



Alabama
Department of Revenue

Starting a New Business

AN EDUCATIONAL BROCHURE FOR ALABAMA TAXPAYERS



Alabama Department of Revenue
50 North Ripley Street
Montgomery, AL 36132
www.revenue.alabama.gov

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This information was produced to give new business owners a general overview of the different areas of taxation required by the State of Alabama. Please note that this brochure was produced as a guide and it is not the final word on Alabama law.

INTRODUCTION

One of the most frustrating things to deal with as a new business is taxes. Taxes require not only the money to pay them, but also a great deal of time to plan for them and prepare the returns correctly.

The Alabama Department of Revenue (ADOR) administers over 50 different state and local taxes that affect business and individual taxpayers. The following is a listing of the business-related taxes that are administered by the ADOR. This overview is intended to be an introduction to the tax requirements for businesses. If you need more information, contact your accountant or the ADOR.

STARTING A NEW BUSINESS

Contact all necessary agencies that you feel may affect your business or yourself. Do not rely on secondhand information or someone else to contact all the agencies for you. There are forms that must be completed with information that only you will know about your business; and, usually, these must be signed with your original signature. All participants in the business should be actively involved in this process.

Be aware of how your tax returns, reports, and other paperwork are being handled regardless of whether you have an accountant, bookkeeper, etc. This paperwork affects your business and you should know what is going on. Do not blindly accept anything.

Keep at least six years of records so you can substantiate why you made a particular sale or took a particular deduction.

Be informed. Keep up with changes in state and federal tax laws which may affect you personally or your business. Your accountant or local district Revenue office should know of any changes and how they may affect your business. For any federal changes, contact the appropriate federal agency or office.

PLEASE respond to all correspondence from the Internal Revenue Service (IRS) or the Alabama Department of Revenue even if the notice or billing seems incorrect; your response is the only way to resolve tax matters. No response to correspondence creates problems for both you and the agency involved.

DEALING WITH THE ALABAMA DEPARTMENT OF REVENUE

Employees of the Alabama Department of Revenue recognize that dealing with any government agency can, at times, be very frustrating to taxpayers. The causes of those frustrations can be varied: legal requirements, rules, regulations, policies, procedures, etc. Of course, such causes have legitimate bases and are put in place to serve the general good of the taxpaying public. However, sometimes, individual taxpayers may feel hampered in efforts toward resolution because of one of the above-stated factors. Consequently, the department wants to make every reasonable effort to assist each taxpayer reach a successful conclusion to any issue that may arise.

In order to communicate effectively with taxpayers, certain information and action taken by the affected taxpayers will be beneficial. In communicating with the department, please:

- State your full name.
- Provide your social security number or federal Employer's Identification Number (EIN).
- Provide a telephone number where you may be contacted during the day.
- Provide your mailing address, as well as your physical address.
- If you have an E-mail address and/or fax number and want to use those addresses as possible methods of contact, provide the address/number.
- State either orally (telephone) or in writing (if sending a letter) your problem as you perceive it to be.
- State what you think should be done to resolve the problem.
- Keep a written record of your efforts to resolve your problem. In those records, make notes of:
 - Date of discussions.
 - Were the discussions in person or by telephone?
 - What was the name of the department employee?
 - What was the function of the department employee – i.e., his/her section and division?
 - What was the department employee's telephone number?
 - What was agreed upon between you and the department employee?

In your dealings with the Alabama Department of Revenue, please keep in mind that the department receives thousands of telephone calls and letters each day from taxpayers throughout Alabama, as well as the United States. Therefore, in order to provide efficient service, detailed information is necessary for effective resolution of issues. Consequently, your efforts to provide the department with meaningful information about your particular situation as indicated above will contribute substantially toward providing you with service that minimizes prolonged delays in issue resolution.

PATHWAY TO REGISTRATION

ALL BUSINESSES:

Contact the Internal Revenue Service (1-800-829-1040 for tax information, or 1-800-829-3676 for forms and publications) to determine if:

- A federal Employer's Identification Number (EIN) is needed (Form SS-4).
- Requirements for federal Estimated Income Tax are met (proprietors, partners, corporate shareholders, etc.), (Form 1040ES).
- Federal Self-Employment Tax is required.

You may request the following forms and/or publications from the IRS: SS-4 (EIN application form), Form W-4 (Federal Exemption Certificate), Circular E (Federal Tax Tables), 1040ES (Federal Declaration of Estimated Income Tax), Publication 334 (Tax Guide for Small Businesses) and/or other forms or publications.

IRS forms and publications may be downloaded from the IRS Web site at www.irs.gov.

Contact the Alabama Department of Revenue's Taxpayer Service Center in your area or visit the department's Web site at www.revenue.alabama.gov to determine what (if any) state and local taxes apply.

Determine if a privilege license is required (see below). If so, purchase it.

- County and State Licenses – County Courthouse (Probate Judge or License Commissioner).
- City Licenses – City Hall.

Contact the local county tax assessor's office in the county or counties in which you own property in order to meet the requirements of assessing all of your real property.

Contact the Alabama Department of Revenue, Individual Income Tax Section at (334) 242-1000 to determine if requirements for Alabama Individual Estimated Income Tax (Form 40ES) are met (proprietors, partners, corporate shareholders, etc.).

- Proprietors, partners and certain other individuals must report estimated earnings and remit the income tax on those earnings quarterly. (See Alabama Form 40ES and Federal Form 1040ES.)

At year-end, resident individuals must file Alabama Form 40 and Federal Form 1040 to report actual yearly earnings. (See Forms 40, 1040, and Schedule C for instructions.) Nonresident individuals that receive income from business operations in Alabama must be covered by a composite return or file Alabama Form 40NR to report Alabama income earned.

You must keep all financial and accounting records that clearly reflect income and expenses from three (3) to six (6) years or dependent on your situation.

If you are late with any tax return, contact the appropriate agency immediately. Instructions will be given as to what course of action you must follow. Reply to all correspondence from these agencies immediately.

Contact the Small Business Development Center closest to you in order to determine what, if any, other requirements there may be. The Small Business Development Centers around Alabama are good sources for determining local requirements, any requirements exclusive to the type of business you are in, marketing information for your business, how to obtain small business loans, etc.

ALL BUSINESSES THAT HAVE EMPLOYEES:

Contact the IRS to determine if federal withholding requirements apply (see previous).

First time applicants may register online for an Alabama withholding tax account number at www.revenue.alabama.gov, select EServices, then choose My Alabama Taxes, and click on the Obtain a New Account # hyperlink to register for an account number. If you do not have access to a computer you can contact the Alabama Department of Revenue, Business Registration Unit at (334) 242-1584 to request Form COM:101 (Combined Registration Application/Change Form).

Contact the Alabama Department of Industrial Relations to obtain requirements for Worker's Compensation Insurance at (334) 242-2868 or 1-800-528-5166 and State Unemployment Compensation tax at (334) 242-8830. Additional information can be obtained at www.dir.alabama.gov.

Contact city and county officials to determine if any occupational taxes are applicable.

Have all employees complete Forms A-4 (state) and W-4 (federal) and keep these on file.

Withhold income tax from your employees according to the Alabama Withholding Tax Tables and the Federal Circular E using the information on the A-4 and W-4.

File your Alabama Form A-1 or A-6 and remit payment for Alabama income tax withheld to the Alabama Department of Revenue. File Federal Forms 941 (Federal income tax withheld, social security and Medicare) and 940 (Federal unemployment) and remit payments to the appropriate agencies. (See the appropriate forms and instructions for the due dates, penalties, etc.)

At the end of the year, complete Form A-3 (state) and Form W-3 (federal). These should be filed with the appropriate agency along with the proper copies of Forms W-2. Furnish each employee with a copy of the Form W-2 on or before the last day of January.

If you have "contract labor," please contact the Alabama Taxpayer Service Center in your area for verification that it actually is "contract labor" and/or that withholding is required.

ALL RETAIL BUSINESSES:

(Businesses which sell tangible personal property to the end user or the consumer.)

Check previous categories to determine if any apply.

First time applicants may register online at <http://myalabamataxes.alabama.gov> or contact the Alabama Department of Revenue, Business Registration Unit at (334) 242-1584 and request Form COM: 101 (Combined Registration Form) to register for a state sales and/or seller's use tax license*, and state administered local jurisdiction license.** This form is also available online at: <http://www.revenue.alabama.gov/salestax/stforms.cfm>.

**Rental businesses must register for a state rental tax license, and lodgings establishments (e.g., hotels, motels, etc.) must register for state and local lodgings tax licenses.*

***Please note that the ADOR collects and administers local sales, use, lodgings, and rental taxes on behalf of many cities and counties, but not all. You must contact non-state administered local jurisdictions to register to collect and report their tax. A current list of all city and county tax rates, tax types and administrator contact information is available on the department's website at: www.revenue.alabama.gov/salestax/sales/index.cfm.*

Effective 10/1/2013, you have the option of filing non-state administered local taxes at the department's website: <http://www.myalabamataxes.gov> the One Spot to file! Please note you must pay the tax due electronically in order to utilize this service and you must enter the account number assigned to you by the non-state administered local administrator when you file.

For Local city and county filing instructions please visit the department website at: http://revenue.alabama.gov/salestax/ONE_SPOT.cfm.

ALL WHOLESALERS (Businesses which sell exclusively to retailers, manufacturers, or other wholesalers) and/or MANUFACTURERS:

Check previous categories to determine if any apply.

Contact ADOR's Sales and Use Tax Division or any local Taxpayer Service Center to determine if a Certificate of Exemption, Consumers Use Tax License, or other registration is required.

TAX GUIDANCE FOR CONTRACTORS, SUBCONTRACTORS AND ALABAMA GOVERNMENTAL ENTITIES REGARDING CONSTRUCTION-RELATED CONTRACTS

For certain purchases by contractors working on qualifying government entity projects, per Act 2013-205 and Alabama Department Rule 810-6-3.77, there is an additional option to purchase the materials for that project tax exempt by obtaining Certificate of Exemptions for Government Entity Projects. This Certificate applies to the purchase of building materials, construction material and supplies, and other tangible personal property that become part of the structure. The application, Form

ST: EXC-01 is found on the department's website <http://revenue.alabama.gov/salestax/stforms.cfm>.

General questions regarding the exemption for government entity projects may be directed to the Sales and Use Tax Division at 1-866-576-6531.

Also, you may visit our website at: http://revenue.alabama.gov/publications/business-taxes/nonprofit/Nonprofits--Sales_to_Tax-Exempt_Entities.pdf to view an informational guide published for contractors and builders who perform services for or make sales to Alabama tax-exempt entities.

ALL CORPORATIONS AND LIMITED LIABILITY ENTITIES:

Check previous categories to determine if any apply.

Contact the Secretary of State's Office.

- Foreign corporations (those that are incorporated in states other than Alabama) must qualify to do business in Alabama with the Alabama Secretary of State. Call the Secretary of State's office at (334) 242-5324 or visit www.sos.alabama.gov to obtain an application for certificate of authority (Form CD-2). Form CD-2 must be filed with the Secretary of State along with a \$175 qualification fee and a certified copy of the articles of incorporation.
- Domestic corporations (those that are incorporated in Alabama) must incorporate by first reserving the corporate name with the Alabama Secretary of State and then filing articles of incorporation (original and two copies) and the certificate of name reservation with the probate judge of the county in which the corporation has its initial registered office, along with the appropriate filing fees (\$50 for Secretary of State and a probate judge fee of a minimum of \$35). Contact the Secretary of State's Office at (334) 242-5324 or visit www.sos.alabama.gov for more information.
- Contact the Alabama Secretary of State's office at (334) 242-5324 or visit www.sos.alabama.gov for questions regarding organizing domestic (those that are created in Alabama) or registering foreign (those that are created in states other than Alabama) limited liability entities (Limited Partnerships, Limited Liability Partnerships and Limited Liability Companies).

File and remit Alabama Business Privilege Tax.

- All corporations and limited liability entities (Limited Partnerships, Limited Liability Partnerships, and Limited Liability Companies) are required to file and pay Alabama Business Privilege Tax no later than 2½ months after the taxpayer comes into existence, qualifies, or registers to do business or commences to do business in Alabama. Contact the Alabama Department of Revenue at (334) 353-7923 or www.revenue.alabama.gov/incometax/bpt_index.htm to obtain an initial Schedule BPT-IN with appropriate Business Privilege Tax forms.

ALL CONTRACTORS:

Check previous categories in order to determine if any of the other requirements previously mentioned will apply.

Contact the Alabama Department of Revenue, Sales and Use Tax Division toll free at 1-866-576-6531 or (334) 242-1490, to determine if any taxes will apply to your business activity (e.g., sales tax, contractor's gross receipts tax, consumers use tax, etc.).

Contact the Contractor's Licensing Board at (334) 272-5030 for additional licensing requirements.

ALL OTHER BUSINESS TYPES NOT LISTED HERE:

If your business falls into a category that has not been covered, you should:

- Check previous categories to determine if any of the above requirements apply to your business.
- Contact the Alabama Department of Revenue's Taxpayer Service Center in your area to determine what (if any) state taxes apply.
- Contact the IRS at 1-800-829-1040 to determine what (if any) federal taxes will apply.
- In Alabama there is no one central licensing authority for the various regulatory and professional licenses which may be required for businesses and individuals. Regulatory boards such as the Heating & Air Conditioning Board, Cosmetology Board, etc. should be contacted to ensure that their requirements are met. You may wish to consult with your accountant and/or make inquiries at the local level to ensure that you have met all necessary licensing requirements.

SALES AND USE TAX

THE TAX

The Alabama sales tax is a license tax paid for the privilege of selling tangible personal property at retail in Alabama. It is also a license tax for the privilege of operating places of entertainment or amusement.

THOSE WHO MUST REPORT AND PAY SALES TAX

All persons or businesses that sell tangible personal property at retail or operate places of entertainment or amusement must collect the tax and make reports and payments to the Alabama Department of Revenue.

