

Alaska Corporation Net Income Tax Return Instructions

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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 water's edge combined reporting method is mandatory in Alaska for all corporations except oil & gas. Do not file using a world-wide combined reporting method. (see Page 4: "Water's Edge Method of Reporting" 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 0405-611SF. All other corporations (except oil & gas) must use the standard Form 0405-611. Oil and gas companies must file Form 0405-650
- 3) Unless the corporation changed its name, enter the name as it appeared in the prior return. If this is a consolidated return, see specific instructions on page 5 regarding taxpayer identification. If the name on this return is different from the name reported on the prior return, complete question 4 of Schedule B (Form 0405-611 only).
- 4) Accurately complete all "RETURN DATA" questions on page one. You must know the answers to these questions to file accurately. We need this data to process the returns efficiently. Do not assume that because the corporation filed using the short form last year that it is eligible to use the short form this year.
- 5) Provide the name and phone number of a contact person who can answer any question that we may have regarding the return. This must be an officer or employee who is authorized to answer any such questions. Generally, we cannot discuss taxpayer information with an outside party unless we have a Power of Attorney. See "Paid Preparer Authorization" on page 5.
- 6) Complete all taxpayer data on page one and all affiliate taxpayer data on Schedule B (Form 0405-611 only). Schedule B is a list of companies having nexus in Alaska. The requirement for Schedule B is not fulfilled by attaching Form 851 data.
- 7) 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 the federal common parent is not an Alaska taxpayer, identify the common parent on Schedule B, question 2.

- 8) Attach a list as instructed in the forms. Schedules providing detail, by company, are required where specified in the forms. Attaching complete schedules will ensure a valid filing and prevent unnecessary correspondence with our 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.
- 9) Attach a copy of the signed federal income tax return of the taxpayer as filed with the Internal Revenue Service. Do not attach a pro forma return. Send only the portions of the federal return specified in the instructions on page 3 if the federal return exceeds 50 pages.
- 10) 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 thirty (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

BASIC FILING PROCEDURES

WHO MUST FILE

Every corporation having taxable nexus with the state must file an Alaska Corporation Net Income Tax Return. Taxable nexus, sometimes referred to as "doing business" within the state, is the act of conducting business activity within the state that is not protected under Public Law 86-272. Taxable nexus 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. Taxable nexus may include, but is 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 0405-611 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 taxable 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 0405-611SF, is designed for taxpayers with less complex filing requirements. The short form is available to taxpayers that 1) conduct business only in Alaska, 2) are not a member of an affiliated group, and (3) report no non-business income.

AFFILIATED GROUP DEFINED

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.

SMALL BUSINESS 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 0405-611 (pages 1 and 2) or Form 0405-611SF (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 1-20 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 Schedule E – SF, line 4, or Schedule E, line 7 as appropriate.

PARTNERSHIP

A partnership doing business in the state with one or more corporate partners must file an information return. To file, submit the following portions of the partnership's federal return, Form 1065:

- 1) A copy of the signed Form 1065, pages 1 through 4, with "Alaska" marked at the top of page one.
- 2) A copy of Schedule K-1 for each corporate partner.

Note: All corporate partners of partnerships doing business in Alaska must file an Alaska 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 with corporate partners. An LLC taxable as a partnership, but which has no corporate members, is not required to file a return or report.

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 Form 990-T with the IRS, complete Form 0405-611 or 0405-611SF reporting the taxable income/loss and calculate any applicable tax. Attach a signed copy of Form 990-T. Exempt organizations need not file an Alaska return if they are not required to file Form 990-T.

WATER'S EDGE REPORT

A corporation that is a member of an affiliated group must file using the water's edge method of reporting. **The use of the water's edge combined method is required by Alaska; it is not elective.** Refer to instructions starting on page 4 explaining the water's edge method of reporting.

FILING A CONSOLIDATED RETURN

Two or more Alaska taxpayers included in the same federal consolidated return 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. 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.

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.** If Form 1120 is electronically filed, attach a copy of the signed Form 8453-C as 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 1-6 of the 1120F, etc. for the tax year. Attach copies of schedules and attachments filed in response to questions 3 and 5 of Form 1120, Schedule K.
- 2) Schedule D and supporting schedules.
- 3) 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 included on Form 3800.

- 4) Extension: Form 7004 if applicable.
- 5) 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.
- 6) Form 2220 and supporting schedules.
- 7) Form 4797 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 1-5 of the federal tax return filed with the IRS, we will not accept pro-forma returns.

We do not accept digital or electronically filed Alaska returns at this time.

WATER'S EDGE COMBINED REPORTS

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 website at: www.tax.alaska.gov.

