

# Instructions for Forms 611 and 611SF

## 2012 Alaska Corporation Net Income Tax Return

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### TAX RATE TABLE (AS 43.20.011)

(1) At Least	(2) But Less Than	(3) Your Tax is	(4) Plus	(5) Of The Amount Over
-0-	10,000	-0-	1%	-0-
10,000	20,000	100	2%	10,000
20,000	30,000	300	3%	20,000
30,000	40,000	600	4%	30,000
40,000	50,000	1,000	5%	40,000
50,000	60,000	1,500	6%	50,000
60,000	70,000	2,100	7%	60,000
70,000	80,000	2,800	8%	70,000
80,000	90,000	3,600	9%	80,000
90,000 or More		4,500	9.4%	90,000

### WHAT'S NEW

#### Legislative Changes Effective for 2012

In 2012, the legislature passed SB 136 (AS 43.20.048), which provides a tax credit for an employer hiring a veteran. Starting July 1, 2012, if an employer employs a veteran for 1,560 hours during a 12 month period, the employer may be entitled to a credit, subject to other statutory requirements. In addition, an employer may be entitled to a credit for certain seasonal employment of a veteran. This credit is reported on Form 6325. Please see instructions for Form 6325 for further details.

The legislature also passed SB 23 in 2012, which provides a refundable tax credit for a liquefied natural gas (LNG) storage facility. The credit is based on the capacity of the facility, and is subject to various statutory requirements. This credit is reported on Form 6324. Please see instructions for Form 6324 for further details.

#### Credits

The Department of Revenue (DOR) has revised the reporting of tax credits. Federal-based credits are now reported on Alaska Form 6390, developed to fully account for changes in the federal Form 3800. Alaska Form 6395 is used to account for passive activity limitations on an Alaska basis. These forms are designed to be used with the Forms 611 and 611SF, as well as with Form 650, the tax return filed by oil and gas corporations.

Form 6300 has been designed to account for all Alaska incentive credits available under Alaska law. This form orders the credits and limits each credit, as required by law. The form also accounts for refundable credits. Similar to Form 6390 above, Form 6300 is used with Forms 611, 611SF, or 650. Current Alaska incentive credits reported on Form 6300 are listed below with any associated supporting credit form:

## Future developments

### Legislation

In addition to legislation effective for 2012, the legislature passed the following legislation, with future effective dates:

- Effective for tax years beginning after 12/31/12, certain small corporations are exempt from Alaska corporate income tax. This exemption applies to an Alaska corporation that is a qualified small business and that meets the active business requirement in Internal Revenue Code Section 1202(e), as that subsection read on January 1, 2012. There are restrictions that apply to certain industries including transportation, utility, or fisheries business, and other requirements. This exemption will sunset in 2023.
- Effective 7/1/13, the film production tax credit program is expanded from a total of \$100M to \$300M, under SB 23. The credit certificate may be used within six years (currently three years). This legislation also expands the tax types against which the credit may be taken. In addition to corporate income tax, the credit may be taken against Production Tax, Property Tax, Mining Tax, Fisheries Business Tax, and certain taxes paid by insurance companies. The legislation also set a sunset date of 7/1/23 for certain provisions.

### If You Need Help

If you have questions, need additional information or require other assistance, call:

**Juneau: 907-465-2320**

**Anchorage: 907-269-6620**

Current tax forms, instructions and the Guide to Returns Based on a Combined Report are available online: [www.tax.alaska.gov](http://www.tax.alaska.gov)

### Avoid Common Mistakes

To facilitate the processing of the return, be sure to do the following:

- 1) The water's edge combined reporting method is mandatory in Alaska for all corporations except oil and gas corporations. A separate-company tax return is not permitted. Do not file using a worldwide combined reporting method. (See page 5 "Combined Report" and "Unitary Group or Unitary Business".)
- 2) Use the correct form and schedules. Non-affiliated corporations operating solely in Alaska are encouraged to use the short form, Form 611SF. All other corporations (except oil and gas corporations) must use the standard Form 611. Oil and gas corporations must file Form 650.
- 3) File with the correct taxpayer name. If this is a consolidated return, the name on the Alaska return will often be different than the name on the federal return. See specific instructions on page 7 regarding taxpayer identification. Unless the corporation changed its name, enter the name as it appeared in the prior return. If the name on this return is different from the name reported on the prior return, complete question 4 of Schedule B (Form 611 only).
- 4) Provide the name and phone number of a contact person who can answer any question that the DOR may have regarding the return. This must be an officer or employee who is authorized to answer any such questions. Generally, the DOR cannot discuss taxpayer information with an outside party unless there is a Power of Attorney. See "Paid Preparer Authorization" on page 4.

- Gas exploration and development tax credit (AS 43.20.043) .... Form 6320
- Income tax education credit (AS 43.20.014)..... Form 6310
- Exploration incentive credit (AS 43.20.044)..... Form 665
- Veteran employment tax credit (AS 43.20.048) ..... Form 6325
- Film production tax credit (AS 43.98.030) ..... certificate
- Gas storage facility tax credit (AS 43.20.046)..... Form 6321
- LNG storage facility credit (AS 43.20.047) ..... Form 6323

Please see the instructions for Form 6300 and the supporting credit form instructions.

### Partnerships

Form 6900 has been developed, and is now required to fulfill the filing requirement of a partnership in Alaska. See Partnership on page 3.

### Additions to Instructions

We have added instructions and other information for the following topics:

- Adoption of the Internal Revenue Code
- Quick Refund
- Voluntary Disclosure Program

### Changes to Forms 611 and 611SF

- Additional check boxes have been added to page 1 to increase efficiency in processing the return:
  - Consolidated Alaska return
  - Public Law 86-272 applies to one or more companies doing business in Alaska
  - Estimated tax payments are based on Annualized Method
- Schedule F (Credits) and Schedule G (Education Credit) are discontinued. As discussed above, the DOR has created forms to report specific credits. Note that the line order has changed on page 1 of the return.