RATE OF TAX

The rate of state tax is 4% of the gross sales of tangible personal property or of the cost of any property purchased at wholesale but withdrawn from stock and used or consumed (except sales of all new and used automotive vehicles, truck trailers, semi-trailers, and house trailers which are taxed at 2% of the net difference paid, farm machinery which is taxed at 1½% of the net difference paid, and all sales of machines, parts, and attachments for machines, parts, and attachments for machines used in manufacturing, processing, compounding, mining, and quarrying tangible personal property which are taxed at 1½%), 4% of the gross receipts from places of entertainment or amusement, and 3% of the gross sales of food products sold through coin-operated vending machines.

In addition to the state sales tax, local sales taxes are also due and these rates vary for each city and county. A current list of all city and county tax rates is available online at the department's website at www.revenue.alabama.gov/salestax/sales/index.cfm.

WHEN REPORTS ARE MADE AND TAX PAID

Sales tax reports must be made for each calendar month, that is, from the first day of the month through the last day of the month, except at the beginning or termination of a business.

Sales tax reports with payment of the amount of tax are due on the first of the month following the month in which the sales are made. They are considered delinquent and subject to penalty and interest charges if not filed or paid by 4:00 p.m. on the 20th day of the month following the month covered by the report. After filing for a full calendar year, you may qualify for alternative filing status as indicated below.

If your total state sales tax liability averages less than \$200 per month during the preceding calendar year, you may elect to file and pay state sales tax and state-administered local sales taxes on a calendar quarter basis. The election to file and pay quarterly must be made in writing to the Alabama Department of Revenue no later than

February 20th of each year in which you wish to file and pay taxes quarterly. Quarterly returns and payments are due by the 20th of January, April, July, and October at 4:00 p.m. for the previous calendar quarter's sales receipts.

If your total state sales tax liability during the preceding calendar year was \$10 or less, you shall file and pay state sales and state-administered local sales taxes annually. The annual return and payment are due by January 20th at 4:00 p.m. for the previous year's sales.

If you do not qualify to report and pay sales taxes annually or you do not qualify or have not elected to file and pay sales taxes quarterly, you must report and pay state sales tax and state-administered local sales taxes on a monthly basis. Monthly tax returns and payments are due by the 20th of each month at 4:00 p.m. for the previous month's sales.

ELECTRONIC RETURNS

All state and state administered local sales tax returns are required to be filed electronically. Visit the department's website at: <http://revenue.alabama.gov/salestax/efiling.cfm>. Select the My Alabama Taxes and One Spot links for more information.

ELECTRONIC FUNDS TRANSFER

Section 41-1-20, *Code of Alabama 1975*, specifies that for each occasion a business taxpayer is obligated to make a single tax payment of \$750 or more to the Alabama Department of Revenue (ADOR), such payments must be remitted electronically. For more information visit the department's website at: <http://revenue.alabama.gov/eft/eftindex.cfm>.

SALES NOT TAXED

There are certain sales to which the sales tax does not apply. They are mainly prescription drugs, sales of gasoline and motor oil (kerosene and fuel oil are taxable); fertilizer/insecticides/fungicides (when used for agricultural purposes), seeds for planting purposes, feed for livestock and poultry (not including prepared food for dogs and cats), baby chicks and poults; livestock; sales to the United States, state of Alabama and other governmental agencies of the state.

PENALTIES

Returns not timely filed are subject to a "failure to timely file" penalty equal to the greater of 10% of the tax required to be paid on the return or \$50. Check payments postmarked after the due date or electronic payments settling after the due date are subject to a "failure to timely pay" penalty equal to 10% of the delinquent tax. If the tax is not timely paid, interest is also due at the same rate established by the Secretary of the Treasury under authority of 26 USC 6621.

DISCOUNT FOR PROMPT PAYMENT

A discount of 5% is allowed on tax amounting to \$100 or less, and 2% on tax due in excess of \$100 provided the payment of tax is postmarked by the United States Postal Service on or before the 20th day of the month following the month for which the tax is paid, or the electronic payment of tax settles by the due date. Please note the monthly state sales tax discount may not exceed \$400.

State and local sellers use tax account holders will not receive a discount for timely filed returns and/or payments.

ALABAMA CONSUMER USE TAX

WHAT IS USE TAX?

Use tax is the counterpart of sales tax. It is due when merchandise is purchased for use inside Alabama and tax is not paid to the seller. The use tax rate is the same amount as the state sales tax rate.

WHY A USE TAX?

The Alabama use tax was enacted in 1939 to prevent vendors located outside the state from having an unfair competitive advantage against the instate vendors who have to charge the sales tax. The liability for paying the use tax falls on the purchaser. If the vendor does not collect the use tax, it is the responsibility of the purchaser to self-assess and report the tax due to the Alabama Department of Revenue.

WHAT IS TAXABLE?

The use tax applies to the same type merchandise that is taxable under the Alabama sales tax law. This includes all tangible personal property that is purchased at retail and brought into Alabama for storage, use, or consumption in Alabama unless it is specifically exempted by law.

WHAT IS THE STATE TAX RATE?

Automotive Rate – 2% – If you purchased an automotive vehicle from outside the state and did not pay the casual sales and use tax when you purchased your tag, or, if no tag is required for the vehicle, you owe use tax at the rate of 2% of the purchase price. Examples of items not requiring tags which qualify as automotive vehicles include: off-road motorcycles, ATVs, and self-propelled construction equipment.

Agriculture Rate – 1½% – Machines and equipment and parts for machines and equipment used in connection with the production of agricultural products, livestock, or poultry on farms are subject to tax at the rate of 1½%.

Machine Rate – 1½% – Machines and the parts for machines used in mining, quarrying, compounding, processing and manufacturing tangible personal property are taxed at the rate of 1½%.

General Rate – 4% – All other taxable tangible personal property is taxed at the rate of 4% of the purchase price.

QUESTIONS OFTEN ASKED

DO I HAVE TO PAY USE TAX ON TELEPHONE OR MAIL-ORDER PURCHASES?

If you make a purchase by telephone, mail order or online via the Internet, and the vendor fails to charge you the tax, you are responsible for paying state and local use taxes due.

The local use tax rates vary for each city and county. A current list of all city and county tax rates is available online at the department's website at: www.revenue.alabama.gov/salestax/sales/index.cfm.

WHO SHOULD PAY USE TAX?

Individuals and businesses are required to pay use tax when making out-of-state purchases that are subject to use tax.

HOW IS USE TAX REPORTED AND PAID?

All state and state administered use tax returns are required to be filed electronically. Visit the department's website at: <http://revenue.alabama.gov/salestax/efiling.cfm>. Select The My Alabama Taxes and One Spot links for more information.

Section 41-1-20, *Code of Alabama 1975*, specifies that for each occasion a business taxpayer is obligated to make a single tax payment of \$750 or more to the Alabama Department of Revenue (ADOR), such payments must be remitted electronically. For more information visit the Department's website at: <http://revenue.alabama.gov/eft/eftindex.cfm>.

WHEN IS THE TAX DUE?

The tax is due on the first of the month following the month in which the merchandise is purchased. A return should be completed for each month. The tax is considered delinquent after the 20th of the succeeding month. Example: Purchases made in January – the tax is due on February 1st and delinquent after February 20th.

After filing for a full calendar year, a taxpayer may be entitled to an alternative filing status as indicated below:

If your total state use tax liability averages less than \$200 per month during the preceding calendar year you may elect to file and pay state use tax on a calendar quarter basis. If your total state sales tax liability averages less than \$200 per month during the preceding calendar year and your total state use tax liability also averages less than \$200 per month during the preceding calendar year you may elect to file and pay state-administered local use taxes on a calendar quarter basis. The election to file and pay quarterly must be made in writing to the Alabama Department of Revenue no later than February 20th of each year in which you wish to file and pay taxes quarterly. Quarterly returns and payments are due by the 20th of January, April, July, and October at 4:00 p.m. for the previous calendar quarter's purchases.

If your total state use tax liability during the preceding calendar year was \$10 or

less you shall file and pay state use taxes annually. If your total state sales tax liability and total use tax liability during the preceding calendar year was \$10 or less, you shall file and pay state-administered local use taxes annually. The annual return and payment are due by January 20th at 4:00 p.m. for the previous year's sales.

If you do not qualify to report and pay use taxes annually or do not qualify or have not elected to file and pay use taxes quarterly, you must report and pay state use taxes and state-administered local use taxes on a monthly basis. Monthly tax returns and payments are due by the 20th of each month at 4:00 p.m. for the previous month's purchases.

No discount is allowed for prompt payment.

WHERE CAN I GET HELP?

The Alabama Department of Revenue operates nine Taxpayer Service Centers located across the state. Visit ADOR's Web site at www.revenue.alabama.gov to find the location nearest you, or call the Use Tax Section of the Sales and Use Tax Division at (334) 242-1490 for assistance.

LOCAL USE TAX

Cities and counties have use tax requirements patterned after the state law. Purchases from in-state vendors located outside of a taxing jurisdiction for use within those taxing jurisdictions could be subject to that particular city or county use tax. If a local city and county sales or use tax is paid on property under a requirement of law, no other additional city or county tax is due on the subsequent use, storage, or consumption of that property in another city or county. A current list of all city and county tax rates is available online at the department's website at www.revenue.alabama.gov/salestax/sales/index.cfm.

DUE DATES FOR USE TAX

The due date for local use tax is the same as for state use tax. The tax is due on the first of the month following the month in which the merchandise is purchased. A return should be completed for each month. The tax is considered delinquent after the 20th of the succeeding month. Example: Purchases made in January – the tax is due on February 1 and delinquent after February 20th.

LODGINGS TAX

Lodgings tax is a privilege tax on persons, firms, and corporations engaged in renting or furnishing rooms, lodgings, or other accommodations to transients for periods of less than 180 days of continuous occupation and applies to all charges for providing such accommodations. This tax also applies to charges for personal property used or furnished in such rooms or lodgings. The tax should be remitted monthly by the 20th of each month following the month in which the tax accrues. The tax rate is:

- 5% of the charges for accommodations in counties of the geographic region comprising the Alabama Mountain Lakes area (Blount, Cherokee, Colbert, Cullman, DeKalb, Etowah, Franklin, Jackson, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, and Winston counties).
- 4% of the charges for accommodations in all other Alabama counties.

Some examples of entities subject to this tax are those entities engaged in the operation of: hotels, motels, lodges, inns, tourist courts, tourist homes, camps, trailer courts, or any other place where rooms, apartments, cabins, sleeping accommodations, house trailer parking accommodations or other accommodations are made available to travelers, tourist, or other transients.

The applicable local lodgings tax rate should be charged in addition to the state lodgings tax. A current list of all city and county tax rates is available online at the department's website at www.revenue.alabama.gov/salestax/sales/index.cfm.

ELECTRONIC RETURNS

All state and state administered local lodgings tax returns are required to be filed electronically. Visit the department's website at: <http://revenue.alabama.gov/salestax/efiling.cfm>. Select The My Alabama Taxes and One Spot links for more information.

ELECTRONIC FUNDS TRANSFER

Section 41-1-20, *Code of Alabama 1975*, specifies that for each occasion a business taxpayer is obligated to make a single tax payment of \$750 or more to the Alabama Department of Revenue (ADOR), such payments must be remitted electronically. For more information visit the department's website at: <http://revenue.alabama.gov/eft/eftindex.cfm>.

RENTAL TAX

Rental tax is a privilege tax levied on the lessor for the leasing or renting of tangible personal property. The gross receipts (including any rental tax invoiced) from the leasing or rental of tangible personal property are subject to the state rental tax at the following rates:

- Automotive vehicles 1.5%
- Linens / garments 2.0%
- Other 4.0%

This tax is due on “true leases” (those leases in which the title to the property is retained by the lessor at the end of the lease agreement or there is an option to buy the property at a fair market value amount at the end of the lease agreement). “Conditional sales leases” (those in which the title of the property is transferred to the lessee at the end of the lease agreement or there is an option to buy the property upon payment of a nominal amount) are subject to sales tax. No discounts apply.

The applicable local rental tax should be computed and paid in addition to the state rental tax. A current list of all city and county tax rates is available on the department’s Web site at www.revenue.alabama.gov/salestax/sales/index.cfm.

DUE DATES FOR RENTAL TAX

The tax is due on the first of the month following the month in which the tax accrues. A return should be completed for each month. The tax is considered delinquent after the 20th of the succeeding month. Example: Leases made in January – the tax is due on February 1st and delinquent after February 20th. After filing for a full calendar year, a taxpayer may qualify for an alternative filing status as indicated below.

If your total state rental tax liability averages less than \$200 per month during the preceding calendar year you may elect to file and pay state rental tax and state-administered local rental taxes on a calendar quarter basis. The election to file and pay quarterly must be made in writing to the ADOR no later than February 20th of each year. Quarterly returns and payments are due by the 20th of January, April, July, and October at 4:00 p.m. for the previous calendar quarter’s rental receipts.

If your total state rental tax liability during the preceding calendar year was \$10 or less, you shall file and pay state rental and state-administered local rental taxes annually. The annual return and payment are due by January 20th at 4:00 p.m. for the previous year’s rental receipts.

If you do not qualify to report and pay rental taxes annually or you do not qualify or have not elected to file and pay rental taxes quarterly, you must report and pay state rental tax and state-administered local rental taxes on a monthly basis. Monthly tax returns and payments are due by the 20th of each month at 4:00 p.m. for the previous month’s rental receipts.

ELECTRONIC RETURNS

All state and state administered rental tax returns are required to be filed electronically. Visit the department's website at: <http://revenue.alabama.gov/salestax/efiling.cfm>. Select The My Alabama Taxes and One Spot links for more information.

ELECTRONIC FUNDS TRANSFER

Section 41-1-20, *Code of Alabama 1975*, specifies that for each occasion a business taxpayer is obligated to make a single tax payment of \$750 or more to the Alabama Department of Revenue (ADOR), such payments must be remitted electronically. For more information visit the department's website at: <http://revenue.alabama.gov/eft/eftindex.cfm>.

BUSINESS AND LICENSE TAXES

COAL SEVERANCE TAX is a privilege tax levied on every person mining coal in Alabama. There are two tax levies totaling \$.335 cents per ton.

