

**ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE**

**CHAPTER 810-27-1
MULTISTATE TAX COMPACT**

810-27-1-.09 Apportionment Formula.

(1) All business income of the taxpayer shall be apportioned to this state by use of the apportionment formula set forth in Code of Ala. 1975, §40-27-1, §40-27-1, Article IV.9, as amended.

(2) For taxpayers with a business interest in an unincorporated entity (e.g., partnership, unincorporated joint-venture, limited liability company taxed as a partnership, etc.), the apportionment formula shall include the pro rata share of the unincorporated entity's factor data.

(3) For taxable years beginning on or after January 1, 2021, all business income shall be apportioned to this state by multiplying the income by the sales factor.

(4) For taxable years beginning before January 1, 2021, the elements of the apportionment formula include the property factor, the payroll factor and the sales factor. If any factor is not utilized in the production of business income, it shall be eliminated, and the denominator reduced accordingly. The taxpayer may request, or the Commissioner may require, the use of a replacement factor in lieu of the eliminated factor where appropriate as provided for in §40-27-1, Article IV.18 and any rules promulgated thereunder.

(a) For taxable years beginning on or after December 31, 2010 and taxable years beginning on or before January 1, 2021. The apportionment formula gives double-weight to the sales factor and equal weight to both the property and payroll factors.

1. EXAMPLE: Company A is a multistate entity which does business both within and without of Alabama. Company A shall apportion its income using the apportionment formula as follows:

	Alabama	Everywhere
Property	500,000	600,000
Payroll	1,500,000	2,000,000
Sales	2,500,000	7,000,000

Company A must compute its apportionment formula as follows:

Property (500,000/600,000) 83.3333%

Payroll (1,500,000/2,000,000) 75.0000%

Sales (2,500,000/7,000,000) 71.4286% = (35.7143% X 2) Sum of Factor Percentages 229.7619%

Divide by Number of Factors Used \div 4

Apportionment Factor Average

Percentage: 57.4405%

2. EXAMPLE: Company B is a multistate entity which does business both within and without of Alabama. Company B has property and sales within Alabama but does not have any payroll within Alabama. Therefore, Company B shall eliminate the payroll factor and reduce the denominator. Company B shall apportion its income by doing the following:

	Alabama	Everywhere
Property	500,000	600,000
Payroll	0	0
Sales	2,500,000	7,000,000

Company B must compute its apportionment formula as follows:

Property (500,000/ 600,000) 83.3333%

Payroll (0/0) 00.0000%

Sales (2,500,000/ 7,000,000) 71.4286% = (35.7143% X 2)

Sum of Factor Percentages 154.7619%

Divide by Number of Factors Used \div 3

Apportionment Factor Average Percentage 51.5873%

(b) For taxable years beginning prior to December 31, 2010, the sales factor was evenly weighted with property factor and payroll factor in calculating a taxpayer's apportionment factor in Alabama.

Author: Kathleen F. Abrams, Holly H. Coon

Statutory Authority: Code of Ala. 1975, §§40-2A-7(a)(5), 40-18-57, 40-27-1.

History: New Rule: Filed May 11, 2016, effective June 25, 2016.

Amended: Published January 31, 2022, effective March 17, 2022.