Other form changes of note:

- Form 709 has been discontinued. Form 711 is now used for all payments, including payment for DOR assessments
- Form 6230 is provided to apply for a Quick Refund

### Alaska Statutes

Effective 1/1/2013, the State Revisor of Statutes renumbered certain statutes applicable to Alaska corporate income tax, as shown below. These instructions refer to the revised statute citations, as necessary.

Section Title	Previous	Revised
Income from sources in the state of nonresident partners	AS 43.20.051	AS 43.20.141
Allocation and apportionment	AS 43.20.065	AS 43.20.142
Transportation carriers	AS 43.20.071	AS 43.20.143
Oil and gas producers and pipelines	AS 43.20.072	AS 43.20.144
Affiliated groups	AS 43.20.073	AS 43.20.145

- 5) Accurately complete all affiliate taxpayer data on Schedule B (Form 611 only). Schedule B is a list of companies having nexus in Alaska. The requirement for Schedule B is not fulfilled by attaching federal Form 851 data.
- 6) If this taxpayer and one or more other Alaska taxpayers are included in a consolidated federal return, these same taxpayers must file a consolidated Alaska return, if they are part of the same unitary group. If the federal common parent is not an Alaska taxpayer, identify the common parent on Schedule B, question 2.
- 7) Attach a schedule as required in the forms. Schedules providing detail, by company, are required as explained in the instructions. Attaching complete schedules will ensure a valid filing and prevent unnecessary correspondence with the DOR examination unit. Be sure that attached lists are properly referenced and agree to the totals reported on the form. Taxpayers using the combined method of reporting should consult Alaska's Guide to Returns Based on a Combined Report for a listing of schedules supporting a combined report.
- 8) Attach a copy of the signed federal income tax return of the taxpayer as filed with the Internal Revenue Service (IRS). If the federal income tax return was electronically filed, you must attach a copy of the signed federal Form 8453-C, Form 8879-S, or other evidence of the federal return having been filed electronically. Do not attach a pro-forma return. Send only the portions of the federal return specified in the instructions on page 4 if the federal return exceeds 50 pages.
- 9) To avoid interest and penalties, pay any tax due within two and one-half months of the tax year-end and file the return within 30 days of the due date for the federal return. Note that the thirty days may or may not correspond to the 15th day of the following month.

## GENERAL INSTRUCTIONS

### Who Must File

Every corporation having nexus with the state must file an Alaska Corporation Net Income Tax Return. Nexus, sometimes referred to as "doing business" within the state, is the act of conducting business activity within the state and may exist as a result of a corporation's direct activity, the activity of its employees or agents, or through its interest in a partnership or limited liability company.

Nexus-creating activities may include, but are not limited to:

- 1) owning or using property in the state, including leased or mobile property;
- 2) presence of employees in the state for business purposes;
- 3) making sales into the state; or
- 4) the generation of income from sources within the state without regard to whether there is a physical presence in the state.

### Which Form To Use

Form 611 is the standard Alaska Corporation Net Income Tax Return form designed to accommodate any taxpayer including the most complex filing under the water's edge method. The standard form must be used whenever the taxpayer 1) has nexus or business activity outside of Alaska, 2) is a member of an affiliated group or 3) reports non-business income.

The short form, Form 611SF, is designed for taxpayers with less complex filing requirements. The short form is available to a taxpayer that 1) conduct business only in Alaska, 2) is not a member of an affiliated group, and 3) reports no non-business income.

### Sub-Chapter S Corporation (S Corporation)

An S Corporation doing business in Alaska is required to file an Alaska return. Generally, an S Corporation will satisfy its filing requirement by filing the applicable Form 611 (pages 1 and 2) or Form 611SF (page 1) with the S Corporation box on page one checked. Alaska does not impose a tax on the S Corporation for pass-through items of income or loss. Schedule A lines 1-18 need not be completed unless a corporate-level tax is applicable. Attach a copy of pages 1 through 4 of the federal Form 1120S and Form 7004 if applicable.

Alaska imposes both the federal excess net passive income tax and the corporate-level tax on built-in gains. These taxes are calculated at the highest Alaska marginal tax rate of 9.4%. However, the Alaska capital gains rate of 4.5% may apply in some cases. If corporate-level taxes are imposed, attach copies of the schedules and forms calculating the federal tax and the Alaska tax. Enter the corporate-level taxes on Form 611SF, Schedule E, line 4, or Form 611, Schedule E, line 6 as appropriate.

### Partnership

A partnership doing business in the state with one or more corporate partners must file an information return. A partnership doing business in the state, having one or more corporations in the ownership chain, must file Form 6900 Alaska Partnership Information Return along with supporting schedules and a copy of the signed federal Form 1065, pages 1-5.

The partnership return is due 30 days after the federal due date of the Form 1065. See separate instructions for Form 6900.

**Caution:** A Publicly Traded Partnership (PTP) is taxed as a corporation, and so must file Form 611 (or Form 611SF, if applicable). A PTP does not file Form 6900.

### Limited Liability Company (LLC)

An LLC doing business in the state must file an Alaska return consistent with its federal tax status. If the LLC is characterized as a corporation for federal income tax purposes, the LLC must file a return in accordance with the instructions applicable to corporations. An LLC with corporate member(s) characterized as a partnership for federal income tax purposes, must follow the instructions applicable to partnerships, above.

### Exempt Organization

An exempt organization is subject to the Alaska Corporation Net Income Tax to the same extent it is subject to tax under the Internal Revenue Code. If you file federal Form 990-T with the IRS, complete Form 611 or 611SF reporting the taxable income or loss and calculate any applicable tax. Attach a signed copy of Form 990-T. An exempt organization need not file an Alaska return if it is not required to file Form 990-T.

### Return Due Date

The Alaska return must be filed within 30 days of the date on which the corporation's federal income tax return is required to be filed. Thus, the due date is not necessarily the 15th day of the month following the federal due date.

## Extension Of Time To File

A federal extension automatically extends the Alaska filing due date to 30 days after the federal extended due date. This is also true if the IRS extends a due date because of events such as a natural disaster situation. Be sure to attach a copy of your federal extension to your Alaska return. An extension of time to file is not an extension of time to pay.