UNIFORM SEVERANCE TAX is a tax on natural minerals severed from the ground within Alabama and sold as tangible personal property. The tax attaches at the point the products are sold by a producer to the first purchaser. The tax rate is \$0.10 per ton. The tax does not apply to Geneva, Lamar, Lee, Marshall, and Wilcox counties.

LOCAL SOLID MINERALS TAXES – The Alabama Department of Revenue collects the taxes for Coosa, Jackson, and Marshall counties. Jackson and Marshall counties levy a tax on coal at a tax rate of \$0.20 per ton. Coosa County levies a tax on earth-material severed at a tax rate of \$0.25 per ton.

IRON ORE SEVERANCE TAX is a privilege tax levied on every person mining iron ore in Alabama. The tax rate is \$0.03 per ton of 2,240 pounds. Note: The iron ore severance tax was suspended on October 1, 2014. Therefore, the September 2014 return was the final return due to be filed.

FOREST PRODUCTS SEVERANCE is a tax levied on every person severing timber or other forest products from the soil. The tax rate varies according to the measurement specifications and types of forest products severed (See following).

- Pine lumber, \$.50 per 1,000 board feet, or \$.75 per 1,000 feet log scale, or \$.10 per ton if sold as logs;
- Hardwood, and others, \$.30 per 1,000 board feet, or \$.50 per 1,000 feet log scale, or \$.065 per ton if sold as logs;
- Pulpwood, chemical wood, and bolts are \$.25 per cord, or \$.10 per ton;
- Cross ties are \$.015 per piece, or \$.15 per ton;
- Switch ties are \$.025 per piece, or \$.17 per ton;
- Turpentine is \$.15 per 400 lb. barrel;
- Mine ties and coal mine props are \$.125 per 100 pieces, or \$.15 per ton;
- Pine ore mine props are \$.75 per 1,000 feet log scale, or \$.15 per ton, or \$3.125 per lineal feet;
- Hardwood ore mine props are \$.50 per 1,000 feet log scale, or \$.15 per ton, or \$3.125 per lineal feet;
- Stumpwood is \$.125 per ton;
- Poles and pilings are \$1.875 per 1,000 board feet, or \$.205 per ton;
- Additional privilege tax is levied on processors and manufacturers using timber at 50% of the severance tax.

OIL AND GAS PRIVILEGE TAX is an annual privilege tax on all persons engaged in the business of producing or severing oil or gas from beneath the soil or water. The tax rate varies from 2% to 8% of the gross value of the oil or gas at the

point of production. Offshore wells are taxed at 3.65% of the gross proceeds. Natural gas lawfully injected into oil or gas pools or reservoirs in the soil or beneath the soil or waters of the state is exempt from this tax. Natural gas lawfully injected into the earth for the purpose of lifting oil or gas in the state is exempt from this tax. However, if any gas injected is sold for such purposes or injected into underground storage facilities, then the gas is not exempt from this tax. Natural gas lawfully vented or flared in connection with the production, treatment, or processing of oil or gas is exempt from the tax.

OIL AND GAS PRODUCTION TAX is levied on the production of oil or natural gas severed from any well or wells in Alabama and is paid on a monthly basis. The tax rate is 1% or 2% of the gross value of the oil or gas at the point of production. This tax is collected and calculated on the same basis as the oil and gas privilege tax. Offshore wells are taxed at 1.66% of the gross proceeds.

AUTOMOTIVE DISMANTLER AND PARTS RECYCLER LICENSE is an annual license which is required of all persons engaged in the business of purchasing, dismantling, disassembling, or repairing wrecked, abandoned, or repairable motor vehicles and selling the usable parts. This license is also required when selling these vehicles as a unit at wholesale, or selling the hull after parts have been removed. Licenses must be renewed online each year by October 31.

STORE, BUSINESS, VOCATION, & OCCUPATIONAL LICENSE – City and county licensing officials will also determine what local licenses and permits are necessary. A variety of business privilege licenses are administered by the Alabama Department of Revenue which affect proprietorships, partnerships, limited liability companies, and corporations as well as certain professions. Licenses are issued and fees are collected at the local level usually by the probate judge or the license commissioner of the county where the business is located, or in some situations, where the business activity takes place. Fees vary dependent upon the type of license required, and in some cases, upon the population of the area where the business is located or upon the volume of business. It is important to be aware that one business may require several different types of business privilege licenses depending upon the services offered or products sold by the business. Licenses must be renewed each year by October 31.

GASOLINE TAX is an excise tax of \$.16/gal. upon the removal of gasoline in Alabama from the terminal, upon import into Alabama, or upon the blending of motor fuel. This includes gasoline, gasohol, blended fuel which contains gasoline, blendstocks that are blended with gasoline, and motor fuel that is advertised, offered for sale, or sold for use as or used as motor fuel in an internal combustion engine. This tax does not include special fuel or aviation gasoline sold to a licensed aviation fuel purchaser for use in an aircraft motor.

AVIATION GASOLINE AND JET FUEL TAX is an excise tax upon the removal of aviation gasoline or jet fuel in Alabama from the terminal, upon import into

Alabama, or upon the blending of motor fuel. Tax rates, per gallon, are:

- Aviation Gasoline \$.095
- Jet Fuel \$.035

LOCAL GASOLINE AND MOTOR FUEL (DIESEL FUEL) TAXES — Local governments may levy a gasoline and motor fuel tax on all gasoline and motor fuel sold in the county or city. The Alabama Department of Revenue collects the gasoline and motor fuel excise taxes for Bullock, Cullman, and Lowndes counties. The tax rates and exemptions vary by county. Local rates are posted on ADOR's Web site at <http://revenue.alabama.gov/motorfuels/gastext.cfm>.

LUBRICATING OILS TAX is levied on the selling, distributing, or withdrawing from storage in Alabama, for any use, lubricating oils, greases, or substitutes (this does not include kerosene, fuel oil, or crude oil). The tax rate is \$.06 per gallon.

MOTOR CARRIER MILEAGE TAX – Certain contract carriers and common carriers are required to pay mileage tax to the state as compensation for use of the public highways. Tour bus and charter operations are exempt from this tax.

DIESEL FUEL TAX is an excise tax of \$.19/gal. upon the removal of diesel fuel in Alabama from the terminal, upon import into Alabama, or upon the blending of diesel fuel. This includes #1 and #2 fuel oils, kerosene, special fuels, blended fuels which contain diesel fuel, transmix, biodiesel, and any liquid that is advertised, offered for sale, or sold for use as or used as a motor fuel in a diesel-powered engine.

WHOLESALE OIL/IMPORT LICENSE FEE is an annual fee which is paid by the supplier, permissive supplier, or importer of diesel fuel. The fee is collected by the supplier when the product crosses the rack at the terminal. The permissive supplier collects the import fee from the person who purchases the diesel fuel for import into Alabama. The import fee is due by the importer on all diesel fuel imported into Alabama, unless the importer remits the fee to the permissive supplier or supplier. The fee is \$.0075/gal. of diesel fuel, excluding transmix. This fee is due within two weeks from the beginning of the fiscal year for the preceding fiscal year (October 1 through September 30).

SCRAP TIRE ENVIRONMENTAL FEE is a fee that is to be collected at the point of sale from the consumer on replacement tires (new, used, and retread), whether or not the tires are mounted on a rim or wheel. The fee is \$1.00 per tire.

TOBACCO PRODUCTS TAX is on the sale, storage, or distribution of tobacco or tobacco products by wholesalers and retailers, and use by consumers and is paid on a monthly basis by filing a report or by purchasing revenue stamps. The tax rates vary. The Business & License Tax Division also administers a variety of county tobacco taxes. Contact the Tobacco Tax Section of the Business & License Tax Division for the appropriate rates on all products, and to inquire about the issuance of a tobacco stamping permit. Local rates are posted on ADOR's Web site at <http://www.revenue.alabama.gov/tobaccotax/tobacco/tobaccoindex.html>.

PLAYING CARDS TAX is a tax on any business or individual selling, storing, or

using playing cards. The tax is collected when the revenue stamp is purchased for application to the package of cards. In addition to this tax, each retailer must pay an annual fee for the privilege of selling playing cards. The tax rate is:

- \$.10 per deck.
- \$3 annual license tax on retail dealers selling playing cards.

PARI-MUTUEL POOL TAX/FEE includes a tax on the operators of dog race tracks and a fee on all operators of horse race tracks. The tax/fee is paid on a monthly basis and the rate is:

- 1% of the pari-mutuel pool on all pari-mutuel races.
- 1% of the pari-mutuel pool on all pari-mutuel races requiring the selection of three or more racers.
- 1% of the horse wagering handle.

HAZARDOUS WASTE FEE is a fee levied on the operators of commercial hazardous waste sites receiving waste for disposal. The fee is paid on a monthly basis. Fee rates are as follows:

- \$5.50 per ton for "RCRA" (Resource Conservation and Recovery Act) and "PCB" (Poly Chlorinated Biphenyl) waste.
- \$5.50 per ton for all other waste.
- \$1.00 per ton on total tonnage.

For additional local fees levied, contact the county in which the site is located or the Business & License Tax Division.

SOLID WASTE DISPOSAL FEE is a fee levied on all Solid Waste Management Facilities that have been issued a permit by the Alabama Department of Environmental Management (ADEM). Disposal fees levied upon generators of solid waste disposing of the waste at permitted solid waste management facilities are:

- One dollar (\$1) per ton for all waste disposed of in a municipal solid waste landfill, regulated solid waste that may be approved by ADEM as alternate cover materials in landfills and regulated solid waste received from out-of-state for disposal at permitted public solid waste facilities.
- One dollar (\$1) per ton or twenty-five cents (\$0.25) per cubic yard for all waste disposed of in public industrial landfills, construction and demolition landfills, non-municipal solid waste incinerators, or composting facilities, which receive waste not generated by the permittee; regulated solid waste that may be approved by ADEM as alternate cover materials in landfills; and regulated solid waste received from out-of-state for disposal at permitted public solid waste facilities.

- Twenty-five cents (\$0.25) per cubic yard for all waste disposed of in a private solid waste management facility, not to exceed one thousand dollars (\$1,000) per calendar year.

UNDERGROUND AND ABOVEGROUND STORAGE TANK TRUST FUND CHARGE is a charge imposed on the first withdrawal of motor fuels in this state and motor fuels delivered into this state. The operator of the motor fuels bulk facility and the owner of the motor fuels being delivered into Alabama are responsible for collecting and remitting the charge. The charge is due on a monthly basis and the current rate is \$0.01 per gallon.

WITHHOLDING TAX

STATE WITHHOLDING TAX

Alabama is one of many states which impose a state tax on personal income. State withholding tax is the money an employer is required to withhold from each employee's wages to pay the state income tax of the employee. The employer pays no part of the tax, but is responsible for collecting and remitting the tax withheld.

EMPLOYER – EMPLOYEE

An employer is any person or other entity for which an individual performs or performed a service, of any nature, as an employee of such person or entity. For more information on whether a worker is considered contract labor or an employee requiring income tax withholding, file Form SS-8 with the IRS for a determination.

WAGES SUBJECT TO ALABAMA WITHHOLDING TAX

Generally all wages earned in Alabama are subject to Alabama withholding tax. However, certain classes of employment are exempt from Alabama withholding tax. The chief exemptions from withholding tax are merchant seaman, agricultural and domestic employees, and duly ordained ministers.

Alabama income tax is required to be withheld from wages paid to employees who are physically working in the state of Alabama. Please note that residency is not a factor. Therefore, wages earned by a resident or a non-resident while working in Alabama are subject to Alabama withholding tax.

REGISTERING TO WITHHOLD ALABAMA INCOME TAX

You may register online at www.revenue.alabama.gov for a withholding tax account number or you may contact the Alabama Department of Revenue, Business Registration Unit at 334-242-1584 and request Form COM:101 (Combined Registration Application) to register. This form and other withholding tax forms are available online at www.revenue.alabama.gov/withholding/index.html. If registering online, you may elect to have your withholding tax account number emailed to you. Otherwise, this information will be mailed to you once the completed application is received and processed.

Due Dates For Alabama Withholding Tax Reports

Withholding tax reports are to be filed on a monthly or quarterly basis. A monthly report Form A-6 is required for each of the following months in which more than \$1,000 in Alabama income tax is withheld: January, February, April, May, July, August, October, and November. The due date for the monthly Form A-6 is the 15th day of the month immediately following the month in which more than \$1,000 was withheld. For example, a January Form A-6 monthly report is required to be filed by

February 15 if more than \$1,000 in Alabama income tax was withheld in January. Two months should not be added together to reach the \$1,000 threshold. Each calendar month should stand alone.

A quarterly report Form A-1 is required to be filed by all employers and withholding agents who withhold Alabama income tax or who are required to withhold Alabama income tax. The due date for the quarterly Form A-1 is the last day of the first month following the end of the quarters March 31, June 30, September 30, and December 31. For example, a March Form A-1 quarterly report is required to be filed by April 30. A quarterly Form A-1 is required to be filed whether or not any tax is withheld. Detailed instructions concerning due dates and other withholding information is included in the preprinted withholding tax forms sent to employers and in the *Withholding Tax Tables and Instructions for Employers and Withholding Agents* handbook which is available on the department's Web site.

ELECTRONIC RETURNS

Employers remitting payments of \$750 or more are required to submit their payments and returns electronically through the department's Paperless Filing System. All employers, regardless of the payment amount, are encouraged to file and pay electronically using the Paperless Filing System. Forms which can be filed through the department's Paperless Filing System include the monthly Form A-6, the quarterly Form A-1, the annual reconciliation Form A-3, and the federal Wage and Tax Statement Form W-2. Employers submitting 25 or more Forms W-2 are required to file their Form A-3 and employee Forms W-2 electronically through the department's Paperless Filing System. Please visit the department's Web site at www.revenue.alabama.gov/withholding/efiling.html for more information concerning electronic filing.

WAGE AND TAX STATEMENTS (Federal Form W-2)

Employers are required to issue wage and tax statements (Forms W-2) to their employees by January 31. Copies of the federal Form W-2 must also be submitted to the department by January 31 along with the Form A-3. Employers submitting 25 or more Forms W-2 are required to file these with the department electronically. Employers filing less than 25 Forms W-2 are encouraged to voluntarily file their annual reconciliation electronically. Please visit the department's Web site at www.revenue.alabama.gov/withholding/efiling.html for more information concerning electronic filing.