WATER'S EDGE METHOD OF REPORTING

A water's edge report generally combines only those members of the worldwide unitary group that: 1) have taxable nexus with Alaska; 2) have a significant connection to, or presence in, the United States; or 3) is a tax haven corporation as defined in AS 43.20.073 (a)(5). In general, a water's edge group consists of all members of the unitary group that have an average U.S. factor of at least 20% and tax haven corporations. To construct the water's edge combined group, start with the taxpayer's worldwide affiliate group, remove non-unitary affiliates, then remove unitary affiliates that are not tax haven corporations, and those that have less than 20% average U.S. factors.

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

A corporation with taxable 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.

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 percentage, 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.

PREPARING A CONSOLIDATED RETURN

Two or more Alaska taxpayers in the same affiliated group may elect to, or be required to, file a consolidated Alaska return (see "Filing A Consolidated Return" on page 3). The Alaska Department of Revenue also offers ALASKA'S GUIDE TO RETURNS BASED ON A COMBINED REPORT. The guide includes examples of filing a consolidated Alaska return for taxpayers using the combined method of reporting.

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. Each taxpayer is required to determine its taxable income using the water's edge combined method of reporting. The taxable incomes of each taxpayer are then consolidated to comprise the consolidated Alaska return.

The water's edge group for each taxpayer within the consolidated group is determined by reference to the individual taxpayer. Taxpayers joining in a consolidated return usually have a common water's edge group. However, consolidated taxpayers may have distinct combined groups. **Separate combined reports are required for each unique water's edge combined group represented in the consolidated return.** Unique water's edge groups will exist for each distinct unitary business represented in the consolidated return.

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.

OTHER GENERAL INSTRUCTIONS

RETURN DUE DATE

The Alaska return must be filed within thirty (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 thirty (30) days after the federal extended due date AS 43.20.030(a). 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:
ALASKA DEPARTMENT OF REVENUE
TAX DIVISION
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 2008 tax return with the paid preparer who signed it, check the "Yes" 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 "Yes" 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 DOR.

If the corporation wants to revoke the authorization, it must file a Form 0405-775 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 0405-708 Underpayment of Estimated Tax by Corporations.

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 15 AAC 05.310.

ELECTRONIC FUNDS TRANSFER

Pay your taxes online electronically by using the Online Tax Information System (OTIS) Payment Center at www.tax.alaska.gov. OTIS accommodates Automated Clearing House (ACH) debit payments. OTIS does not accept ACH credit or credit card transactions. You must be registered in My Alaska to make your payment using OTIS.

You must be an existing taxpayer with the Tax Division to pay electronically using OTIS. If you are a first-time taxpayer, contact the Tax Division at 907-465-2320 or visit www.tax.alaska.gov for information.

If your bank account has a debit block, your online payment request will be rejected by your bank. Rejected payments may result in late payment penalties and/or interest. If you think your bank account has a debit block, contact your 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.

WIRE TRANSFER

If you are paying by wire transfer, you are required to notify the State of Alaska, Treasury Division by 2:00 p.m. the business day prior to the wire transfer settlement date. Use fax number 907-465-4019 or email to cashmgmt@alaska.gov. The notice must include the taxpayer name, Employer Identification Number (EIN), tax type, tax year, total payment amount, settlement date and the state agency the funds are for. If the payment covers multiple tax types or tax years, specify the amount applicable to each.

PAYMENT BY CHECK

Make checks payable to the **State of Alaska**. Note that if your total payment exceeds \$100,000, you are required to pay by EFT or wire transfer.

Checks must be submitted with the appropriate return or payment voucher. Payment vouchers can be found on the OTIS Payment Center or use Form 0405-711 which must show name, address, tax year and EIN.

Mail check with return or payment voucher to:
ALASKA DEPARTMENT OF REVENUE
TAX DIVISION
PO BOX 110420
JUNEAU AK 99811-0420

ALASKA INTEREST RATES ON TAX DUE

Refer to interest rates posted at www.tax.alaska.gov.

AMENDED RETURNS

A corporation may amend a prior year return by using Form 0405-611X. 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 IRS.

ADJUSTMENTS TO FEDERAL INCOME TAX LIABILITY

A corporation is required to report any alteration in, or modification of, the taxpayer's federal income tax return and of a re-computation of tax or determination of deficiency, whether with or without assessment. The amended return must be filed with full payment of any additional Alaska tax within 60 days after the final determination of the federal adjustment to avoid assessment of penalty for failure to file or pay. 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 in order to avoid assessment of the penalty for failure to file or pay. 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 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% (including late filing penalties).

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% (including late filing penalties). 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.

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.

SPECIFIC INSTRUCTIONS

STANDARD FORM 0405-611

These instructions are generally applicable to the standard Form 0405-611, but may be applicable to the short Form 0405-611SF, as specified. Instructions specific to Form 0405-611SF follow the standard Form 0405-611 instructions.