## Payment Due Date

Full payment of the Alaska tax must be made on or before the 15th day of the third month after the close of the tax year. See instructions for "Payment of Tax" and "Estimated Tax Payments" below.

## Where To Send Return

Mail the return with attachments to:

TAX DIVISION  
ALASKA DEPARTMENT OF REVENUE  
PO BOX 110420  
JUNEAU AK 99811-0420

## Who Must Sign

The return must be signed by an authorized officer of the corporation.

## Paid Preparer Authorization

If the corporation wants to allow the DOR to discuss its tax return with the paid preparer who signed it, check the applicable box in the signature area of the return. This authorization applies only to the preparer whose signature appears at the bottom of the return. It does not apply to the firm.

If the applicable box is checked, the corporation is authorizing the DOR to call the paid preparer to answer any questions that arise during the processing of the return. The corporation is also authorizing the paid preparer to:

- 1) Call the DOR for information about the processing of the return or the status of any related refund or payment, and
- 2) Respond to certain DOR notices about math errors, offsets, and return preparation.

The corporation is not authorizing the paid preparer to receive any refund check, bind the corporation to anything (including any additional tax liability), or otherwise represent the corporation before the DOR.

If the corporation wants to revoke the authorization, it must file a Form 775 Power of Attorney.

## Estimated Tax Payments

Payment of estimated tax is required as provided under Internal Revenue Code Section 6655. A corporation failing to pay the proper estimated tax when due will be subject to an underpayment penalty for the period of underpayment. If estimated tax was underpaid, complete and attach Form 708 Underpayment of Estimated Tax by Corporations. If the corporation is relying on the Adjusted Seasonal Installment Method or the Annualized Income Installment Method, the applicable box on page 1 of the return must be checked and Form 708 completed and attached. See separate instructions for Form 708.

## Quick Refund

A corporation that has overpaid its estimated tax for the tax year may apply for quick refund if the overpayment is:

- At least 10% of the expected tax liability and
- At least \$500

The corporation applies for the refund by completing Form 6230 Alaska Corporation Application for Quick Refund of Estimated Tax.

## Filing A Consolidated Return

Two or more Alaska taxpayers included in the same federal consolidated return, who are in the same unitary business, must file a consolidated Alaska return. Additionally, any two or more taxpayers may elect to file a consolidated return if they qualify to join in a consolidated federal return, and are in the same unitary business. Foreign corporations are treated as domestic corporations for purposes of determining eligibility to file a consolidated Alaska return. If any two taxpayers join in filing a consolidated Alaska return, all eligible taxpayers must be included in the consolidated return.

Alaska consolidated returns resemble, but do not mirror, the federal consolidated return. In an Alaska consolidated return, the federal consolidation rules are applied to construct the Alaska consolidated items; namely capital gain net income, charitable contributions, the dividends-received deduction, income tax, credits, and other taxes. If a taxpayer is a member of an affiliated group, then the taxpayer is required to determine its taxable income using the water's edge combined method of reporting. (See Combined Report below.) An affiliated group is a group of corporations in which 50% or more of the voting stock of each member of the group is directly or indirectly owned by one or more corporate or non-corporate common owner(s), or by one or more of the members of the group.

The taxable incomes of each taxpayer are then consolidated to comprise the consolidated Alaska return.

## Adoption Of The Internal Revenue Code

Under AS 43.20.021, Alaska adopts the Internal Revenue Code, Sections 1-1399 and 6001-7872, with full force and effect, unless excepted to or modified by other provisions of Alaska law. In addition, AS 43.20.160 and AS 43.20.300 require the DOR to apply, as far as practicable, the administrative and judicial interpretations of the federal income tax law.

Note that Alaska law does not adopt Internal Revenue Code Sections 1400—1400L, which grant tax benefits for activities in certain geographic zones, including those in "Enterprise Zones" and "Gulf Opportunity Zones." If the taxpayer qualifies for special federal treatment under these code sections, this may require that the taxpayer recompute some federal-based credits or deductions, for Alaska purposes.

## Attachment Of Federal Return

A corporation must provide a complete copy of the signed federal income tax return (Form 1120, 1120S, 990-T, etc.) which includes the corporation(s) filing the Alaska return. The copy must be of the return actually filed with the Internal Revenue Service for the same taxable year. Affiliated taxpayers electing to file an Alaska consolidated return must include a complete copy of each federal income tax return of those corporations filing the Alaska return. **A pro-forma return will not fulfill this requirement. Failure to provide the required federal return(s) will result in the Alaska return being deemed incomplete, and penalties may apply.** If Form 1120 is electronically filed, attach a copy of the signed Form 8453-C, Form 8879-S or other form showing that the Form 1120 was electronically filed with the IRS.

**Note:** If the federal return exceeds 50 pages, a corporation may submit the following portions of the required federal return in lieu of the entire federal return:

- 1) A copy of pages 1 through 5 of federal Form 1120, pages 1 through 4 of Form 1120S, pages 1 through 6 of the Form 1120F, etc. for the tax year.
- 2) If Form 1120 is electronically filed, attach a copy of the signed Form 8453-C or Form 8879-S, as filed with the IRS.
- 3) Where a consolidated federal return is filed, attach copies of the schedules prepared for the computation of consolidated taxable income. The schedules must show the separate taxable incomes for each member of the federal consolidated group with the consolidating eliminations and adjustments made to arrive at consolidated taxable income.
- 4) Schedules M-3 and supporting schedules.
- 5) Schedule D and supporting schedules.
- 6) Form 4797 and supporting schedules.
- 7) Credits: If claimed on the Alaska return, include copies of Form 3800 with applicable supporting federal forms, and copies of federal forms supporting any credits not reported on Form 3800.
- 8) Extension: Form 7004, if applicable.
- 9) Form 2220 and supporting schedules.