EXEMPTION CERTIFICATES (Form A-4)

All employees are required to furnish their employers with a signed exemption certificate Form A-4. Because the value of state and federal exemptions differ, the federal Form W-4 cannot be substituted for the state Form A-4. If an employee fails to furnish an employer with a signed Form A-4 exemption certificate, the employer is required to withhold using zero exemptions.

GENERAL INFORMATION

For more information about Alabama withholding tax requirements, visit ADOR's Web site at www.revenue.alabama.gov and download a copy of *Withholding Tax Tables and Instructions for Employers and Withholding Agents*.

FEDERAL EMPLOYER IDENTIFICATION NUMBER

A federal Employer Identification Number (EIN), also known as a Federal Tax Identification Number, is a nine-digit number that the Internal Revenue Service (IRS) assigns to business entities. Taxpayers that give tax statements to employees are required to have an EIN. Taxpayers can apply for an EIN with the IRS using the Federal Form SS-4 by:

1. Telephone: Call the Toll-Free EIN number, 1-800-829-4933, Monday-Friday, 7:00 am – 10:00 pm to receive an EIN immediately.
2. Fax: Fax the completed Form SS-4 to (215) 516-3990 to receive an EIN within four (4) business days. The fax number is available 24 hours a day, 7 days a week.
3. Mail: Complete Form SS-4, date and mail it to: Internal Revenue Service, Attn: EIN Operations, Philadelphia, PA 19255. You will receive your EIN within 4 to 6 weeks.
4. Internet: Form SS-4 Internet-EIN (I-EIN) application opens another avenue for customers to apply for and obtain an EIN. Visit www.irs.gov to apply online for an EIN. Online EIN is available 24 hours a day, 7 days a week.

INDIVIDUAL ESTIMATED TAX

WHO MUST PAY ESTIMATED TAX

Estimated tax is the method used to pay tax on income that is not subject to withholding. This includes income from self-employment, interest, dividends, alimony, rent, gains from the sale of assets, prizes, and awards.

A payment of estimated tax shall be made by every individual subject to Alabama income tax if such individual can reasonably be expected to owe \$500 or more when filing their income tax return. To file estimated tax you must use Alabama Form 40ES. If the amount of estimated tax due (line 11 of worksheet or line 1, Voucher 1, Form 40ES) is less than \$500, no estimated tax return is required to be filed.

Every taxpayer must file an annual income tax return at the close of the taxable year. If the return indicates a balance due (tax owed exceeds tax paid through estimated and withholding tax), this balance must be remitted with the tax return. If tax paid exceeds tax due, the taxpayer will be entitled to a refund.

PAYMENT OF ESTIMATE TAX

Your estimated tax may be paid in full or in equal installments on or before April 15, June 15, September 15, and January 15. If the 15th falls on a Saturday, Sunday, or state holiday the due date will then be the following business day. Checks or money orders should be made payable to the Alabama Department of Revenue and mailed to Alabama Department of Revenue, Individual Estimates, P.O. Box 327485, Montgomery, AL 36132-7485. Taxpayers may also file and pay estimated tax electronically. Visit www.revenue.alabama.gov and click on "E-Services" to learn more.

CHANGES IN INCOME

Even though your situation on April 15 is such that you are not required to file estimated tax, your expected income or tax credits may change so that you will be required to file estimated tax later. In such case, the time for filing is as follows: June 15, if the change occurs after April 1 and before June 2; September 15, if the change occurs after June 1 and before September 2; January 15, if the change occurs after September 1. If, after you have filed a voucher, you find that your estimated tax is substantially increased or decreased as the result of a change in your income or tax credits, you should file an amended voucher on or before the next filing date – June 15, September 15, January 15.

FARMERS

If at least two-thirds of your estimated gross income for the taxable year is derived from farming, you may pay estimated tax at the time on or before February 15 instead of April 15. If you wait until February 15, you must pay the entire balance of the estimated tax. However, if farmers file their final tax return on or before

February 28, and pay the total tax at that time, they need not file estimated tax.

PENALTIES FOR UNDERESTIMATION

Penalties are provided for underestimating the Alabama tax by more than 10% (33⅓% for farmers).

PASS THROUGH ENTITIES

One of the first steps in establishing a business is to determine the structure most appropriate for your business. There are several different business structures from which to choose and different establishment procedures depending on your desired structure. In order to provide you with fundamental information, the basic structures or forms of organization are described below in the following paragraphs. However, the descriptions are for informational purposes only and are not intended to be, nor should you rely on them as, legal advice. Before selecting a business structure, it is advisable to consult your attorney and/or accountant as each structure carries with it unique legal and tax consequences.

WHAT ARE PASS THROUGH ENTITIES?

Partnerships (general, limited, limited liability), LLCs, LLEs, Trusts and Estates (fiduciaries), and Subchapter S corporations are all terms for entities which exist for tax and/or legal purposes but are not living breathing “natural persons.” These entities file informational tax returns and income tax is paid by the owners of the entity. These arrangements avoid double taxation as imposed on C corporations (corporate income tax and tax on dividends).

PARTNERSHIPS may also be referred to as Subchapter K entities as they fall under Subchapter K of the Internal Revenue Code. Alabama is specifically tied to Sections 701 through 761 of Subchapter K.

A partnership is “a syndicate, group, pool, joint venture, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not ... a trust or estate or a corporation,” and a partner is a member of such an entity. (IRC §7701(a)(2).) There are three types of partnerships: general, limited and limited liability. A general partnership consists of two or more members that are equally liable for the partnership debts and participate in the management of the entity. A limited partnership has at least one general partner and one or more limited partners. The limited partners do not participate in the management of the partnership and liable only for their contribution. Limited liability partnerships are usually a professional firm. The partners are mutually liable for the debts of the firm but not for the torts/actions of other partners. Most large accounting firms favor this type of entity. There are also electing large and publicly traded partnerships which are treated as corporations under the IRC. While Alabama is not specifically tied to the IRC code sections (771-777) covering these partnerships, the ADOR requires the entity to file the same type of return for state purposes as is filed for federal purposes. The partners draw up a partnership agreement to detail how to allocate income, deductions, and tax attributes. This allocation can be in any way they choose, subject only to the IRS requirement that the allocation have “substantial economic effect.” Refer to IRC §704 for more information on this. A written partnership

agreement should cover capital investments, services, life of the partnership and any other matters concerning the operating of the partnership. If the partnership agreement is silent on a matter, local law will be treated as part of the agreement.

LLCs – limited liability companies or **LLEs** – limited liability entities are generally treated as partnerships but may elect to be treated as a corporation in some cases. There are also **SMLLCs** – single member limited liability companies. **SMLLCs** that do not elect to be classified as corporations are included in the return of their member/owner. Special rules apply to **SMLLCs** for business privilege tax purposes. One term you may hear in connection with these entities is “check-the-box regulations.” For purposes of the taxing statutes in Title 40, *Code of Alabama 1975*, all **LLCs** which, pursuant of Act 97-920, include both single member and multiple member **LLCs**, organized on or after Jan. 1, 1997, will be classified as they are classified for federal income tax purposes under the Internal Revenue Service’s “check-the-box” regulations. With respect to **LLCs** organized before Jan. 1, 1997, the Alabama Department of Revenue will conform to the **LLCs** classification under the Internal Revenue Service’s “check-the-box” regulations for all tax years preceding Jan. 1, 1997. Most entities will make an election through default. If the entity does not file an election, it will be classified as a partnership. The election to be taxed as a corporation is made on IRS Form 8832.

Subchapter K entities file Form 65. Form 65 is an informational return which includes separately and non-separately stated items. The entity is required to issue a K-1 to each owner. The federal K-1 and the Alabama K-1 may not be identical as to amounts of income and expense. The Alabama K-1 should be calculated based on the allocation and apportionment rules found in Title 40 Chapter 27 (Multi-state Tax Compact). Also required for non-resident owners is a composite return. The composite return will be covered in more detail later.

A Composite Return (Form PTE-C) is required each year from Subchapter K entities that have non-resident owners/shareholders. Form 65, the informational return, is due April 15 or the 15th day of the fourth month after the end of the fiscal year. Form PTE-C is due at the same time. If you are electronically filing, be sure that you get two (2) receipts as each return is processed separately. Form PTE-C is used to pay tax on the total share of income for a nonresident member, and this return may fulfill the filing requirement for individuals but not for other entities. For more information contact the Pass Through Entity Section at (334) 242-1033.

TRUST AND ESTATES (FIDUCIARIES) are covered under Subchapter J of the IRC and are sometimes referred to as Sub J entities. Alabama law follows federal law in the area of fiduciaries. (Reference Act 2006-114.)

Fiduciaries are allowed to make a choice: the tax may be paid on Form 41, or the income may be distributed to the beneficiary and reported as income on the individual return. If the tax is being paid by the fiduciary; deductions are subtracted from gross income, all distributions to beneficiaries are deducted, and a “personal” exemp-

tion of \$1,500 is allowed before calculating the tax due. Fiduciary returns also have provisions for the deduction of NOL carryovers, capital credits and claiming composite payments made on behalf of the fiduciary. Federal law allows the excess loss on termination to be claimed by the beneficiary; however, Alabama law does not allow final year losses to be passed on to the beneficiary.

SUBCHAPTER S CORPORATIONS

SUBCHAPTER S CORPORATIONS are limited in size and type of owner. Alabama law is specifically tied to IRC §1361 and §1362 for the election to be an S corporation. Reference §40-18-160 through §40-18-176. A key to interpretation is found in §40-18-173 which says, "...Due consideration shall be given in the interpretation of this article to applicable sections of the U.S. Internal Revenue Code in effect from time to time, its rulings and regulations provided such Code, rulings, and regulations are not in direct conflict with any portion of this article". This directs the ADOR to look at other IRC sections addressing S corps. Reference IRC Sections 1361 through 1379. Some facts about S corporations:

1. S corporations can only have individuals, estates, certain trusts or certain tax-exempt organizations as shareholders.
2. For tax years after Dec. 31, 2004, family members may elect to be treated as one shareholder. Any family member can make the election and it may only be terminated as prescribed in IRS regulations.
3. Business interest expense is allowed as a deduction to offset K-1 income on the federal return, but Alabama considers it investment interest expense. Investment interest expense is limited on Form 4952A and reported on Alabama Schedule A.
4. Business expenses paid by the shareholder are not an allowable deduction directly against K-1 income. Expenses paid by the shareholder are considered unreimbursed employee expenses and reported on Alabama Schedule A.
5. A composite return may alleviate further filing requirements for individual shareholders, but will not alleviate further filing requirements of an estate or trust.

The recent American Jobs Creation Act (AJCA) relaxed the restrictions on S corporations and because Alabama is tied to the federal S corporation election, Alabama will follow these changes:

1. Number of shareholders increased from 75 to 100.
2. All members of a family may be treated as one shareholder – not more than six generations of lineal descendants plus their spouses/ex-spouses.
3. Suspended losses transfer in connection with divorce.
4. Q Subs have same relief on elections and terminations.

Subchapter S corporations file Form 20S for Alabama. This return is mainly for informational purposes, like the Form 65. The Form 20S includes separately and non-separately stated items and requires a K-1 for each investor. However, if the corpora-

tion has changed from a C corporation to an S corporation, there may be taxes due on the Form 20S. The two types of taxes that may be paid on the Form 20S are built-in gains tax and excessive passive income tax. Corporations which became S corporations after Dec. 31, 1989, may be liable for built-in gains tax. The tax is computed by multiplying the net recognized built-in gain of the Alabama S corporation for the taxable year by 5 percent. Section 40-18-174 defines "net recognized built-in gain," with respect to any taxable year in the 10-year recognition period as the lesser of (i) the amount taxable if only recognized built-in gains/losses were taken into account, or (ii) the corporation's taxable income as determined under §40-18-161 and without regard to the deduction provided by §§40-18-35(14), 35(15) and 35.1. A net operating loss carry-forward that arose in a taxable year for which the corporation was not an Alabama S corporation is allowed as a deduction against the net recognized built-in gain of the Alabama S corporation for the taxable year. The amount of net recognized built-in gain for a taxable year cannot exceed the excess (if any) of the net unrealized built-in gain over the net recognized built-in gain for prior taxable years beginning in the recognition period. "Net unrealized built-in gain" means the amount (if any) by which the fair market value of the assets of the corporation exceeds the aggregate basis of such assets as of the beginning of the first taxable year for which the corporation is treated as an Alabama S corporation. This tax does not apply if a corporation has had an S corporation status under the Internal Revenue Code for each of its taxable years. If an S corporation has subchapter C earnings and profits, has passive investment income in excess of 25 percent of gross receipts, and has taxable income at year end, it must pay a tax on the excess net passive income. The tax is computed by multiplying the excess net passive income by 5 percent. "Excess net passive income" means an amount which bears the same ratio to the net passive income for the taxable year as (i) the amount by which the passive investment income for the taxable year exceeds 25 percent of the gross receipts for the taxable year, bears to (ii) the passive investment income for the taxable year. The amount of excess net passive income shall not exceed the S corporation's income for the year as determined under §40-18-161. The term "net passive income" means passive investment income reduced by deductions allowed under Chapter 18, Title 40, *Code of Alabama 1975*. The terms "passive investment income" and "gross receipts" have the same meanings as when used in IRC §1362(d)(3). However, the amount of passive investment income shall be determined without using any recognized built-in gain or loss of the Alabama S Corporation for any taxable year in the 10-year recognition period. See §40-18-175, *Code of Alabama 1975*.

A Composite Return (Form PTE-C) is due each year from subchapter S corporations that have non-resident owners/shareholders which have not filed Form NRA-Alabama S Corporation Nonresident Agreement. Form NRA is a statement from the non-resident shareholder agreeing to be responsible for all taxes due to Alabama. For

subchapter S corporations the return is due March 15 or the 15th day of the third month after the end of the fiscal year. Tax is paid on the total share of income and this return may fulfill the filing requirement for individuals but not for other entities. For more information contact the Pass Through Entity Section at (334) 242-1033.