TAXPAYER IDENTIFICATION

Enter the name and federal EIN of the taxpayer. If this is a consolidated Alaska return, enter the name and federal EIN of one taxpayer included in the consolidated filing. If the common parent of the federal consolidated group is an Alaska taxpayer included in this return, 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 non-nexus common parent, change the designated taxpayer according to these instructions and complete Schedule B, question 4.

CONTACT PERSON

Provide the name 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 5).

SCHEDULE A - NET INCOME TAX SUMMARY

Line 2, Alaska net operating loss deduction: Enter the taxpayer's Alaska net operating loss carry-forward. 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.**

In general, the application of an Alaska net operating loss is governed by applicable Internal Revenue Code provisions.

Line 8, Incentive Credits: Include on line 8 the following Alaska specific incentive credits if applicable:

Exploration Incentive Credit (Minerals): Enter the credit allowable against your corporate net income tax from Form 0405-665, Exploration Incentive Credit. The credit may not exceed the lesser of 50% of the following:

- 1) corporation tax liability
- 2) total mining license tax liability

3) mining license tax liability related to production from the mining operation at which the mining exploration activity occurred.

Oil and Gas Exploration Incentive Credit: Enter the amount of credit extended under AS 41.09.010(a) to be applied against your corporate income tax, limited to your Total Tax from line 7 less any Exploration Incentive Credit (Minerals). Attach a copy of your credit extension(s) from the Commissioner of Natural Resources and specify the application of credit(s) to any other approved applications under AS 41.09.010(b).

Film Production Tax Credit: Enter the amount of credit allowable based on credit certificate issued to the taxpayer by the Department of Revenue. The original certificate must be attached to the Alaska tax return.

Lines 14 - 17, Penalties and Interest: Refer to instructions on Page 6.

Line 19. 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) & (d), and Rev. Rul. 99-40.

SCHEDULE B - TAXPAYER INFORMATION (Form 0405-611 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 taxable nexus with Alaska during the year.

Do not list affiliated corporations that are not Alaska taxpayers. Only corporations represented in the apportionment factor numerator should be identified as included in the return. Report all affiliates having nexus with Alaska whether or not the affiliate is included in this return or is a member of the same unitary group as the taxpayer. List the taxpayer shown on page one as taxpayer number 1. Sequentially number each listed taxpayer corporation.

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 (Form 0405-611 only)

Complete Columns A and B. S Corporations, Personal Service Corporations and Personal Holding Companies that generate Section 1201 capital gain income should use lines 2, 5, 6 and 7 only, and calculate other corporate level taxes on Schedule E, line 7 (see instructions for Schedule E). Enter any net capital gain from Schedule J, line 18 on Schedule D line 2.

SCHEDULE E - OTHER TAXES

(Form 0405-611 only)

Lines 1 and 2, Alternative Minimum Tax (AMT), and Credit for prior year minimum tax: Include on lines 1 and 2 the amount of the federal tax or credit that is applicable to the water's edge combined group from federal Schedule J.

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' credit for prior year minimum tax. Attach a schedule showing prior years AMT paid and credits applied since 1987.

Line 7:

S Corporations. Report built-in gains or excess net passive income taxes on this line. Attach a statement showing the tax calculation, and apportionment, if applicable.

SCHEDULE F - CREDITS

(Form 0405-611 only)

Lines 1(c) and 5: Alaska allows the federal investment credit only to the extent attributable to Alaska property. See AS 43.20.036(b). Subtract the total federal investment credit on line 1(c) and enter the portion of the federal investment credit attributable to Alaska property, multiplied by 18%, on line 5.

Line 1(d): Alaska does not allow credits for backup withholding, credit for employer social security and Medicare taxes paid on certain employee tips, and other federal credits that are tax reimbursements. See 15 AAC 20.145(e).

Line 8: Subpart B refers to the Internal Revenue Code. Do not include on line 8 the Foreign Tax Credit.

SCHEDULE G - ALASKA EDUCATION CREDIT

(Form 0405-611 only)

Subject to the limitations below, a taxpayer is allowed a credit for cash contributions accepted

- by an Alaska university foundation or by a nonprofit (public or private) Alaska two-year or four-year college accredited by a regional accreditation association for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment;
- by a nonprofit (public or private) Alaska two-year or four-year college accredited by a regional accreditation association for a facility or annual intercollegiate sports tournament;
- by a school district in the state for secondary school level vocational education courses, programs and facilities;
- by a state-operated vocational technical education and training school for vocational education courses, programs and facilities;

- by a nonprofit agency for Alaska Native cultural/heritage programs and educational support, including mentoring and tutoring, for public school staff and for students in grades kindergarten through 12 in the state; and
- by an institution that is located in the state and qualifies as a coastal ecosystem learning center under the Coastal American Partnership established by the federal government for education, research, rehabilitation, and facilities.