### Electronic Filing Of Federal Return Information

Federal tax return information can be filed in digital file format. Digital documents are accepted in .pdf or .tif format only on the following media: CDs, DVDs, or thumb drives. All media must be physically labeled with Taxpayer Name, EIN and Tax Year. If multiple discs or thumb drives are used, they must be sequentially numbered. The federal tax return information should start with pages 1 through 5 of the federal tax return filed with the IRS. The DOR does not accept pro-forma returns.

**The DOR does not accept digital or electronically filed Alaska returns at this time.**

### Combined Report

Whenever two or more corporations are engaged in a unitary business conducted within and outside Alaska, the members of the unitary group that are Alaska taxpayers must apportion the combined income of the group to measure their Alaska taxable income. For all corporations except oil and gas corporations, the water's edge combined reporting method is required; it is not elective. Taxpayers using the combined method of reporting are urged to obtain a copy of Alaska's Guide to Returns Based on a Combined Report, available on our website at: [www.tax.alaska.gov](http://www.tax.alaska.gov).

A water's edge report generally combines only those members of the worldwide unitary group that: 1) have a significant connection to, or presence in, the United States; 2) are tax haven corporations as defined in AS 43.20.073(a)(5); or 3) foreign corporations that have nexus with Alaska. In general, a corporation has a significant connection to the United States if it has an average U.S. factor of at least 20%. To construct the water's edge combined group, start

with the taxpayer's worldwide affiliated group, remove non-unitary affiliates, then remove unitary affiliates that have less than 20% average U.S. factors, except that tax haven corporations remain part of the combined group.

The 20% U.S. factor threshold must be determined on a company-by-company basis and, unlike the apportionment factor, includes intercompany sales.

A corporation with nexus in Alaska, but which does not have 20% or greater average U.S. factors, must file a return using the water's edge method of reporting in which it is combined with all members of the unitary group with 20% or greater U.S. factors.

Please refer to Alaska Regulation 15 AAC 20.300 to correctly report the income of any unitary foreign corporation that does business in Alaska, or that meets the 20% U.S. factor threshold test.

### Insurance Companies

Alaska includes insurance companies in the combined group, with apportionment factors calculated under 15 AAC 20.610. If an insurance company pays Alaska premium tax under AS 21.09.210, then that company is exempt from corporate income tax. This is accomplished by excluding that company's numerator values from the numerators of the combined group.

### Unitary Group Or Unitary Business

A business is unitary if the entities involved are under common direction (formal or informal) and activities within and without the state are contributory and complementary in nature, such that profits of the group are inextricably related. Tests of unitary determination include functional integration, centralized management, and economies of scale.

Determination of whether the activities constitute a unitary trade or business depends on the facts of each case. The following factors are considered to be indications of a unitary trade or business, and the presence of any of these factors creates a presumption that the activities constitute a single trade or business.

- 1) Same type of business. Corporations are generally engaged in a unitary trade or business when the activities are in the same general line of business. For example, corporations that operate a chain of retail grocery stores are almost always engaged in a unitary business.
- 2) Steps in a vertical process. Corporations are engaged in a unitary trade or business when engaged in different steps in a vertically structured enterprise. For example, corporations that explore for and mine copper ores, concentrate, smelt and refine the copper ores, and fabricate the refined copper into consumer products are engaged in a unitary trade or business regardless of the fact that the various steps in the process are operated substantially independently of each other and with only general supervision from the executive offices.
- 3) Strong, centralized management. Corporations that might otherwise be considered as engaged in more than one trade or business are engaged in one unitary trade or business when there is strong centralized management. Some indications of strong centralized management are:
  - (a) the existence of centralized departments that perform the normal functions that a truly independent business would perform for itself, such as accounting, personnel, insurance, legal, purchasing, advertising or financing; or

(b) centralized executive officers who are involved in planning, operations or coordination.

### Allocation And Apportionment Of Income

A taxpayer with business income attributable to sources within and outside Alaska must apportion such income. To calculate the apportionment factor, use Schedule I - Apportionment Factor.

Apportionment refers to the division of business income among states by the use of an apportionment formula.

Allocation refers to the assignment of non-business income to a particular state.

Alaska applies both the transactional and functional tests of business income. Income resulting from transactions or activities that are within the regular course of the taxpayer's trade or business are business income. Income from tangible or intangible property is business income, if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business. Income meeting either the functional or the transactional test is business income. Income from transactions or activity that is unusual or infrequent is not non-business income solely because of the unusual or infrequent nature of the income, activity, or transaction.

Non-business income is all income other than business income.

### Public Law (P.L.) 86-272

If one member of an Alaska consolidated group claims protection under P.L. 86-272, then that corporation will report no numerator values for property, payroll, or sales. The corporation will still be a member of the Alaska combined group. The corporation must be correctly listed on Schedule B, to be considered as having made a protective Alaska filing. Also, you must check the appropriate box on page 1 under "Return Information."

### Combined Affiliates Having Different Accounting Periods

The income of all affiliates included in a combined report must be determined on the basis of the same accounting period. Generally, the accounting period used in the return should be that of the common parent. Where no common parent exists, the income of the combined affiliates should be determined on the basis of the taxpayer's annual accounting period.

Generally, when it is necessary to convert an affiliate to the annual accounting period of the taxpayer, an interim closing of the books should be made for the members whose accounting period differs from the common parent and/or taxpayer. If no substantial misstatement of income results, a pro-rata conversion may be used.

### Payment Of Tax

Tax payments can be made by Electronic Funds Transfer (EFT), wire transfer or check.

When an estimated tax payment is \$100,000 or greater, or a payment with a return is \$150,000 or greater, payment must be made by EFT or wire transfer, see Alaska Regulation 15 AAC 05.310.

A taxpayer may pay taxes electronically by using the Online Tax Information System (OTIS) Payment Center at [www.tax.alaska.gov](http://www.tax.alaska.gov). This system may also be used to print a payment voucher for a payment to be made by wire or check.

OTIS accommodates Automated Clearing House (ACH) debit payments. OTIS does not accept ACH credit or credit card transactions. A taxpayer must be registered online in "myAlaska" to use OTIS. A first-time taxpayer should contact the Tax Division at 907-465-2320 or visit [www.tax.alaska.gov](http://www.tax.alaska.gov) for information.