CORPORATION INCOME TAX

CORPORATIONS SUBJECT TO INCOME TAX:

Section 40-18-2, *Code of Alabama 1975*, imposes an income tax on every corporation doing business in Alabama or deriving income from sources within Alabama including income from property located in Alabama and on every corporation licensed or qualified to transact business in Alabama except for those corporations specifically exempted by §40-18-32.

FILING REQUIREMENTS:

Every corporation, joint stock company, or association subject to income tax under Title 40, *Code of Alabama 1975*, is required by §40-18-39 to file a return with the Alabama Department of Revenue for each taxable period, stating gross income and allowable deductions and credits. Penalties will be added for failure to timely file, failure to timely pay, or fraudulent filing. The commissioner of the ADOR is authorized to distribute, apportion or allocate income and deductions of related taxpayers to clearly reflect the income of the entities.

CONSOLIDATED FILING:

An Alabama affiliated group may elect to file an Alabama consolidated return. An Alabama consolidated return means an Alabama corporate income tax return filed by or on behalf of the member of an Alabama affiliated group. The election is made by filing Form 20C-CRE (Election to File Consolidated Corporate Income Tax Return). The completed election form must be submitted to the department on or before the due date, with extensions, for the first taxable year for which the election is applicable.

In accordance with §40-18-39, for tax periods after Dec. 31, 2001, and after, Alabama affiliated group means a group of corporations, each member of which is subject to tax under §40-18-31 and Public Law 86-272, which are members of an affiliated group for federal purposes and which file a federal consolidated corporation income tax return. Each member shall allocate and apportion its Alabama taxable income and losses separately, using separate apportionment factors. (This is done on Form 20C, Filing Status 5, proforma return). These separate company amounts are then combined and reported on a single Alabama return (Form 20C-C) for the affiliated group. All transactions between and among members of the Alabama affiliated group shall be reported on an arm's length basis. The election is made by the common parent of the Alabama affiliated group as the agent for all the members. If the common parent is not a member of the Alabama affiliated group, the members shall designate to the department which member of the group shall serve that role for this purpose. The election is binding and irrevocable for a period of 120 consecutive months, beginning with the first month of the first taxable year for which the election is made

and ending with the conclusion of the taxable year in which the 120th consecutive month expires.

WHEN TO FILE:

ORIGINAL DUE DATE. The calendar year return is due on or before March 15 of the succeeding year. For fiscal year or short-year taxpayers, the return is due on or before the 15th day of the third month following the close of the tax period.

WHICH FORM TO USE:

FORM 20C: Corporations must file Form 20C, Corporation Income Tax Return, unless (1) a valid election is in effect to be an S corporation under 26 U.S.C. §1362, (2) a valid election is in effect to be a qualified subchapter S subsidiary under 26 U.S.C. §1361(b)(3) and all of its stock is owned by an Alabama S corporation, or (3) the corporation has exempt status under §40-18-25(e), 40-18-25(f), or 40-18-32 and the corporation has no unrelated business taxable income.

FORM 20C-C: Alabama Consolidated Corporate Income Tax Return. The Form 20C-C must be filed by or on behalf of the members of the Alabama affiliated group in accordance with Alabama Code Section 40-18-39, when a Consolidated Filing election has been made pursuant to Code Section 40-18-39(c).

FORM BIT-V: Taxpayer with a business income tax payment of less than \$750 must complete Form BIT-V, Alabama Business Income Tax Voucher. Detach the completed voucher and mail it along with your payment. Payments of \$750 or more must be remitted electronically. To obtain Form BIT-V visit our Web site at www.revenue.alabama.gov. Taxes not paid on or before the unextended due date will be subject to interest until paid at the rate provided in §40-1-44, *Code of Alabama 1975*, and all applicable penalties.

Estimated Income Tax Payments. A corporation that has an Alabama income tax liability in excess of \$500 must pay estimated tax. The first payment is due by the 15th day of the 4th month of the taxable year. The 2nd, 3rd, and 4th payments are due by the 15th day of the 6th, 9th, and 12th months, respectively. The amount of required installments shall be 25 percent of the required annual payment. Required annual payment generally means the lesser of a) 100 percent of the tax shown on the return for the taxable year, or b) 100 percent of the tax shown on the return of the corporation for the preceding taxable year. The prior period exception shall not apply if the preceding taxable year was not a taxable year of 12 months or the corporation did not file a return for such preceding taxable year showing a liability for tax. Refer to Alabama Code Section 40-18-80.1. Large corporations (taxable income of \$1,000,000 or more for any taxable year during the testing period) are required to pay 100 percent of the current year tax. The prior year exception shall not apply in the case of a large corporation. The testing period is the 3 taxable years immediately preceding the taxable year involved. Also, taxable income shall be determined without regard to any

net operating loss carried to the taxable year under Section 40-18-35.1. Refer to Alabama Code Section 40-18-80.1. Estimated tax payments not paid by each quarterly due date will be subject to interest on the underpayment – determined by applying the underpayment rate established by 26 U.S.C. §6621 (as provided by Alabama Code Section 40-18-80.1) to the underpayment for the period of underpayment. In addition, the 10% penalty provided for in Alabama Code Section 40-2A-11 applies to estimated tax payments not paid by the quarterly due date.

Automatic Extension Payments. An automatic extension of six months is granted to file the Alabama Corporation Income Tax Return, Form 20C. If estimated payments do not equal or exceed the amount of tax due for the period, the balance of the corporation's tax liability is due on or before the original due date of the return. Automatic extension payments of \$750 or more must be made electronically. **DO NOT MAIL FORM BIT-V IF THE PAYMENT IS REMITTED ELECTRONICALLY.**

CIVIL PENALTIES. Section 41-2A-11 provides additional penalties for (1) failure to timely file, (2) failure to timely pay, (3) underpayment due to negligence, and (4) underpayment due to fraud. These penalties may be assessed in addition to the penalties provided by §40-18-80.1, without regard for the underestimation exceptions provided for in that section.

ELECTRONIC FUNDS TRANSFER. Section 41-1-20, *Code of Alabama 1975*, specifies that for each occasion a business taxpayer is obligated to make a single tax payment of \$750 or more to the Alabama Department of Revenue (ADOR), such payments must be remitted electronically. Visit the Department's E Services page at www.revenue.alabama.gov for more information.

BUSINESS PRIVILEGE TAX

GENERAL INFORMATION

Every corporation, limited liability entity (LLE), business trust, disregarded entity and real estate investment trust (REIT) that is doing business in Alabama or is registered/qualified to do business in Alabama, is required to file an Alabama Business Privilege Tax Return and Annual Report.

Organizations described under 26 U.S.C. Section 501(a) are exempt from filing privilege tax. Effective with taxable years beginning on or after January 1, 2009, the filing of a Form PSE will no longer be required in order to obtain an extension to file the business privilege tax return. According to Rule 810-2-8-.06 any taxpayer required to file a business privilege tax return will be granted an automatic six month extension of time for filing the return. While an automatic extension is in place for the filing of the annual business privilege tax return, payment of the total tax due (including any corporate annual report fees) must be received on or before the original due date of the return.

DEFINITIONS:

CORPORATION – An entity, including a limited liability company electing to be taxed as a corporation for federal income tax purposes, through which business can be conducted while offering limited liability to the owners of the entity. The term “corporation” shall include but not be limited to the following: corporations, professional corporations, joint stock companies, unincorporated professional associations, real estate investment trusts, limited liability companies electing to be taxed as corporations for federal income tax purposes, and all associations classified as corporations for federal income tax purposes. The term “corporation” shall not include any county, municipal corporation, political subdivision of the state, governmental corporation, instrumentality or agency thereof. (Section 40-14A-1(d))

LIMITED LIABILITY ENTITY – Any entity other than a C corporation, organized under the laws of this or any other jurisdiction through which business may be conducted while offering limited liability to the owners of the entity with respect to some or all of the obligations of the entity and which is taxable under subchapter K of the Internal Revenue Code, including, without limitation, limited liability partnerships, and limited partnerships. (Section 40-14A-1(k))

ELECTING FAMILY LIMITED LIABILITY ENTITY – An electing family limited liability is a limited liability entity that meets the following requirements: (Section 40-14A-1(h))

- (1) An individual and the members of the individual’s family as defined in Section 40-14A-1(h)(4) directly or constructively own 80 percent or more of the profits and capital interests.

- (2) Must meet the requirements of either the gross receipts test as defined in Section 40-14A1(h)(3)(a) or the assets test as defined in Section 40-14A-1(h)(3)(b).
- (3) Must attach a statement to the return making the annual election and declaring all of the requirements have been met.

DISREGARDED ENTITY – A limited liability company that is disregarded for purposes of federal income tax, or a qualified subchapter S subsidiary as defined in 26 U.S.C. Section 1361. (Reference Section 40-14A-1(g), *Code of Alabama 1975*.)

INSURANCE COMPANY – An insurance company that is subjected to the premium taxes levied by Chapter 4A of Title 27, *Code of Alabama 1975*.

FINANCIAL INSTITUTION GROUP – All taxpayers in an affiliated group where at least one member of the group is a financial institution that is subject to the provisions of Title 40, Chapter 16 (relating to financial institution exercise tax). In the event a financial institution taxpayer is not a member of an affiliated group, that financial institution shall be treated as a financial institution group. (Reference Section 40-14A-22(f)(1)(c)). *Note:* Financial institution group members are required to complete Schedule G of Form PSA, which can be obtained through the department's Web site at www.revenue.alabama.gov.

RELATED PARTY – A related party is any member of a controlled group of corporations as defined in 26 U.S.C. Section 1563, or a limited liability entity that would be a member of a controlled group if rules similar to those of 26 U.S.C. Section 1563 were applied to limited liability entities. (Reference Section 40-14A-(1) (L)).

Additional information concerning the related party debt add-back:

- Individual shareholders are NOT considered related parties.
- All related party debt should be itemized, including related parties' federal EIN, complete name, and whether the related party debt is Exempt or Non-Exempt.
- Related party debt cannot be negative.
- Related party debt and related party receivables are not netted under any circumstances.
- Exempt payables are defined as stated in Section 40-14A-23(e)(2)b, *Code of Alabama 1975*. They include trade debt, accounts payable, or deposit liabilities to related parties that are doing business in Alabama.
- Non-Exempt Payables are all other related party debts.

FILING RULES

Effective Jan. 1, 2001, the balance sheet year for the business privilege tax will be the same year used by the taxpayer to file income tax, financial institution excise tax or insurance premium tax returns. The due date for corporations will be 2½ months after the first day of their fiscal year. **Short year returns will be due for privilege tax.**

The due date for LLCs and partnerships will be 3½ months after the first day of their tax year.

BUSINESS PRIVILEGE TAX FORMS

Please visit ADOR's Web site at - http://www.revenue.alabama.gov/incometax/bus_priv_tx/itbusprivindex.cfm for all business privilege tax forms and instructions.

Visit <http://revenue.alabama.gov/eservices/> for paying the tax and filing the return electronically.

INACTIVE ENTITIES

If an Alabama entity becomes inactive, it must continue to file the appropriate business privilege tax return annually and paying the tax until it is dissolved. The annual tax accrues on the first day of the entity's tax year. The tax that has accrued prior to dissolution remains due. The entity must file the appropriate documents for dissolution with the Judge of Probate in the county in which it was formed to avoid incurring the business privilege tax. If the entity is a foreign entity that is registered/qualified with the Alabama Secretary of State, it must withdraw through the Alabama Secretary of State to avoid the annual business privilege tax liability.

The Secretary of State can be contacted at 334-242-5324 and its website is sos.alabama.gov. See http://revenue.alabama.gov/publications/business-taxes/business-privilege/Business--How_to_Close_a_Business_for_Business_Privilege_Tax_Purposes.pdf.

PROPERTY TAX

Property tax (an ad valorem tax) is a tax levied on all real and personal property within Alabama. All property must be assessed annually with taxes paid, between October 1 and December 31, in the county where the property is located. Property will be assessed for ad valorem taxes at one of the following four assessment ratios:

Assessment Class	Description	Assessment Ratio
Class I	All property of utilities used in the business of such utilities	30%
Class II	All property not otherwise classified	20%
Class III	All agricultural, forest and single family, owner occupied residential property, including owner occupied residential manufactured homes located on land owned by the manufactured home owner, and historic buildings and sites	10%
Class IV	All private passenger automobiles and motor trucks of the type commonly known as "pickups" or "pickup trucks" owned and operated by an individual for personal or private use and not for hire, rent, or compensation	15%

Any property that is assessed as Class I property is assessed by the department's Public Utilities Section. Total tax rates are expressed in terms of mills per dollar. One (1) mill is equivalent to 1 / 1000 of \$1. When calculating taxes, it is necessary to express stated mills as decimals. (One mill can be expressed as a decimal as .001.) Millage rates will vary by jurisdiction. The state portion of the total tax rate will be 6.5 mills.

Example: Assume you have a \$1,000,000 manufacturing facility (Class II property – 20% assessment ratio) located in the city of Montgomery (34.5 mills*), the taxes would be:

ASSESSED VALUE CALCULATION

Property Market Value	X	Assessment Ratio	=	Assessed Value
\$1,000,000		20%		\$200,000

PROPERTY TAX CALCULATION

Property Assessed Value	X	Millage Rate (expressed as a decimal)	=	Property Taxes
\$200,000		0.0345		\$6,900

PERSONAL PROPERTY

Personal property is generally defined as property not permanently affixed to or a part of realty. Basically, everything that is not real estate is considered personal property. The tax assessing official makes the differentiation between real property and personal property by considering the manner in which property is attached to or secured at the location and the purpose for which the property is used.

Personal property has two categories: tangible personal property and intangible personal property. Intangible personal property includes an owner's representation of

rights to property such as shares of stock, annuities, patents, market certificates, etc. Intangible personal property owned by businesses is not taxable under the property tax laws of this state. Tangible personal property includes material items such as machinery and equipment, tools, furniture and fixtures, among numerous other items. Tangible personal property is taxable to businesses for Alabama property tax purposes.