The Education Credit is limited to 50% of the first \$100,000, 100% of the next \$200,000 and 50% of contributions that exceed \$300,000.

The total contributions qualifying for the credit (line 1 of Schedule G) cannot be claimed as a charitable contribution deduction. Contributions claimed as a credit on this return cannot be claimed as a credit for other Alaska taxes.

The total allowable credit may not exceed \$5 million. If a taxpayer is a member of an affiliated group (see AS 43.20.073), then the total amount of credits may not exceed \$5 million for the affiliated group.

SCHEDULE H - COMPUTATION OF ALASKA INCOME

(Form 0405-611 only)

Line 1: Enter the income or (loss) from 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 line 28 of the federal consolidated return here on line 1. If the taxpayer is not affiliated with another corporation, skip line two and enter the amount from line 1 on line 3.

Line 2: Taxpayers using the combined method of reporting (water's edge taxpayers) must complete line 2. Line two of Schedule H reports 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 2(a): Enter the amount reported on line 28 of the federal tax return(s) of all domestic corporations that are members of the taxpayer's water's edge group which are not included in line 1. Attach a schedule, by company.

Line 2(b): Enter the income of unitary foreign corporations of the water's edge group. Include any foreign corporation with 20% or greater U.S. factors. Also include the income or loss of companies whose U.S. factors are less than 20% but do not meet the requirements of Internal Revenue Code Section 861 (c). Attach a schedule, by company.

Line 2(c): Enter the foreign sales corporation's profit including federally exempt foreign trade income and

allowing for deductions attributable to exempt foreign trade income. Also report DISC and foreign tax haven corporation net income here.

Line 2(d): 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 2(e): 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 are less than 20%. Do not remove companies which do not meet the requirements of Internal Revenue Code Section 861(c). Attach a schedule, by company.

Line 2(f): 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 2(e) 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 2(a)-(e), 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 2(e). 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 2(e).

Line 6(b): 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.

Line 6(f): Enter any non-business income or loss claimed and attach schedule by category of income.

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

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

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

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

SCHEDULE I APPORTIONMENT FACTOR (Form 0405-611 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 0405-611 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 upon 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 11(a).

SCHEDULE K – ALASKA CHARITABLE CONTRIBUTION DEDUCTION (Form 0405-611 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, Alaska 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. Enter on line 1 the taxpayer’s current charitable contributions before any federal deduction limitations and exclusive of any federal excess contribution carryover. Enter the taxpayer’s Alaska excess contribution carryover from prior years on line 6. Take the allowable charitable contribution deduction from line 10 to Schedule H, line 11(b).

SCHEDULE L – ALASKA DIVIDENDS-RECEIVED DEDUCTION

(Form 0405-611 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 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 11(c).

SHORT FORM 0405-611SF

RETURN DATA

Form 0405-611SF 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 taxable nexus outside of Alaska, or that report non-business income must file using the standard Form 0405-611.

Form 0405-611SF 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 0405-611.

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 A - SF

Line 6, Credits: If the taxpayer is claiming general business credits, attach Schedule F page 4 of the standard Form 0405-611 to this return. Enter 1.0 on Schedule F line 2 and complete the schedule.

Line 9, Alaska Education Credit: If the taxpayer is claiming an Alaska Education Credit, see the instructions on page 8 and attach Schedule G from page 4 of the standard

Form 0405-611 to this return.

SCHEDULE B - SF

Line 1: Enter the income or (loss) from line 28 of the taxpayer's federal income tax return.

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

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

Qualified contributions for which an Alaska Education Credit is claimed (Schedule G, line 1) are reported here.

Line 3(c): Enter other state-specific subtractions from federal taxable income in reaching 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 0405-611SF 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 0405-611 can be used to determine the Alaska charitable contribution and dividends-received deductions. Enter on lines 2(b) and 3(c) (as appropriate) the difference between the federal deductions included in lines 1 or 3(b) of Schedule B – SF and the Alaska deductions calculated on Schedules K or L.

SCHEDULE D – SF

Complete Columns A and B. S Corporations, Personal Service Corporations and Personal Holding Companies that generate Section 1201 capital gain income should use lines 2, 5, 6 and 7 only, and calculate other corporate level taxes on Schedule E, line 4 (see instructions for Schedule E).

Line 2, Net Capital Gain: If the taxpayer is reporting capital gain income, complete Schedule J of the standard Form 0405-611. Complete column C through line 18, and enter this amount on Line 2 of Schedule D.

SCHEDULE E – SF

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. Attach a schedule showing prior years' Alaska AMT.

Line 4:

S Corporations. Report built-in gains or excess net passive income taxes on this line. Attach a statement showing the tax calculation.