If a bank account has a debit block, any online payment request will be rejected by the bank. Rejected payments may result in late payment penalties and/or interest. If a bank account has a debit block, the taxpayer is encouraged to contact its bank before making an online payment to register the State of Alaska as an authorized ACH debit originator. The company ID for the Alaska Department of Revenue is 0000902050.

A taxpayer making a payment by wire transfer is required to notify the State of Alaska, Treasury Division by 2:00 p.m. the business day prior to the wire transfer settlement date. Prepare the payment voucher on OTIS and fax to 907-465-4019, or email to [cashmgmt@alaska.gov](mailto:cashmgmt@alaska.gov). If the payment covers multiple tax years, prepare a separate voucher for each year.

Make checks payable to the State of Alaska. Note that if the total payment exceeds \$100,000, the payment is required to be paid by EFT or wire transfer.

A check must be submitted with the appropriate return or payment voucher. Payment vouchers can be found on the OTIS Payment Center or use Form 711.

Mail check with return or payment voucher to:

ALASKA DEPARTMENT OF REVENUE  
TAX DIVISION  
PO BOX 110420  
JUNEAU AK 99811-0420

### Alaska Interest Rates

Refer to interest rates posted at [www.tax.alaska.gov](http://www.tax.alaska.gov).

### Amended Returns

A corporation may amend a prior year return by using Form 611X. If the federal return was also amended, a complete copy must be attached. An amended Alaska return is required if the federal return is amended, or adjusted by the IRS.

### Adjustments To Federal Income Tax Liability

A corporation is required to file an amended Alaska return to report any amendment of the taxpayer's federal income tax return, or re-computation of tax by the IRS. The Alaska amended return must be filed with full payment of any additional tax within 60 days after the final determination of the federal adjustment to avoid assessment of a penalty for failure to file. If the date that the adjustment is finalized is later than the date on federal Form 4549 or 4549A, the reason must be satisfactorily explained to avoid assessment of a penalty for failure to file. An alteration to the taxpayer's federal income tax return includes any alteration to the return of any member of the combined group of the taxpayer.

**Note:** The taxpayer's obligation to report and pay additional tax resulting from adjustments to federal income tax liability is not affected by the expiration of the statute of limitations period for the taxpayer's original Alaska Corporation Net Income Tax Return.

## Late Filing Of Return

A corporation that does not file its complete return by the due date, including extension, is subject to a failure to file penalty of 5% of the unpaid tax for each 30 day period or portion of a period the return is late, up to a maximum of 25% of the unpaid tax.

## Late Payment Of Tax

A corporation that does not pay the full amount of tax due within 2-1/2 months after the close of the tax year is subject to a failure to pay penalty of 5% of the unpaid tax for each 30 day period or portion of a period the payment is late, up to a maximum of 25% of the unpaid tax. If during any period or portion of a period, both the failure to file and failure to pay penalties are applicable, only the failure to file penalty is imposed.

## Voluntary Disclosure Program

Alaska provides a Voluntary Disclosure Program to qualified taxpayers. The taxpayer must voluntarily come forward, have never filed an Alaska corporate tax return, have not been the subject of an inquiry from the DOR, and meet other requirements. Certain penalties are waived, but tax and interest must be fully paid. For additional information, please see Form 615 and the associated instructions.

## Disclaimers

When this form was drafted, the current year federal tax forms were not finalized. Therefore, references to lines and schedules on federal forms may not be accurate. Nothing in these instructions or associated forms should be read to conflict with Alaska statutes or regulations.

These instructions are presented to assist the taxpayer in preparing a corporate return for Alaska. Every effort is made to ensure that the instructions are accurate and helpful. The instructions are not intended to address every legal situation. The taxpayer is advised to consult Alaska Statutes Title 43, Chapters 05, 19, and 20 and related regulations, and to consult a legal advisor.

## SPECIFIC INSTRUCTIONS

These instructions are generally applicable to the standard Form 611, but may be applicable to the short Form 611SF, as specified. Instructions specific to Form 611SF are on page 10.

### Taxpayer Identification

Enter the name and federal Employer Identification Number (EIN) of the taxpayer. If this is a consolidated Alaska return, enter the name and EIN of one taxpayer included in the consolidated filing. If the common parent of the federal consolidated group is an Alaska taxpayer, use its name and EIN. Otherwise select the taxpayer corporation with the largest Alaska presence. Continue to use that name and EIN for subsequent tax periods until the taxpayer leaves the Alaska consolidated group or the common parent becomes an Alaska taxpayer. If this taxpayer or consolidated group has previously filed under the name and EIN of a common parent not having nexus in Alaska, change the designated taxpayer according to these instructions and complete Schedule B, question 4.

### Contact Person

Provide the name, email address, and telephone number of an individual to whom correspondence regarding this return should be directed. This must be an officer or employee authorized to receive confidential tax information. Generally, the DOR cannot discuss tax matters with an outside party unless there is a Power of Attorney (see Paid Preparer Authorization on page 4).

## Return Information

Check all boxes that apply.

- Public Law 86-272 applies to one or more corporations in the Alaska consolidated group. See "Public Law (P.L.) 86-272" instructions on page 6.
- Election to waive carryback period for net operating loss: Check this box if the tax return shows a net operating loss on Schedule A, line 1, and you are electing to waive the carryback period. This election is state-specific; a federal waiver is not effective. The election is made for the entire net operating loss; a partial election is not allowed. The election must be made on a timely-filed return (including extensions). Alaska follows federal rules where a taxpayer wants to make a late election or to revoke an election, as applicable.
- Estimated tax payments are based on Annualized Method. Check this box if you are relying on the Adjusted Seasonal Installment Method or the Annualized Income Installment Method. You must attach Form 708.

## Schedule A - Net Income Tax Summary

**Line 2, Alaska net operating loss deduction:** Enter the taxpayer's Alaska net operating loss carryforward. Do not enter the federal net operating loss deduction. The Alaska net operating loss deduction may differ from the federal net operating loss as a result of state adjustments to federal taxable income, differences between the federal consolidated group and the water's edge combined group, and the amount of income or loss apportioned to other states. Attach a schedule showing, by year, when the net operating loss was generated and applied.