Aircraft and avionic equipment are taxable for business personal property, as well as, motor vehicle “add-on” equipment. The values published by the Alabama Department of Revenue in the *Alabama Uniform Motor Vehicle Assessment Schedule for Ad Valorem Taxes* represent market value of motor vehicle cab and chassis only and do not include equipment and/or bodies added after a vehicle leaves the manufacturer. The “add-on” equipment and/or bodies are components, which give the vehicle added value and they are taxed as business personal property.

Business personal property is considered Class II property and is taxed at 20% of market value. Market value multiplied by 20% equals the assessed value, which is then multiplied by the appropriate jurisdiction’s millage rates to determine the amount of tax due.

The Alabama Department of Revenue publishes a personal property appraisal manual so that basic methods and procedures can be followed in the personal property appraisal process. This is done to ensure statewide property appraisal equity. The manual serves as a reference guide to Alabama’s assessing and appraisal personnel.

Alabama is a situs state for the taxability of personal property; therefore, if property is located in the state on October 1 (the lien date), the property is taxable for Alabama purposes, unless specifically exempted. Alabama’s property tax laws provide certain constitutional and statutory exemptions. If you have any questions regarding taxability of personal property, exemptions or millage rates, please call the ADOR’s Property Tax Division at (334) 242-1525.

Example: Assume you have a \$1,000,000 manufacturing facility (Class II property – 20% assessment ratio) located in the city of Montgomery (34.5 mills*), the taxes would be:

ASSESSED VALUE CALCULATION			
Fair Market Value of Personal Property	X	Assessment Ratio	= Assessed Value of Personal Property
\$1,000,000		20%	\$200,000
PROPERTY TAX CALCULATION			
Personal Property Assessed Value	X	Millage Rate (expressed as a decimal)	Total Personal Property Taxes
\$200,000		0.0345	\$6,900

**An example of property tax on an automobile would be:
For a 2004 Taurus LX with a market value of \$11,800**

Private Use Automobiles are assessed at 15%

Assessed Value	\$1760	Tax
Montgomery City Millage Rate	12.5	\$22.00
Montgomery County Millage Rate	15.5	\$27.28
State Millage Rate	6.5	\$11.44
Total Millage Rate	34.5	\$60.72

Commercial Use Automobiles are assessed at 20%

Assessed Value	\$2360	Tax
Montgomery City Millage Rate	12.5	\$29.50
Montgomery County Millage Rate	15.5	\$36.58
State Millage Rate	6.5	\$15.34
Total Millage Rate	34.5	\$81.42

*Millage Rate Summary:

State of Alabama	6.5
Montgomery County	7.5
Montgomery City	12.5
Local Schools	8.0
Total Millage Rate	34.5

For additional information, contact the Property Tax Division at the address below or visit the department's Web site at www.revenue.alabama.gov/advalorem/index.html.

Alabama Department of Revenue
Property Tax Division
P.O. Box 327210
Montgomery, AL 36132-7210
Phone: (334) 242-1525
Fax: (334) 242-0145

MOTOR CARRIER FUEL TAX

Alabama is a member of the *International Fuel Tax Association (IFTA)*. The International Fuel Tax Agreement (IFTA) is a fuel tax reciprocity agreement among the 48 continental states of the United States and the 10 provinces of Canada providing for a payment of motor fuel taxes on the basis of consumption of motor fuels used in the propulsion of motor vehicles.

The advantage of IFTA to both the jurisdictions and the motor carriers is a motor carrier is only required to obtain a single fuel tax license and vehicle credentials from their base jurisdiction which allows them to travel into all IFTA jurisdictions without further fuel registration. A single tax return is filed with the base jurisdiction and this tax return contains detailed information about vehicle operations within each IFTA jurisdiction.

For additional information, contact the Motor Fuel Tax Section or the Motor Carrier Fuel Tax Section at the address below or visit the department's Web site at www.revenue.alabama.gov/motorvehicle/index.html.

Motor Vehicle Division
P.O. Box 327620
Montgomery, AL 36132-7620
Phone: (334) 242-9000
Fax: (334) 353-8038

MOTOR VEHICLES

MANDATORY LIABILITY INSURANCE (MLI)

In Alabama, all self-propelled motor vehicles operated on public highways must be covered by minimum liability insurance coverage. Motor vehicle owners are required to have an Alabama liability insurance policy in the following minimum amounts:

- \$25,000 for death or bodily injury to one person;
- \$50,000 for death or bodily injury to two or more persons; and
- \$25,000 for damage or destruction of property of others.

Minimum liability insurance is required for all self-propelled motor vehicles being operated, including cars, trucks, vans, SUVs, RVs, buses, and motorcycles. Trailers are exempt from the insurance requirements. Section 32-7A-5, *Code of Alabama 1975*, provides a full list of vehicles that are specifically exempt from the law.

An owner/operator must provide proof of insurance upon request by any law enforcement officer or license plate issuing official. The proof of insurance provided must display a current effective date. The insurance card issued to the motor vehicle owner by his/her insurance company is the most common evidence of liability insurance.

The Department of Revenue, on a continuous basis, attempts to verify insurance coverage on all registered motor vehicles subject to the MLI law by contacting the insurer as last identified by the owner or insurer. When policy information cannot be confirmed on a vehicle, an insurance verification questionnaire is sent to the vehicle owner to determine if the vehicle was properly insured on the requested verification date. Updated policy information received from the questionnaire process is submitted to the insurer to confirm coverage was in force on the vehicle for the requested verification date. Those who fail to respond to the questionnaire will have their motor vehicle registration (license plate) suspended until they provide a response to the department. Owners whose registrations are suspended related to a first time violation must pay a \$200 reinstatement fee and provide current proof of insurance before the registration may be reinstated. Owners whose registrations are suspended for a second or subsequent violation will have their vehicle registrations suspended for a mandatory four months and must pay a reinstatement fee of \$400 and provide current evidence of insurance in order to reinstate the vehicle registration. For additional information concerning Alabama's mandatory liability insurance requirements, contact the ADOR at (334)242-3000 or visit ADOR's Web site at http://revenue.alabama.gov/publications/motor-vehicles/Be_Sure_to_Insure!_The_Mandatory_Liability_Insurance_Act.pdf.

MOTOR CARRIER LICENSING

MOTOR CARRIER ELECTRONIC FILING SERVICES

Various online services are available for Alabama motor carriers. For more information about the department's IFTA Quarterly E-File Program, IRP/IFTA Permitting Program, IFTA License Decal Program, and the IRP Registration Program contact the department's Motor Carrier Services office at (334) 242-2999 or visit the department's Web site at <http://revenue.alabama.gov/motorvehicle>.

IFTA LICENSING

WHAT IS "IFTA"?

The International Fuel Tax Agreement (IFTA) is an agreement between jurisdictions to simplify the reporting of motor fuel taxes. Under this agreement, licensees are required to file a quarterly fuel use tax return representing miles traveled, fuel purchased and used, and taxes/credits due in each member jurisdiction. The base jurisdiction then distributes the funds to each affected jurisdiction according to information contained in the quarterly fuel use tax return. The base jurisdiction shall issue one license and the requested number of fuel decals to licensee after acceptance of the Application for IFTA License form. A complete listing of the IFTA jurisdictions can be found on the IFTA website at www.iftach.org.

QUALIFIED MOTOR VEHICLES

A qualified motor vehicle is a motor vehicle used, designed, or maintained for transportation of persons or property having:

1. Two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms; or
2. Having three or more axles regardless of weight; or
3. Is used in combination, when the weight of such combination exceeds 26,000, or 11,797 kilograms gross vehicle or registered gross vehicle weight.

Qualified Motor Vehicle does not include recreational vehicles unless they are used in conjunction with any business endeavor. Recreational vehicles are vehicles such as motor homes, pickup trucks with attached campers and buses when used exclusively for personal pleasure by an individual.

EXEMPT VEHICLES

In addition to the exemption for recreational vehicles allowed by the IFTA Articles of Agreement, the following vehicles are exempt in the State of Alabama:

- Any motor vehicle owned and operated by any department, board, bureau, commission, or taxing area or other agency of the federal government;
- Any motor vehicle owned and operated by any department, board, bureau, commission, or taxing area or other agency of the State of Alabama or any political subdivision thereof;
- Any school bus operated by the State of Alabama, or any political subdivision thereof, or any private or privately operated school or schools.

Please refer to the IFTA website at www.iftach.org for vehicle exemptions in each IFTA jurisdiction.

IRP REGISTRATION

WHAT IS "IRP"?

The International Registration Plan (IRP) is a commercial vehicle registration agreement that was entered into among the states of the United States (excluding Alaska and Hawaii) and various provinces of Canada. This agreement allows the base jurisdiction to process commercial vehicle registrations and collect fees for other member jurisdictions. Total fees are based on the percentage of miles that are traveled by a registrant's fleet in each member jurisdiction. Only one license plate and one cab card are issued for each vehicle. All jurisdictions for which a vehicle is apportionally registered are listed on the vehicle's cab card. A complete listing of IRP member jurisdictions may be found on the IRP website at www.irponline.org.

All license fees that are collected by the base jurisdiction are divided among the other IRP jurisdictions according to:

1. Percentage of distance traveled in each jurisdiction;
2. Vehicle information, such as model year, purchase price, vehicle type; and
3. Maximum weight.

The IRP is specific in requiring all member jurisdictions to comply with the following three basic principles:

1. A single registration plate;
2. A single registration card (cab card); and
3. Allowing registrants to perform both interstate and intrastate vehicle movements.

WHEN TO APPORTION YOUR VEHICLE

An individual will need to apportionally register their vehicle(s) if the vehicle(s) will travel into two or more jurisdictions and is used for the transportation of persons for hire or is designed, used, or maintained primarily for the transportation of property, and:

- Is a power unit having a gross weight or having a registered gross weight in excess of 26,000 pounds; or
- Is a power unit having three or more axles regardless of weight; or
- Is a power unit that is used to pull another unit and the weight of such combination exceeds 26,000 pounds.

OTHER VEHICLES THAT MAY BE APPORTIONED:

- Any truck, tractor, or truck-tractor, regardless of weight, in which the registrant plans to haul commercially intrastate in a jurisdiction other than the base jurisdiction.
- Any commercial power unit regardless of weight that will travel interstate.

Registrants often register vehicles that do not require IRP apportioned registration because:

- The weight of the vehicle(s) or combination is close to 26,000 pounds, and registering helps to avoid confusion and difficulties that may occur in some jurisdictions.
- The registrant plans to travel in certain jurisdictions whose jurisdiction registration requirements can be satisfied by IRP registration.

EXEMPT VEHICLES

The following vehicles are exempt from IRP registration:

1. Government-owned vehicles.
2. Buses used for chartered parties. (Note: A registrant may choose to apportionally register the chartered parties bus(es) if there are plans to travel into any of the Western jurisdictions. This is due to some Western jurisdictions non-IRP registration requirements.) **Effective January 1, 2016, charter buses are no longer exempt from IRP.**
3. Recreational vehicles (defined as a vehicle used for personal pleasure or travel by an individual or the family).
4. Vehicles operating with a restricted license plate. Restricted plates are defined as a registration that has time (less than a registration year), geographic area, distance, or commodity restriction. Types of Alabama restricted plates include:
 - A. Alabama farm (F) plates. These plates are restricted in that Alabama law allows these plates to be used only by a farmer transporting farm products or personal property of the farmer for his use on his farm.
 - B. Alabama forestry (L) plates. These plates are restricted in that they may only be used on trucks owned and used by any person for transporting forest products from the point of severance to a sawmill, a papermill, or to a concentration yard. (These tags are allowed only on trucks.)
 - C. Motor vehicle dealer plates, manufacturer plates, and dealer transit plates.
 - D. Any fully registered Alabama vehicle that hauls logs into Mississippi. Alabama and Mississippi have a reciprocity agreement whereby Mississippi recognizes full fee registered Alabama trucks, tractors, or truck-tractors to haul logs in an interstate movement into or out of Mississippi. This agreement involves the transportation of logs (not sawdust or similar products) and does not permit intrastate operation in the jurisdiction in which the vehicle is not licensed. (Note: IFTA is still required on qualified vehicles.)
 - E. Cotton module (CM) plates. Issued to vehicles designed and especially constructed to transport only raw cotton from harvest to a cotton gin.

For a list of exempt vehicles, please refer to the IRP website at: www.irponline.org.

For all IFTA/IRP questions, please contact the office of Motor Carrier Services at mcs@revenue.alabama.gov, by telephone at (334) 242-2999, fax at (334) 242-9073 or website at <http://revenue.alabama.gov/motorvehicle/>.

Mailing Address: Alabama Department of Revenue
Motor Vehicle Division
Motor Carrier Services
P.O. Box 327620
Montgomery, AL 36132-7620

Office Location: Alabama Taxpayer Service Center
Motor Vehicle Division
Motor Carrier Services
2545 Taylor Road
Montgomery, AL 36117

Dealer Licensing/Dealer Plates

See http://revenue.alabama.gov/motorvehicle/pdf/Dealer_License_Brochure.pdf

Steps to Become a Designated Agent

Designated agent qualification requirements:

- Licensed Alabama Motor Vehicle Dealers must obtain a state-issued dealer regulatory license.
- Licensed financial institutions – Submit a copy of their Title 5, Chapter 19, State Banking License or equivalent.
- Pawnshops – Submit copy of Alabama Pawnshop License.
- Out of state financial institutions (manufactured homes only) – Submit copy of company's State business or regulatory license.
- Law Firms (manufactured homes only) – Submit copy of document evidencing that a principal of the firm is admitted to the State Bar.
- Title Agents (manufactured homes only) – Submit copy of certificate of authority issued by the Alabama Department of Insurance.

