enter Consumer Use Tax → 0

Finishing the Alabama Return

- Did the taxpayer file an Alabama return for the previous tax year?
 - Answer YES or NO
- If NO, provide an explanation:
 - Taxable income too low
 - Lived in a different state
 - Neglected to file

Alabama Return

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

--Select-- ▼

Finishing the Alabama Return

- Who is the taxpayer's current employer?
 - The Alabama return will ask for the employer's information to be listed on the return
 - If multiple, select the W-2 with the higher amount of wages

Present Employer	<input type="text" value="BIG BANK"/>
Employers Address	<input type="text" value="123 STREET"/>
Employers City	<input type="text" value="BIRMINGHAM"/>
Employers State	<input type="text" value="Alabama"/>
Employers ZIP Code	<input type="text" value="35222"/>

Finishing the Alabama Return

➤ Enter Consumer Use Tax

Enter Consumer Use Tax. Enter 0 if no tax is due. Do not enter a percentage but you must enter the actual amount of Use Tax you want included on your tax return.

Finishing the Alabama Return

- Does the taxpayer have any income on their federal return that is not on their state return?
 - Unemployment Compensation
 - Social Security Benefits
 - Defined Benefit Retirement Plans

Finishing the Alabama 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

SOCIAL SECURITY BENEFITS

1) Amount of Income reported on Federal but not on Alabama

\$ 7850

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

UNEMPLOYMENT COMPENSATIC

2) Amount of Income reported on Federal but not on Alabama

\$ 900

Finishing the Alabama Return: Voluntary Contributions

- Taxpayers can choose to donate to various organizations
 - The amount *WILL* reduce their refund by the amount donated

Voluntary Contributions can only be applied toward your overpayment.

Alabama Senior Services Trust Fund	<input type="text" value="\$"/>
Alabama Arts Development Fund	<input type="text" value="\$"/>
Alabama Nongame Wildlife Fund	<input type="text" value="\$"/>
Child Abuse Trust Fund	<input type="text" value="\$"/>
Alabama Veterans Program	<input type="text" value="\$"/>
Alabama State Historic Preservation Fund	<input type="text" value="\$"/>

Finishing the Alabama Return: Double Check Filing Status!

- For taxpayers filing HOH on federal, make sure the AL return has them as HOF if they qualify!
- If they need to be changed to MFS, make the entry!

Alabama Return

Change AL Filing Status from HOH to Single or MFS

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Select AL Filing Status that you want to change to

--Select-- ▾

If you selected MFS for AL, then enter Spouse SSN

123-45-678

CANCEL SAVE

Paying a Balance/Receiving a Refund

- Much like the federal return, taxpayers can have their refunds directly deposited or they can receive a check
- Taxpayers can also have their amount owed directly debited or they can send a check



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Alabama Return



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Tax Law Update

Filing Status: Schedule HOF

Will you be using a Credit Card to pay an amount due if any?

--Select-- ▾

Are you filing Federal Form 4684 and are a Qualified Hurricane Victim?

--Select-- ▾

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AL Schedule HOF (Head of Family)

BEGIN

Married Filing Separate on the AL return, ability to force either Standard or Itemized Deductions.

BEGIN



Filing Status: Schedule HOF

- Taxpayers claiming the HOF filing status must fill out the Schedule HOF on their tax return.
- Answer questions about:
 - own or rent home
 - date of divorce or legal separation
 - confirming residency and support for dependents