

# Who may file consolidated returns?

Qualified corporate groups, shall have the option to file one excise tax return on a consolidated basis or to file separate returns. Each financial institution included in the Alabama consolidated return must compute their Alabama taxable income on a separate company basis. Then, the taxable income of the Alabama group is combined to determine the tax due.

In order for financial institution members of a controlled group to be eligible to elect to file on a consolidated basis, the members would have to meet the following two tests:

- Ownership test: Includable financial institutions will be connected through stock ownership with a common parent corporation. Financial institutions are includable corporations if:
  - Stock possessing at least 80 percent of the voting power of all classes of stock and at least 80 percent of each class of the nonvoting stock of each of the includable corporations (except the common parent corporation) is owned directly by one or more of the other includable corporations; and
  - The common parent owns directly stock possessing at least 80 percent of the voting power of all classes of stock and at least 80 percent of each class of the nonvoting stock of at least one of the other includable corporations.
- Filing test: In order to be eligible for this election, each member must be a financial institution as defined in [Section 40-16-1](#) and be required to file an excise tax return.

For tax periods beginning after December 31, 2019 – Act 2019-284(HB) revised the Consolidated filing requirements in Alabama Code Section [40-16-3\(e\)](#). For tax periods beginning on or after January 1, 2020, the election is binding for 120 consecutive months (10 years).