A designated agent package is available on the Department's website - <http://revenue.alabama.gov/motorvehicle/ETAPS.cfm>. **Please note: the dealer regulatory license bond satisfies the designated agent bonding requirement.**

When a completed package is received by the Department, the designated agent account will be set up in ETAPS and a designated agent certificate will be sent to the applicant. **Note: the legal name of the business should be provided on the application and bond form.**

All designated agents are required to attend a training class conducted by the department before their ETAPS account is activated and they are allowed to process title applications through ETAPS. There is no fee for the class. The class is divided into two sessions designed to last six (6) hours. Designated agents are required to attend both sessions to become certified for ETAPS. The Alabama Uniform Certificate

of Title and Anti-theft Act and general titling procedures are addressed in the morning session and ETAPS user training is addressed in the afternoon session. Upon request, training for manufactured home cancellations and insurance settlements for stolen unrecovered vehicles will be available after the ETAPS user training.

The class is not limited to new designated agents; any designated agent desiring additional training may attend the class. The ETAPS Title Training Manual and the training schedule are available on the Department's website - <http://revenue.alabama.gov/motorvehicle/index.html>. Please bring the following information to the training session:

- Designated agent number (Provided on the Designated Agent Certificate)
- ETAPS Title Training Manual
- Sales/Rental Tax Number
- Financial institution account number
- Financial institution routing number
- Financial institution account type (checking/savings)
- Account classification (commercial/consumer)

Note: dealers must have obtained their designated agent number prior to attending class. Designated agent applications will not be processed the day of a class.

The ETAPS administrative account for the dealer will be activated within 3 to 5 business days upon successful completion of the training session. Upon activation, the administrator can create additional users for the dealer and submit title applications.

For additional information regarding designated agent requirements, contact the Title Section at titles@revenue.alabama.gov.

BUSINESS TAXES: LICENSES AND MOTOR VEHICLES

AUTOMOTIVE DISMANTLERS, PARTS RECYCLERS AND SECONDARY METALS RECYCLERS (SCRAP)

Every licensed automotive dismantler and parts recycler or secondary metals recycler who acquires a motor vehicle for the purpose of dismantling it or recycling it into metallic scrap for remelting purposes or any person who crushes a motor vehicle acquired from anyone, other than a licensed automotive dismantler and parts recycler or secondary metals recycler, shall be required to take the following actions prior to crushing the motor vehicle or dismantling it or recycling it into metallic scrap for remelting purposes:

- 1) Obtain the properly assigned certificate of title, and
- 2) Electronically transmit the following information through the Department's Motor Vehicle Scrap Portal (<https://scrap.mvtrip.alabama.gov/>):
 - a) Name and address of the licensed automotive dismantler and parts recycler, secondary metals recycler or person who crushes a motor vehicle acquired from anyone other than a licensed automotive dismantler and parts recycler or secondary metals recycler,
 - b) Date of acquisition,
 - c) Vehicle Identification Number (VIN),
 - d) Title number and state of issuance,
 - e) Year,
 - f) Make,
 - g) Model, and
 - h) Odometer reading (for vehicles not exempt from federal odometer certification disclosure requirements).

The department has developed a real-time online system to be used by licensed automotive dismantler and parts recyclers and secondary metals recyclers to validate the vehicle and title information (to include whether a lien or electronic notice of lien has been filed with the department within the past four years) and verify that the vehicle is not reported as stolen. If a vehicle is twelve (12) or more model years old and the owner did not obtain a certificate of title in his or her name, the licensed automotive dismantler and parts recycler or secondary metals recycler shall complete form MVT 5-18 and electronically transmit the information through the Scrap Portal (<https://scrap.mvtrip.alabama.gov/>).

Upon completing the verification and validation, an electronic confirmation receipt with a unique confirmation number is provided to the user. **Note: It is a Class C felony to crush a motor vehicle or dismantle it or recycle it into metallic scrap for remelting purposes prior to obtaining this confirmation number.**

Section 32-8-87, *Code of Alabama 1975*, provides that the fee for each electronic

transmittal shall be \$5, or in lieu of a per transmittal charge, an annual fee of \$500 for all transmittals made during a fiscal year. The fiscal year begins October 1st and ends the following September 30th. The annual fee shall be applicable for each location or licensee.

Each licensed automotive dismantler and parts recycler, secondary metals recycler, and any other person who crushes a motor vehicle shall maintain records of every motor vehicle crushed or acquired for the purpose of dismantling it or recycling it into metallic scrap for remelting purposes for a period of not less than five (5) years. The records shall include the following information:

1. vehicle identification number
2. name and address of the seller
3. copy of the seller's state issued driver's license or identification card
4. date of sale, and
5. original certificate of title (note: form MVT 5-18 may be maintained in lieu of the certificate of title when permitted by law).

For additional information regarding the requirements for dismantling or recycling motor vehicles into metallic scrap for remelting purposes, contact the Title Section at titles@revenue.alabama.gov.

EFT INFORMATION

WHO IS REQUIRED TO MAKE TAX PAYMENTS VIA EFT?

Section 41-1-20, *Code of Alabama 1975*, specifies that for each occasion a business taxpayer is obligated to make a single tax payment of \$750 or more to the Alabama Department of Revenue (ADOR), such payments must be remitted electronically. Visit the Department's E Services page at www.revenue.alabama.gov for more information.

VOLUNTARY USE OF EFT TO MAKE TAX PAYMENTS

Taxpayers not required to make EFT payments for a tax may elect to pay any or all taxes using EFT. Please note that you must register for each tax type separately. Taxpayers making a voluntary election to make EFT payments for a tax are subject to the same rules of the Alabama EFT Tax Payment Program as taxpayers required to make EFT payments.

TAXES COVERED BY THE ALABAMA EFT TAX PAYMENT PROGRAM

- Alabama Nursing Facility Privilege Tax
- Alabama Pharmaceutical Services Tax
- Business Privilege Tax
- Casual Sales Tax
- Coal Severance Tax (State and Local)
- Contractor's Gross Receipts Tax
- Corporate Income Tax
- Dry Cleaning Environmental Response Trust Fund Fee
- Financial Institutions Excise Tax
- Forest Products Severance Tax (State and Local)
- Freight Line Equipment Companies' Tax
- Gasoline Tax (State and Local)
- Gasoline Tax (Aviation)
- Hazardous Waste Fee
- Hydro-Electric KWH Tax
- Income Tax Withholding Payments
- International Fuel Tax Agreement
- Local Solid Mineral
- Lodgings Tax (State and Local)
- Lubricating Oils Tax
- Mobile Telecommunications Services Tax
- Motor Carrier Mileage Tax
- Motor Fuels (Diesel) Tax (State and Local)
- Oil and Gas Privilege Tax

Pari-Mutuel Pool Tax
Playing Cards Tax
Prepaid Wireless E 9-1-1 Service Charge
Rental or Leasing of Personal Property Tax (State and Local)
Sales Tax (State and Local)
Scrap Tire Environmental Fee
Tobacco Tax (State and Local)
T.V.A. Electric Payments
Uniform Severance Tax
Under/Above Ground Storage Fee
Use Tax (State and Local)
Utility Excise Tax
Utility Gross Receipts Tax
Utility License Tax (2.2%)
Wholesale Oil License Payments

EFT PAYMENT METHODS AVAILABLE:**ACH DEBIT PAYMENT METHOD:**

See <https://myalabamataxes.alabama.gov>.

ACH CREDIT PAYMENT METHOD:

The Alabama Department of Revenue will allow taxpayers to use the ACH Credit payment method only if certain qualifying conditions are met. A taxpayer must request permission from the Alabama Department of Revenue to use the ACH Credit method and submit a written request, accompanying the EFT:001 form, which demonstrates the existence of a valid business operational reason for using the ACH Credit payment method in lieu of the ACH Debit payment method. Taxpayer requests to use the ACH Credit method will be reviewed on a case-by-case basis. A taxpayer who is already using the ACH Credit method to pay taxes for other states is deemed to have a valid business reason for using the ACH Credit method to make payments for Alabama taxes.

The Alabama Department of Revenue reserves the right to revoke the ACH Credit method payment privilege of any taxpayer for the following reasons;

- Failure to transmit consistently error-free payments;
- Substantial variation from the requirements and specifications of the rules of the Alabama EFT Tax Payment Program;
- Failure to make timely EFT payments or to provide timely payment information; or,
- Failure to provide the addenda record, required by the Alabama EFT Tax Payment Program, with the EFT payment.

HOW DO I REGISTER TO PAY VIA EFT?

To register for EFT you must first determine the EFT method you will use and complete the EFT:001 form entitled EFT Authorization Agreement Form. Mail or fax the form to the Alabama Department of Revenue's EFT unit. The mailing address and fax number are given at the top of the EFT:001. The EFT:001 form and instructions can be downloaded from the Alabama Department of Revenue's Web site at <http://revenue.alabama.gov/eft/eftindex.html>. Please NOTE: There is no registration required if you are making payment via ACH Debit Method for the following taxes that are required to be filed electronically through the Alabama Department of Revenue's MAT System:

- State Sales Tax Return (Forms 2100, 2110, and 2120)
- State Sellers Use Tax Return (Form 2620)
- State Consumers Use Tax Return (Form 2610)
- State Rental Tax Return (Form 2410)
- State Lodgings Tax Return (Forms 2310 and 2320)
- City & County Sales, Use, Lodgings & Rental Tax Return (Form 9501)
- State Utility Tax Return (Forms UPL-4, UPL-5 & UPL-6)
- State Mobile Telecommunications Service Tax Return (Form CTS-1)
- State Nursing Facility Tax Return (Form 2810)
- State Pharmaceutical Tax Return (Form 2800)
- Contractors Gross Receipts Tax (Form 2510)
- State Withholding Tax Return* (Forms A-1, A-3, and A-6)

*Employers/withholding agents remitting payments of \$750 or more are required to submit their payments and returns electronically through the department's Paperless Filing System.

One of the most important items of information required by the EFT:001 form is the information concerning the EFT contact person. The EFT contact person is the individual whom the Alabama Department of Revenue will contact if there is a question concerning an EFT payment made by the taxpayer.

IS THERE A TOLL-FREE NUMBER I CAN CALL FOR GUIDANCE AND TECHNICAL ASSISTANCE?

The Alabama Department of Revenue has established an EFT Unit to provide guidance and technical assistance to taxpayers participating in the Alabama EFT Tax Payment Program. A toll-free EFT hotline is available to taxpayers from 8 a.m. through 5 p.m. (Central Standard Time) each business day. The EFT hotline number is 1-877-256-2447 or local at 334-353-7659.

COLLECTION OF YOUR TAX LIABILITY

When you file a tax return, but payment is not remitted with the return, a tax assessment is entered. After the assessment becomes final and the appeal period has expired, the file is transferred to the department's Collection Services Division. This division acts as an in-house collection agency for the Alabama Department of Revenue.

When your file reaches the Collection Services Division, the tax liability already has the full force and effect of a court judgment. This means that the department may proceed to collect the tax liability in an involuntary manner by using several different methods.

The Collection Services Division has responsibility for the collection of all taxes administered by the Alabama Department of Revenue (except ad valorem taxes) and the division's goal is to accomplish that task in the fastest and most economical manner possible. You are urged to pay your tax liability in full upon receipt of the first letter sent by the Collection Services Division. This letter, called a "Final Notice Before Seizure", warns you that further collection action will be necessary if full payment is not remitted within 10 days. Personal checks, money orders, Visa, American Express, Discover, and MasterCard will be accepted.

If you ignore the "Final Notice Before Seizure" letter you will not be contacted by the Collection Services Division a second time. The next action will result in the issuance of a legal writ, such as a garnishment or an execution. These legal documents are issued directly to the sheriff of the county where you reside and direct him to seize property belonging to you so that the tax liability can be satisfied.

The issuance of a Writ of Garnishment to the sheriff is the most common action taken when there is no response from you. A garnishment is a legal process where money or wages belonging to you are seized from a third party (garnishee) and paid to the plaintiff (the department) in order to satisfy the judgment. The department may issue a garnishment to an employer for 25% of your wages. Many times, however, a garnishment is issued to your bank or credit union.

The department may issue a Writ of Execution to the sheriff in the county where you own property in order to collect the tax liability. The local sheriff may levy on personal or real property (your house, land, etc.) and ultimately sell your interest in the property. This includes personal property such as motor vehicles, trailers, motorcycles, boats, business inventory, furniture, and fixtures. Prior to the sale, an advertisement is published in a local paper informing the public of the pending sale.

For additional information, contact the Collection Services Division at the address listed below or visit the department's Web site at: www.revenue.alabama.gov/coll/colindex.cfm.

Alabama Department of Revenue
Collection Services Division
P.O. Box 327820
Montgomery, AL 36132-7820
Phone: (334) 353-8096
Fax: (334) 242-8342

100% PENALTY ASSESSMENTS

Most businesses have employees from whom they are required to withhold income taxes each time a payroll is met. In addition, many businesses are required to collect state and local sales taxes from customers. Once these taxes are withheld or collected, they are held "in trust" by the business or business owner until the tax return and payment become due. Because of this, these taxes are known as "trust fund" taxes. This means you as a business owner act in a fiduciary capacity for the state. You are charged with the legal duty to withhold and/or collect taxes for the state and hold them in trust until the law requires their payment on either a monthly or quarterly basis.

Most businesses regularly pay these trust funds taxes in a timely manner as the law requires. However, for a small minority of business owners, under-capitalization leads to financial problems which, in turn, leads to the temptation to "borrow" from these trust fund taxes to pay other business creditors. Yielding to such temptation has serious consequences. The tax statutes provide stiff criminal sanctions for failure to pay these trust fund taxes to the state. Equally important are the civil sanctions which can be applied against a business owner. Civil sanctions include injunctions and entry of assessments which, when final, have the weight and legal authority of judgments.

If you are a proprietor or a partner in a partnership, your personal assets may eventually be seized if it becomes necessary to assess you with these business-related taxes which go unpaid. Since all debts of proprietorships and partnerships follow their owners' assets, this fact is not surprising to most people. However, you may not be aware that, since 1984, the trust fund tax liabilities of corporations may be assessed to corporate officers and certain other key individuals within the corporation.

Many people purposely choose to incorporate their businesses for the protection afforded them under the limited liability concept. However, in 1984, the legislature passed a statute which gives the Alabama Department of Revenue the authority to "pierce the corporate veil" and go directly to those individuals responsible for collecting, accounting for, and/or paying the trust fund taxes to the state.