The application of an Alaska net operating loss is governed by applicable Internal Revenue Code provisions.

**Line 7, Alaska incentive credits (includes Income Tax Education Credit):** Enter amount from Form 6300, line 29.

**Line 17, Overpayment credited to estimated tax:** This is a binding election and the overpayment cannot be re-applied at a later date. See federal Treas. Reg. 301.6402-3(a) and (d), and Rev. Rul. 99-40.

## Schedule B - Taxpayer Information (Form 611 only)

Question #1, Alaska Taxpayer Information: This schedule must be completed if the taxpayer is a member of an affiliated group. List each member of the affiliated group that had nexus with Alaska during the year. List the taxpayer shown on page one as taxpayer number 1. Sequentially number each listed taxpayer corporation.

If a corporation is protected under P.L. 86-272, and the corporation is filing an Alaska return as a protective measure, then that corporation must be properly listed on Schedule B.

**Caution:** If Schedule B is not properly completed, then the DOR may determine that a particular corporation, doing business in Alaska, has not filed a tax return, and may subject the corporation to a penalty for failure to file.

**Do not list affiliated corporations that are not Alaska taxpayers.** Replicating the federal Form 851 information does not constitute a properly completed Schedule B.

**Schedule C - Tax Payment Record**

Enter the dates and amounts of estimated tax payments made for the tax year. If a payment was made under a name and EIN different from the taxpayer shown on page one, identify the payer by entering in the margin to the right of the payment amount the taxpayer number corresponding to the payer from Schedule B, question #1. Total payments must equal Schedule A, line 11.

**Schedule D - Alaska Tax Computation**

**Line 2, Net captial gain:** Enter amount from Schedule J, line 18, but not more than line 1 of Schedule D. If line 1 is a loss, enter zero.

**Line 4, Tax on ordinary income:** Use the Tax Rate Table to compute the tax on line 3. The Tax Rate Table is found on page 1 of these instructions.

**Schedule E - Other Taxes**

**(Form 611 only)**

**Line 1, Alternative Minimum Tax (AMT):** In column A, report the amount of the federal AMT that is applicable to the water's edge combined group from federal Schedule J, line 3. Multiply the amount in column A by 18% and enter the result in column B.

**Line 4, Alaska credit for prior year minimum tax:** The Alaska credit for prior year minimum tax (AMT credit) is based on the federal AMT credit, multiplied by 18% and apportioned, if appropriate. The Alaska credit may not exceed the cumulative Alaska alternative minimum tax previously paid to Alaska since the 1987 tax year, net of prior years' Alaska AMT credit previously applied. For further details, please refer to Alaska Regulation 15 AAC 20.135(f) and (g).

Use the worksheet below to calculate the amount of Alaska AMT credit allowable in the current year.

**Alaska Credit For Prior Year Minimum Tax Worksheet**

(see instructions above)

- 1. Credit for prior year minimum tax from Form 1120, Schedule J attributable to the combined group . . . . . \_\_\_\_\_
- 2. Multiply line 1 by 18% . . . . . \_\_\_\_\_
- 3. Apportionment factor . . . . . \_\_\_\_\_
- 4. Apportioned tentative credit. Multiply line 2 by line 3 . . . . . \_\_\_\_\_
- 5. Alaska alternative minimum tax previously paid . . . . . \_\_\_\_\_
- 6. Alaska credit for prior year minimum tax. Lesser of line 4 or 5  
Enter here and on Schedule E, line 4 . . .

**Line 5, Other taxes:** Report on line 5 any other federal taxes, or additions to tax liability, applicable through Alaska's adoption of the Internal Revenue Code under AS 43.20.021(a). In addition, use this line to report other taxes, and additions to tax liability, required under other Alaska tax statutes. Such taxes include, but are not limited to:

- Look-back interest must be recalculated using Alaska interest rates, and apportioned to Alaska (18% does not apply). Attach

a schedule showing the Alaska computation, and a copy of federal Form 8866 or 8697, as applicable.

- Recapture of (federal) low-income housing credit must be multiplied by 18% and apportioned, if applicable. Attach a copy of federal Form 8611.
- Recapture of Alaska investment tax credit is subject to federal recapture rules, to the extent that the investment originally generated an Alaska investment tax credit. The subject amount is then multiplied by 18%, but is not apportioned.
- S corporations use line 5 to report built-in gains or excess net passive income taxes. Attach a statement showing the tax calculation and apportionment, if applicable.
- Increase in tax liability due to cessation of commercial operations of a gas storage facility under AS 43.20.046(h). Use Form 6321 to calculate the increase in tax liability, and attach to return.
- Increase in tax liability due to cessation of commercial operations of a liquefied natural gas storage facility under AS 43.20.047(h). Use Form 6323 to calculate the increase in tax liability, and attach to return.

**Schedule H - Computation Of Alaska Income**

**(Form 611 only)**

**Line 1:** Enter the federal taxable income or (loss), before deductions for federal net operating loss and federal dividends-received deduction ("FTI"). Generally, this will be line 28 of the federal income tax return of the taxpayer. This should agree to the federal return required to be attached to the Alaska return. Taxpayers included in a consolidated federal return should enter the FTI of the federal consolidated return on line 1 of Schedule H. If the taxpayer is not affiliated with another corporation, skip lines 2a-2g and enter the amount from line 1 on line 3.

Line 28 will not be applicable in certain situations. If the taxpayer is subject to federal minimum taxable income requirements, or if the taxpayer is deducting contributions to a Merchant Marine capital construction fund, then the taxpayer will calculate its FTI as Form 1120 line 30, increased by the sum of lines 29a and 29b on federal Form 1120. See federal instructions for Form 1120, line 30 for more information on these special situations.

