# Instructions For Form 650
# 2012 Alaska Oil and Gas Corporation Net Income Tax Return



## GENERAL INSTRUCTIONS



## SPECIFIC INSTRUCTIONS



### 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 12 months, 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 depends 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 Form 650, as well as for the Forms 611 and 611SF (tax return forms used by corporations except those in oil and gas industry).

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 650, 611, and 611SF. Current Alaska incentive credits reported on Form 6300 are listed below with any associated supporting credit form:

- 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 instruction 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 Form 650**

- Additional check boxes have been added to page 1 to increase efficiency in processing your return:

  ☒ Consolidated Alaska return

  ☒ Public Law 86-272 applies to one or more corporations 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 |

**Future Developments**

**Legislation**

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

- 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**.

## Avoid Common Mistakes
To facilitate the processing of the return, be sure to do the following:

1) The worldwide combined reporting method is mandatory in Alaska for all oil and gas corporations. A separate-company Alaska return is not permitted. Do not file using a water's edge combined reporting method. (See page 5 "Combined Report" and "Unitary Group or Unitary Business.")

2) 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.

3) 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.

4) Accurately complete all affiliate taxpayer data on Schedule B. 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.

5) 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.

6) 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.

7) 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 engaged in either oil and gas production or transportation of oil or gas via regulated pipeline and having nexus with the state of Alaska must file an Alaska Oil and Gas 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 650 is the income tax return form for use only by those corporations that produce oil or gas in Alaska and/or transport oil or gas by regulated pipeline in Alaska. Under AS 43.20.144, these corporations must apportion their worldwide income using modified apportionment. All other corporations are subject to water's edge apportionment under AS 43.20.145 and must use Form 611 or 611SF.

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

An S Corporation doing business in Alaska is required to file an Alaska return. Generally, an S Corporation subject to AS 43.20.144 will satisfy its filing requirement by filing Form 650 with the S Corporation box on page one checked. Alaska does not impose a tax on pass-through items of income or loss of an S Corporation. 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, if the corporate level tax is based on income that includes net capital gain, then the Alaska capital gain 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 Schedule E, line 5 or Schedule M-3, line 6.

### 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 650, 611, or 611SF, as applicable. A PTP does not file Form 6900.

**Note:** All corporate partners of partnerships engaged in oil or gas production or transportation of oil or gas via regulated pipeline in Alaska must file an Alaska Oil and Gas Corporation Net Income Tax Return.

### 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.

### 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 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 Department of Revenue (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(s), 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 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 Quick Refund.

### Filing A Consolidated Return
Two or more Alaska taxpayers included in the same federal consolidated return, who are engaged in a common unitary business, must file a consolidated Alaska return. Additionally, any two or more taxpayers, engaged in a common unitary business may elect to file a consolidated return if they qualify to join in a consolidated federal return. Foreign corporations are treated as domestic corporations for purposes of determining eligibility to file a consolidated Alaska return.

If any two taxpayers engaged in a common unitary business join in filing a consolidated Alaska return, all eligible taxpayers of the common unitary business 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 very narrowly to construct the Alaska consolidated items; namely capital gain net income, charitable contributions, the dividends received deduction, income tax, credits, and other taxes. The federal consolidated return rules do not govern the building of combined income. Each taxpayer is required to determine its taxable income using the worldwide combined method of reporting. 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, 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. If the federal return of the taxpayer was part of a consolidated return, submit a copy of the consolidated federal return in which the taxpayer was included. 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.**

**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 will 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. 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 web site at: **www.alaska.gov**.

### 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 the appropriate 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**. 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** 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*. 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:

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

### Alaska Interest Rates

Refer to interest rates posted at **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 is 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 Oil and Gas Corporation Net Income Tax Return.

### Late Filing Of Return

A corporation that does not file its 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

### 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, we cannot discuss tax matters with an outside party unless we have 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 5.

☐ 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 worldwide 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

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 capital 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

**Line 1, Alternative Minimum Tax (AMT):** In column A, report the amount of the federal AMT that is applicable to the worldwide 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 on the following page to calculate the amount of Alaska AMT credit allowable in the current year.

**Alaska Credit For Prior Year Minimum Tax Worksheet**
(see instructions on the previous page)

| | |
|---|---|
| 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

**Line 1:** Taxpayers should refer to 15 AAC 20.300. Typically this line should include federal taxable income line 28 for all domestic corporations included in the combined group and the federal taxable income of foreign corporations as defined in 15 AAC 20.300(e), subject to the election at 15 AAC 20.300(f). Attach a schedule by company that details the amount entered on line 1.

**Line 4c:** Enter depreciation based on IRC Section 167, as it read on June 30, 1981, or financial statement depreciation. See 15 AAC 20.480 for more details.

**Line 4e:** Enter the dividends between members of the worldwide combined group that are included as income in line 1 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 below.)

**Line 4g:** 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 4i.

**Line 4i:** Enter any non-business income or loss claimed and attach schedule by category of income. Enter on line 2g 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.