For example, if you occupy a position within a corporation in which you have authority and control over the payment of creditors, and choose to pay other creditors while trust fund taxes go unpaid, you may find yourself personally assessed with the corporation's tax liability. This procedure, commonly referred to as a "100% Penalty Assessment," has been used by the Internal Revenue Service since 1954. Its purpose is to ensure that tax revenues are not lost if a corporation becomes defunct or has insufficient assets from which the taxes can be collected.

Additionally, in recent years Alabama law has provided new forms of business ownership such as Limited Liability Companies and Registered Limited Liability Partnerships. Under both of these forms of business ownership, members and partners may be held personally responsible for the tax liability of the business if a "100%

Penalty Assessment" is entered by the department. Should you find yourself facing the prospect of not being able to pay all of the debts of your business or your corporation's business as they become due, the department encourages you to make payment of trust fund taxes your number one priority. Nothing is worse than having your business fail and still having to pay trust fund taxes that were collected or withheld by the business. Even filing a personal bankruptcy will not eliminate this type of liability. For more information regarding 100% Penalty Assessments, call or write the Alabama Department of Revenue, Collection Services Division at the address listed below.

Collection Services Division
100% Penalty Section
P.O. Box 327820
Montgomery, AL 36132-7820
Phone: (334) 353-8096
Fax: (334) 242-2280

OFFICE OF TAXPAYER ADVOCACY

The Office of Taxpayer Advocacy is an ADOR service that provides an independent avenue of assistance to ensure that tax problems, which have not been resolved through normal ADOR channels, are handled fairly and promptly.

The Office of Taxpayer Advocacy is not a substitute for established ADOR procedures or formal Appeals process.

The purpose of the office is to allow those taxpayers who have followed standard operating procedures, but still find their tax matters to be unsatisfactorily resolved, access to a final, independent channel of assistance.

Taxpayer grievances can be caused by a number of reasons, for example, insufficient tax knowledge or preparation in handling a tax matter, confusing or erroneous instructions or actions, failure on the taxpayer's part to respond to ADOR correspondence, etc. The Office of Taxpayer Advocacy is designed to work through these problems to provide a measure of relief, identify probable causes, and offer suggestions for long-term, structural remedies.

PURPOSE/GOALS

The purpose and goals of the Office of Taxpayer Advocacy are as follows:

- To provide assistance to any citizen who has experienced a longstanding and/or recurrent problem with the Alabama Department of Revenue;
- To be a neutral voice for and liaison between the taxpayer and the department;
- To identify systemic or procedural difficulties or problems that exist within the department and various divisions; and
- To identify issues that create problems for taxpayers and bring those issues to the attention of the commissioner and offer suggestions addressing administrative policy, legislative proposals, and enhancement of taxpayer education programs.

WHO MAY USE THE TAXPAYER ADVOCATE SERVICE?

To be referred to the Office of Taxpayer Advocacy, one or more of the following criteria must be met:

- An individual must have made three attempts to resolve the problem through normal channels;
- Instructions/information provided or action taken by the department have been proven wrong or inadequate, resulting in confusion or hardship to the individual;
- A departmental response has not been provided by the date promised, within a specified length of time after initial contact (30 days), or within the statutorily required time; and/or

- Noted existence of an ongoing or persistent problem with a particular procedure.

It is expected that the Office of Taxpayer Advocacy will receive calls and/or letters from those who are simply frustrated because a line is busy, or from people impatient for a refund or simply trying to circumvent normal channels. These calls will be referred to the proper office with no follow-up. In addition, there are several types of problems that the Taxpayer Advocate should not handle. Inquiries or problems not meeting criteria for referral to the Office of Taxpayer Advocacy include:

- Any problem that is currently under litigation, audit, or under special investigation;
- Any routine inquiry, request for information, or request for forms from the department;
- Time frame for departmental response has not elapsed in accordance with ADOR procedures;
- Attempt is being made to stall or avoid normal collection procedures and administrative action; or
- Any problems or inquiries regarding personnel matters.

REFERRALS

Referrals to the Office of Taxpayer Advocacy may come from several sources:

1. Department Referral – When it is determined by a department employee that the criteria for referral has been met, the problem should be immediately referred to the Office of Taxpayer Advocacy for resolution.

2. Taxpayer Request – Taxpayers, meeting referral qualification, may directly request assistance.

3. Taxpayer Representative – The taxpayer's representative (e.g., accountant, CPA, etc.) may directly request assistance.

ALABAMA DEPARTMENT OF INDUSTRIAL RELATIONS

UNEMPLOYMENT COMPENSATION

Unemployment Compensation (UC) programs can trace their roots back to Europe. Private employers in this country adopted the European programs to match the needs of their employees. Eventually, during the Depression, the federal government established a program of public UC offices throughout the 50 states, District of Columbia, Puerto Rico, and the Virgin Islands.

Today's UC program covers most of the nation's workforce. The program is a federal-state partnership with the federal partner providing stewardship and the state partner actually operating the program. Taxes paid by employers fund the benefits and the administrative costs of the program.

Goals of the UC program include (1) paying benefits timely when due and (2) equitably collecting the minimum necessary taxes from employers to operate the program.

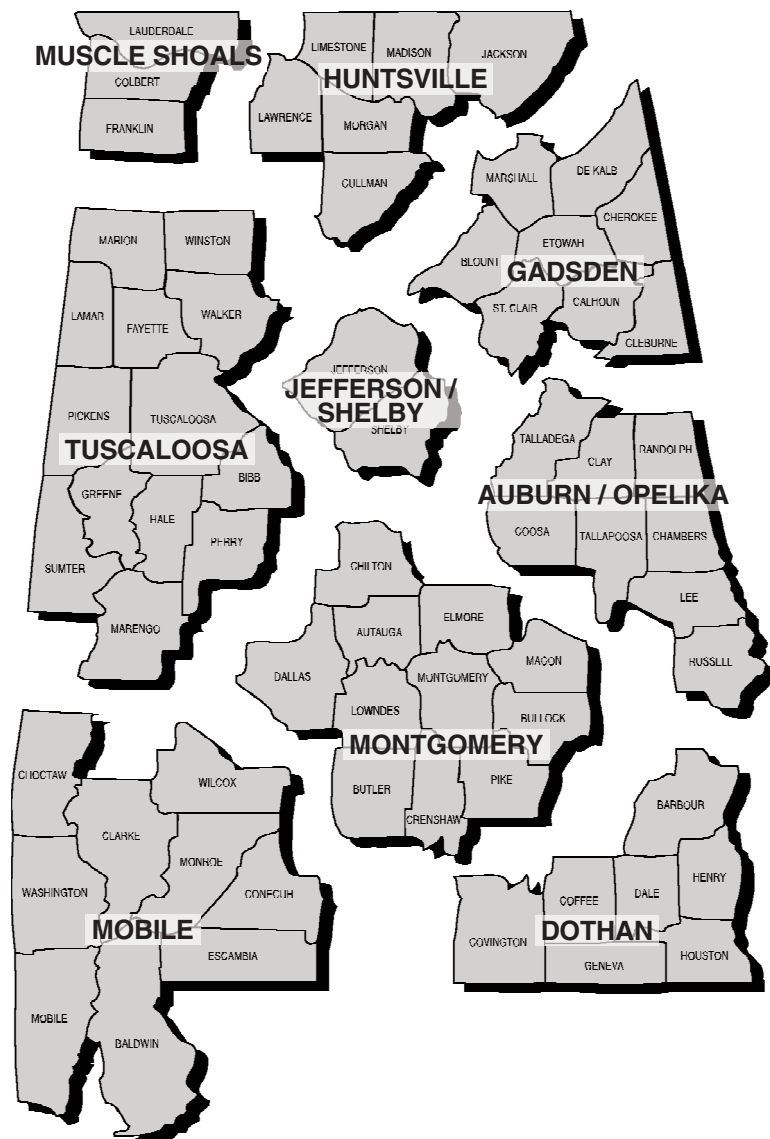
Contact information: Alabama Department of Industrial Relations at <http://dir.alabama.gov/uc/employer.aspx>.

WORKERS' COMPENSATION

The Workers' Compensation Division is responsible for the administration of the Alabama Workers' Compensation Law to ensure proper payment of benefits to employees injured on the job and encourage safety in the work place. The main function of the division is to ensure proper payment of compensation benefits along with necessary medical attention to employees injured on the job or their dependents in case of death. Information and services are also provided to claimants, employers, insurance companies, attorneys, judges, legislators, labor and management groups, government agencies and other parties. The division also administers the rules and regulations for individual self-insurers and group self-insurers. Major activities include compliance inspections, safety promotion, auditing and enforcing claims payments and settlements, compiling injury and cost statistics, mediating disputes, and establishing and regulating cost containment standards.

ADOR TAXPAYER SERVICE CENTERS

The Alabama Department of Revenue operates nine Taxpayer Service Centers located across the state. For assistance, call or visit the nearest service center. Office hours are from 8 a.m. until 5 p.m. (CDT), Monday through Friday. The physical location, mailing address, telephone and fax numbers, and the areas served by each Taxpayer Service Center are provided.



Auburn/Opelika Taxpayer Service Center

3320 Skyway Drive, Suite 808 (36830)
P.O. Box 2929
Opelika, AL 36801-2929
Phone: (334) 887-9549

Mobile Taxpayer Service Center

955 Downtowner Boulevard (36609)
P.O. Drawer 160406
Mobile, AL 36616-1406
Phone: (251) 344-4737

Dothan Taxpayer Service Center

344 North Oates Street (36303)
P.O. Box 5739
Dothan, AL 36302-5739
Phone: (334) 793-5803

Montgomery Taxpayer Service Center

2545 Taylor Road (36117)
P.O. Box 327490
Montgomery, AL 36132-7490
Phone: (334) 242-2677

Gadsden Taxpayer Service Center

235 College Street (35901)
P.O. Drawer 1190
Gadsden, AL 35902-1190
Phone: (256) 547-0554

Muscle Shoals Taxpayer Service Center

874 Reservation Road (35661)
P.O. Box 3148
Muscle Shoals, AL 35662-3148
Phone: (256) 383-4631

Huntsville Taxpayer Service Center

4920 Corporate Drive, Suite H (35805)
P.O. Box 11487
Huntsville, AL 35814-1487
Phone: (256) 837-2319

Tuscaloosa Taxpayer Service Center

518 19th Avenue (35401)
P.O. Box 2467
Tuscaloosa, AL 35403-2467
Phone: (205) 759-2571

Jefferson/Shelby Taxpayer Service Center

2020 Valleydale Road, Suite 208
Hoover (35244)
P.O. Box 1927
Pelham, AL 35124-1927
Phone: (205) 733-2740

ALABAMA DEPARTMENT OF REVENUE KEY CONTACT INFORMATION

Sales and Use Tax Division

P.O. Box 327710
Montgomery, AL 36132-7710
Phone: (334) 242-1490
Fax: (334) 353-7867
www.revenue.alabama.gov/salestax/menu.html

Business & License Tax Division**Severance & License Tax Section**

P.O. Box 327560
Montgomery, AL 36132-7560
Phone: (334) 353-7827
Fax: (334) 353-7867
www.revenue.alabama.gov/severancetax/index.html

Business & License Tax Division**Motor Fuels Section**

P.O. Box 327540
Montgomery, AL 36132-7540
Phone: (334) 242-9608
Fax: (334) 242-1199
www.revenue.alabama.gov/motorfuels/index.html

Business & License Tax Division**Tobacco Tax Section**

P.O. Box 327555
Montgomery, AL 36132-7555
Phone: (334) 242-9627
Fax: (334) 353-1011
www.revenue.alabama.gov/tobaccotax/index.html

Individual & Corporate Tax Division**Withholding Tax Section**

P.O. Box 327480
Montgomery, AL 36132-7480
Phone: (334) 242-1300
Fax: (334) 242-0112
www.revenue.alabama.gov/withholding/index.html

Individual & Corporate Tax Division

Individual Estimates

P.O. Box 327485

Montgomery, AL 36132-7485

Phone: (334) 242-1099

Fax: (334) 242-1914

www.revenue.alabama.gov/incometax/itindex2.html

Individual and Corporate Tax Division

Pass Thru Entity

P.O. Box 327900

Montgomery, AL 36132-7900

Phone: (334) 242-1033

Fax: (334) 242-1030

<http://216.226.178.107/incometax/2005pshipfidestrms.htm>

Individual and Corporate Tax Division

Corporate Income Tax Unit

P.O. Box 327430

Montgomery, AL 36132-7430

Phone: (334) 242-1200

Fax: (334) 242-2537

www.revenue.alabama.gov/incometax/corporate_index.html

Individual and Corporate Tax Division

Business Privilege Tax Section

P.O. Box 327431

Montgomery, AL 36132-7431

Phone: (334) 353-7923

Fax: (334) 242-8915

www.revenue.alabama.gov/incometax/bpt_index.htm

Property Tax Division

P.O. Box 327210

Montgomery, AL 36132-7210

Phone: (334) 242-1525

Fax: (334) 242-0145

www.revenue.alabama.gov/advalorem/index.html

Motor Vehicle Division

P.O. Box 327620

Montgomery, AL 36132-7620

Phone: (334) 242-9000

Fax: (334) 353-8038

www.revenue.alabama.gov/motorvehicle/index.html**EFT Unit**

P.O. Box 327950

Montgomery, AL 36132-7950

Phone: 1-877-256-2447 or local at 334-353-7659

Fax: (334) 242-0251

www.revenue.alabama.gov/eft/eftindex.html**Office of Taxpayer Advocacy**

P.O. Box 327005

Montgomery, AL 36132-7005

Phone: (334) 242-1055

Fax: (334) 242-0814

www.revenue.alabama.gov/taxpayerassist/index.html**Collection Services Division**

P.O. Box 327820

Montgomery, AL 36132-7820

Phone: (334) 242-1220

Fax: (334) 242-8342

www.revenue.alabama.gov/coll/colindex.html**Alabama Department of Industrial Relations****Workers' Compensation Division**

649 Monroe Street

Montgomery, AL 36131

Phone: (334) 242-2868

1-800-528-5166

<http://dir.alabama.gov/wc>