**Lines 2a-2g:** Taxpayers using the combined method of reporting (water's edge taxpayers) must complete lines 2a-2g. These lines of Schedule H report the income of the corporations that are added to or removed from those included in line 1 to arrive at the net income before modifications of the water's edge group. Skip directly to line 3 if the taxpayer is not required to use the combined method of reporting. Examples of returns based on combined reporting are presented in Alaska's Guide to Returns Based on a Combined Report.

**Line 2a:** Enter the FTI reported on the federal tax return(s) of all domestic unitary corporations not included in line 1 with 20% or greater U.S. factors. Attach a schedule, by company.

**Line 2b:** Enter the income of unitary foreign corporations of the water's edge group. Include any foreign corporation with 20% or greater U.S. factors. Attach a schedule, by company.

The income of a foreign corporation is the taxable income before net operating loss determined under the Internal Revenue Code,

subject to modification under Alaska law, as if the corporation were a domestic corporation. Alternatively, the taxpayer may elect to report the book income of the foreign corporation, or its Earnings and Profits, as reported on federal Form 5471. Please refer to 15 AAC 20.300(e) and (f) for further information.

Note that the income of the foreign corporation must be reported for the entire corporation. The corporation may not report federal taxable income shown on federal Form 1120-F, unless the Form 1120-F includes all income of the corporation.

**Line 2c:** Enter income reported by tax haven corporations. Also use this line to report the foreign sales corporation's profit, including federally exempt foreign trade income and allowing for deductions attributable to exempt foreign trade income.

**Line 2d:** Remove the income or loss of companies included in line 1 that are not included in the unitary business of the taxpayer(s). Attach a schedule, by company.

**Line 2e:** Remove the income or loss of companies included in line 1 that are part of the taxpayer's unitary business but whose U. S. factors average less than 20%. Attach a schedule, by company.

**Line 2f:** Enter the adjustment for intercompany transactions that are necessary to reflect the combined income of the water's edge combined group. The incomes of the companies represented in lines 1 through 2e may or may not include adjustments to, or the elimination of, intercompany profits as required under the combined method of reporting. An intercompany transaction of a federal consolidated group may not be an intercompany transaction of the water's edge group. This may include the reversal of a consolidating elimination or adjustment from the consolidated federal return, the initiation of an elimination, or adjustment for inter-group transactions that are not reflected in the income reported on lines 1 or 2a-2e, or a combination of the two.

Alaska regulations provide that intercompany transactions between any two members of the combined group, if those two members join in a consolidated federal return, must be accounted for in the combined report in the same manner as the transaction is accounted for in the consolidated federal return. Refer to Alaska Regulation 15 AAC 20.300(m).

The most common adjustment is for intercompany profits residing in beginning and ending inventory. Reverse end-of-year intercompany profit eliminations between corporations within and outside of the water's edge group to the extent they are included in the measure of income reported on lines 1 through 2e. Reverse beginning-of-year intercompany profits on transactions between corporations within the water's edge combined group to the extent they were not reversed in the measure of income reported on lines 1 through 2e.

**Line 6b:** Enter the dividends between members of the water's edge combined group that are included as income within Line 3 above. Do not enter dividends between members of a federal consolidated group that were eliminated in the federal consolidated return. (Also see instructions for Schedule L on page 10.)

**Line 6f:** Enter any non-business income or loss claimed and attach schedule by category of income. Enter on line 4b expenses incurred to produce non-business income. You must attach a schedule of all non-business income claimed by type of income and by company name.

**Line 6g:** Enter amount of capital gain income from federal Form 1120, line 8. Do not include any capital gain income excluded as non-business income on line 6f.

**Line 10:** Enter non-business income or loss allocated to Alaska and attach schedule by category of income.

**Line 11a:** Enter the taxpayer's Alaska capital and Section 1231 gains and losses from Schedule J, line 20.

**Line 11b:** Enter the taxpayer's Alaska charitable contribution deduction from Schedule K, line 10.

**Line 11c:** Enter the taxpayer's Alaska dividends-received deduction from Schedule L, line 9.

### **Schedule I - Apportionment Factor (Form 611 only)**

Schedule I must be completed by taxpayers with business activity both within and outside of Alaska. If all business activity is within Alaska, skip lines 1-4 and enter 1.0 on line 5. Taxpayers using the combined method of reporting are required to include a schedule of the calculation of the apportionment formula in columnar format disclosing for each corporation the total property, payroll, and sales and the amount of Alaska property, payroll, and sales.

Divide the Alaska factor values in column A by the everywhere factor values in column B and enter the result in column C for lines 1, 2, and 3. Add column C lines 1, 2, and 3 and enter the result on line 4. Divide line 4 by the number of applicable factors (usually 3) and enter the result on line 5. All factor calculations (lines 1-5) must be rounded to the sixth decimal place. If both the numerator and denominator (columns A and B) of a factor are zero, disregard that factor and divide line 4 by the remaining number of factors and enter the result on line 5.

**Property Factor:** See 15 AAC 19.141-202.

The property factor is a fraction, the numerator of which is the value of real and tangible personal property owned or rented and used within Alaska during the tax year to produce business income. The denominator is the value of all real and tangible personal property owned or rented and used to generate business income.

Property used in the production of non-business income is not included in the factor. Construction in progress is not included in the factor.

Owned property is valued at its original cost averaged over the tax year. In general, original cost is the unadjusted basis for federal income tax purposes at the time of acquisition adjusted by subsequent additions, improvements, or partial dispositions. The average value of owned property is computed by averaging the property values at the beginning and end of the tax year. Rented property is valued at eight times the annual rents paid.

**Payroll Factor:** See 15 AAC 19.211-241.

The payroll factor is a fraction, the numerator of which is the compensation paid within Alaska during the tax year to produce business income. The denominator is the total compensation paid during the tax year to produce business income.

The term "compensation" means wages, salaries, commissions and any other form of remuneration paid directly to employees for personal services. Payments made to an independent contractor, or to any person not properly classified as an employee, are excluded.