**Line 8:** Enter non-business income or loss allocated to Alaska and attach schedule by category of income.

**Line 9a:** Enter the taxpayer's Alaska capital and Section 1231 gains and losses from Schedule J, line 20.

**Line 9b:** Enter the taxpayer's Alaska charitable contribution deduction from Schedule K, line 10.

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

## Schedules I-1, I-2 And I-3 Apportionment Factor

Taxpayers should consult the regulations at 15 AAC 20.490 and 15 AAC 20.500 for rules concerning the modified apportionment formulas under AS 43.20.144. The appropriate formula is determined based on the activities of the taxpayer's unitary business.

In accordance with an Attorney General's Opinion of October 20, 1999, the Department allows taxpayers to determine the appropriate apportionment formula under AS 43.20.144, based upon the activities of the taxpayer's worldwide unitary business. For more information on this issue, consult the notice issued November 19, 1999, "Notice of Application of AS 43.19.010 Art. 4, Sec. 18(c) To Allow Factor Relief For Certain AS 43.20.144 Taxpayers". The full text of this notice can be found under "Tax Types," "Corporate Income Tax," "Tax Notices" on our web site at: **www.tax.alaska.gov**.

All factor calculations must be rounded to the sixth decimal place.

Schedule I-1 must be completed if the unitary business produces oil or gas and also transports oil or gas by regulated pipeline(s). See 15 AAC 20.490(3).

Schedule I-2 must be completed if the unitary business is engaged only in regulated pipeline activity. See 15 AAC 20.490(1).

Schedule I-3 must be completed if the unitary business is engaged only in oil or gas production. See 15 AAC 20.490(2).

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

Schedule J is used to calculate the taxpayer's Alaska net capital gain, capital gain net income, and ordinary net Section 1231 gain or loss. These 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 apportionable 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 2A of Schedule D.

**Line 20:** Add lines 17, 18, and 19 and enter the result on Schedule H, line 9a.

## Schedule K – Alaska Charitable Contribution Deduction

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

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, 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-8d 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 9c.

## Unitary Business Not Predominantly A Petroleum Business

Certain Alaska taxpayers may be subject to AS 43.20.144 by virtue of oil or gas production or pipeline activity, but also conduct a unitary business that is not predominantly a petroleum business. The rules for determination of the predominant business activity are contained at 15 AAC 20.421(c). Taxpayers whose factors related to the petroleum business are less than 50% of total factors, are required to separately report petroleum business income and other business income.

Alaska Regulation 15 AAC 20.421 provides that unitary business income is calculated under AS 43.20.144 and then segregated between petroleum and other business income. Petroleum business income is apportioned using modified factors and other business income is apportioned using standard factors.

The basic reporting approach under 15 AAC.20.421 is to "consolidate" after apportionment. This approach is consistent with the rules for all other corporations as set out in Alaska's Guide to Returns Based on a Combined Report. Taxpayers required to report petroleum and other business income must separately calculate Alaska taxable income, credits and other taxes for each business segment. Only after each segment's apportioned income, credits, and other taxes have been calculated are they consolidated.

Form 650 contains special schedules to facilitate the process of calculating Alaska tax when parts of the unitary business are apportioned separately. The calculations required and forms to be used are outlined below.

**Apportionment Factor - Schedules I-1, I-2, I-3 and I-4**

Both the modified apportionment factors under AS 43.20.144, and the standard apportionment factors under AS 43.19, must be computed using denominator values for the entire unitary group. See 15 AAC 20.421(b)(1). Taxpayers should complete the appropriate Schedule I-1, I-2, or I-3 for the petroleum business and Schedule I-4 for the other business.

**Petroleum and Other Business Income - Schedules H**

Apportionable business income before Alaska items must be segregated between petroleum and other business. It is expected that this division will be made on a corporate entity basis. Note: 15 AAC 20.421(b)(2) requires that general overhead and administrative expenses be assigned to the other business segment. Separate Schedules H should be prepared for each business segment, through line 7. Each Schedule H should be labeled "petroleum business" or "other business" as appropriate.

The modified and standard apportionment factors are applied to petroleum business income and other business income respectively, to arrive at income apportioned to Alaska.

**Alaska Items**

Capital Gains, Charitable Contributions and Dividends-Received Deduction require special treatment. They must be calculated and apportioned separately for the petroleum business and other business.

**Schedule J-1** is used to calculate separately apportioned capital and 1231 gains and losses.

**Schedule K-1** is used to calculate separately apportioned charitable contribution amounts limited by the unitary group income. Line 10 of this schedule should be carried forward to Schedule M-1.

**Schedule L-1** calculates the Alaska Dividends-Received Deduction. The total deduction is entered on Schedule M-1.

**Schedule M-1** consolidates apportioned income and Alaska items for the petroleum and other businesses. Totals are carried forward to Schedule A for calculation of tax on a consolidated basis.

**Schedule M-3** calculates other taxes that must be apportioned separately by the petroleum and other business groups. Totals are carried forward to Schedule A, line 5.