**Sales Factor:** See 15 AAC 19.251-302.

The sales factor is a fraction, the numerator of which is the gross receipts derived during the tax year from transactions and activities attributable to Alaska in the regular course of the taxpayer's trade or business. The denominator is the total gross receipts derived during the tax year from transactions and activities in the regular course of the corporation's trade or business.

### **Schedule J – Alaska Capital And Section 1231 Gains And Losses**

#### **(Form 611 only)**

Schedule J is used to calculate the taxpayer's Alaska net capital gain. Gains and losses are measured after allocation and apportionment. Enter the taxpayer's current gains and losses, before any federal limitations, according to their character. Corporations that conduct business both within and without Alaska enter total gains and losses on lines 1, 5, and 11 and enter non-business capital gain or loss on lines 6 and 12 as appropriate. Enter the portion of non-business gain or loss that is allocable to Alaska on lines 8 and 14, as appropriate. Taxpayers using the combined method of reporting should report the gains and losses of the entire combined group.

**Line 2:** The taxpayer's non-recaptured net Section 1231 losses are based on the apportioned Section 1231 gains and losses in prior years and may not correspond to the taxpayer's federal non-recaptured net Section 1231 losses.

**Line 9:** The Alaska capital loss carryover is the taxpayer's allocated and apportioned net capital losses from prior years. Do not enter the taxpayer's federal capital loss carryover from federal Schedule D.

**Line 17:** If line 10 is a gain and line 16 is a loss, offset the loss from line 16 against the gain from line 10 and enter the result, but not less than zero.

**Line 18:** If line 16 is a gain and line 10 is a loss, offset the loss from line 10 against the gain from line 16 and enter the result, but not less than zero. This is the taxpayer's net capital gain. Enter the taxpayer's net capital gain on line 2, column A of Schedule D.

**Line 20:** Add lines 17, 18, and 19 and enter the result on Schedule H, line 11a.

### **Schedule K – Alaska Charitable Contribution Deduction**

#### **(Form 611 only)**

The taxpayer's Alaska charitable contribution deduction may differ from its federal charitable contribution deduction as a result of allocation and apportionment, the 10% taxable income limitation, Income Tax Education Credit contributions, and differences in carryover values. Schedule K is used to measure the taxpayer's Alaska charitable contribution deduction limited by its Alaska taxable income.

**Line 1:** Enter the taxpayer's current charitable contributions before any federal deduction limitations and exclusive of any federal excess contribution carryover.

**Line 2:** Enter contributions that were used to generate an Income Tax Education Credit, that are included in line 1. Line 2 should not exceed \$9,800,000.

**Line 6:** Enter the taxpayer's Alaska excess contribution carryover from prior years.

### **Schedule L – Alaska Dividends-Received Deduction**

#### **(Form 611 only)**

The Alaska dividends-received deduction is based on the allocated and apportioned dividends included in Alaska taxable income and is limited to Alaska taxable income in accordance with Internal Revenue Code Section 246(b).

**Lines 2a-2d:** Enter the amounts of dividends already deducted, or accounted for, on Schedule H, that are included in Schedule L, line 1. These would include intercompany dividends, Section 78 gross-up, foreign dividends, and dividends deducted on Schedule H as non-business income. These dividends are not eligible for a dividends-received deduction, because they have already been deducted.

**Lines 8 and 9:** Enter the allocated and apportioned dividends from line 7, according to the appropriate deduction percentage in accordance with Internal Revenue Code Sections 243-247, in column A of line 8 and multiply across. Enter the sum of line 8a-d column C in line 9 and carry the deduction, subject to limitation based upon Alaska taxable income (Internal Revenue Code Section 246), to Schedule H line 11c.

### **SHORT FORM 611SF**

Form 611SF is available to non-affiliated corporations with business activity limited to Alaska and who report no non-business income. Corporations that are members of an affiliated group, that have nexus outside of Alaska, or that report non-business income must file using the standard Form 611.

Form 611SF instructions below are limited to those that are unique to the short form. Where the standard and short forms are compatible, refer to the appropriate instruction to the standard Form 611.

A federal extension automatically extends the Alaska filing due date. If a federal extension is in effect for the taxpayer, check "yes" here and attach a copy of Form 7004 to the return.

### **Schedule B**

**Line 1:** Enter the federal taxable income or (loss) from the taxpayer's federal income tax return.

**Line 2a:** Enter the amount of taxes based on or measured by net income that are deducted in the federal return.

**Line 2b:** Enter any other state-specific additions to federal taxable income in calculating Alaska taxable income. Provide a schedule of modifications by category.

Qualified contributions for which an Income Tax Education Credit is claimed (Form 6310, line 2) are reported here.

**Line 3c:** Enter other state-specific subtractions from federal taxable income in calculating Alaska taxable income. Provide a schedule of modifications by category.

**Note:** Be aware that the charitable contribution and dividends-received deduction limitations are based on the corporation's Alaska taxable income and not its federal taxable income.

It is possible that state modifications, such as the income tax add-back, can affect these limitations such that the corporation's Alaska deduction is different from the deduction allowed on its federal

Form 1120. Taxpayers using the short Form 611SF will encounter these differences infrequently. Generally, an Alaska modification is necessary if the corporation's charitable contribution or dividends-received deduction was limited on its federal return.

Schedules K and L from page 6 of the standard Form 611 can be used to determine the Alaska charitable contribution and dividends-received deductions. Enter on lines 2b and 3c (as appropriate) the difference between the federal deductions included in lines 1 or 3b of Schedule B and the Alaska deductions calculated on Schedules K or L.

#### **Schedule D**

**Line 2, Net Capital Gain:** If the taxpayer is reporting capital gain income, complete Schedule J of the standard Form 611. Complete column C through line 18, and enter this amount on Line 2 of Schedule D.

#### **Schedule E**

**Line 2:** The credit for prior year minimum tax paid may not exceed the cumulative Alaska alternative minimum tax previously paid to Alaska since the 1987 tax year, net of prior years' alternative minimum tax credits. Refer to instructions and worksheet on page 8 for Form 611, Schedule E, line 4.

**Line 3: Other taxes.** Refer to instructions on page 8 for Form 611 Schedule E, line 5.