

Revenue REVIEW

A Quarterly Publication of the Alabama Department of Revenue

1st
Quarter
FY 2006

(October, November,
December 2005)

ADOR/IRS Conduct Tax Practitioner Seminars

Prior to the income tax season each year, representatives from the ADOR Individual and Corporate Tax Division join representatives from the IRS to conduct statewide seminars for tax practitioners.

Sponsored by Auburn University's Outreach Program Office, the seminars offer continuing education for tax practitioners, enrolled agents, certified public accountants, public accountants and attorneys.

The seminars are held November and December in the cities of Auburn, Bessemer, Birmingham, Demopolis, Dothan, Florence, Huntsville, Mobile and Montgomery. The following photos were taken at the Montgomery seminar, held at Auburn University Montgomery December 2.



Tamera Warren, Training Coordinator, ADOR, goes over new agenda items, including the 2006 new business workshops, e-checks, forms on CDs, and forms changes.



(Shown left to right) Cynthia Underwood, Assistant Commissioner, ADOR; Scott Greenwood, Program Developer, Outreach Program Office, Auburn University; Ann Winborne, Manager, Individual and Corporate Tax Administrative Support Unit, ADOR.



Ann Winborne, Administrative Support Unit Manager, ADOR Individual and Corporate Tax Division, responds to questions from Prattville accountant Edwin Bodiford (right) and Montgomery CPA John Moore.

Mike Mason Named Director of Tax Policy and Research Division

Mike Mason, a long-time employee of this department, was recently appointed director of the newly-formed Tax Policy and Research Division.

The new division, Tax Policy and Research, is a consolidation of two key areas within the Revenue Department's



Mike Mason

organization—the Tax Policy Office and the Research Division. Mason was named director following the announced retirement plans of Research Division Director John H. Mann, effective Jan. 1, 2006.

As director of the Tax Policy and Research Division, Mason serves as the department's centralized source for determining, coordinating, and communicating major Alabama tax issues under consideration by the ADOR with the tax professional community. In addition to tax policy issues, the division is also responsible for specific auditing functions related to various business tax areas, as well as the development and preparation of revenue-related legislation and associated economic impact analyses, statistical summaries, and annual revenue estimates. The newly-organized division will also combine some functions that were formerly split between

other areas of the department, including the processing of all departmental regulations, revenue procedures, and in coordination with the department's Legal Division, all revenue rulings.

Mason, a 31-year career employee with a CPA certification and MBA degree, began his career with the Revenue Department in 1974 as a Revenue field examiner. In 1997, after working his way through the ranks and holding various supervisory positions within both the income tax and sales tax divisions, Mason was named director of the Tax Policy Office and held that position until his appointment as director of the newly-formed Tax Policy and Research Division Nov. 12, 2005.

"Mike brings a wealth of knowledge from all facets of the department," says State Revenue Commissioner Tom Surtees. "His varied experience in so many areas of the department makes him uniquely qualified for this job and I look forward to working with him."

ADOR Offers New Business Workshops

Revue's New Business Workshops kicked off in January, with field auditors explaining topics of interest to new business owners.

Designed to educate employers about their tax responsibilities, the workshops primarily cover withholding taxes, sales and use taxes, lodgings taxes, rental taxes, income tax withholding taxes, required licenses and fees, property taxes, on-line registration and e-filing.

For scheduling information and a complete list of hosting cities, visit the ADOR Web site at <http://www.revenue.alabama.gov/taxpayerassist/workshop.html>.

Farmers' Gasoline Tax Refund Deadline March 31

March 31 is the deadline for Alabama farmers to file their state gasoline tax refund claims with the Alabama Department of Revenue, according to State Commissioner of Revenue Tom Surtees.

"The refund claims are based on portions of the state excise tax paid by farmers on gasoline used during 2005 for agricultural purposes. The portion of the gasoline tax that can be refunded applies only to the amount of gasoline that is used in tractors or any auxiliary engines which may be attached to tractors. Gasoline used in farm trucks is not subject to a refund. We encourage those farmers who qualify for such a refund to submit their refund claims as soon as possible. The refund claim must be postmarked no later than March 31, 2006," Surtees explained.

Taxes on gasoline purchased from Jan. 1, 2005, through Dec. 31, 2005, will be refunded at the rate of 15 cents per gallon. The refund applies to the tax levied upon gasoline only; it does not apply to any tax levied upon diesel fuel.

Any individual qualifying for a refund who has not received a 2005 claim form may obtain one by writing to the following address: Alabama Department of Revenue, Sales, Use and Business Tax Division, Motor Fuels Section, Post Office Box 327540, Montgomery, AL 36132-7540, or telephone (334) 242-9608.

Locally, forms are available at all county extension agent offices and all Alabama Department of Revenue Taxpayer Service Centers.

Last year, the Department of Revenue processed 80 claims, resulting in \$11,584.84 being refunded to farmers for portions of gasoline taxes paid by them and used only for agricultural purposes in their tractors and other applicable farming equipment.

ADOR Tax Year 2005/New Items

E-checks

Alabama taxpayers can now pay their tax liabilities using an electronic bank draft, or e-check, free of charge, from their bank account. To pay via the Internet, visit www.officialpayments.com/echeck/index.jsp. Have checking accounts numbers and bank routing numbers available.

Six-month Filing Extension

State filing extensions now include a single, six-month period, replacing the previous four and two-month extension periods previously offered by the ADOR. Filing extension requests may be made online by visiting www.alabamainteractive.org/taxextension, or by completing Form 4868A.

Taxpayers must use State Form 4868A, "Application for Extension of Time to File Your Alabama Return"; the department does not accept Federal Form 4868, "Automatic Extension of Time to File Your Federal Return."

Direct Deposit Availability

Along with those returns which are e-filed, direct deposit is now available for those returns which are computer-generated paper returns (those utilizing the 2D bar code).

Free File Alliance

Taxpayers who wish to electronically file their returns free of charge *must meet certain eligibility requirements* to qualify for filing under the Free File Alliance.

For a listing of those developers under the Alabama Free File Alliance which offer free filing of both federal and state returns, visit the ADOR Web site at www.revenue.alabama.gov/incometax/FREEFILE_ONLINE.htm.

For a listing of those developers under the Federal Free File Alliance which offer free filing of federal returns, along with possible fee charge for filing of an Alabama return, visit <http://www.irs.gov/efile/article/0,,id=118986,00.html>.

Motor Carrier Services Update

Alabama motor carriers can now take advantage of two online services available through the Alabama Department of Revenue Web site at www.revenue.alabama.gov.

IFTA Online License Renewal

State-based motor carriers can now renew their International Fuel Tax Agreement (IFTA) licenses electronically and pay electronically with credit card or e-check. Official Payment Corporation processes the e-payments, charging a 2.5% convenience fee for payment by credit card.

IFTA Fuel Permits and IRP Trip Permits

International Registration Plan (IRP) trip permits and International Fuel Tax Agreement (IFTA) fuel permits may be obtained in place of IRP and/or IFTA licensing. These permits are now available online through the department's new permitting system developed by Alabama Interactive.

Each seven-day permit costs \$20, with a combination permit available for \$40. Payment can be made with Visa or Master-

card, with a convenience fee of \$4 for each transaction.

For more information concerning the permitting system or licensing requirements under IRP or IFTA, contact the ADOR Motor Vehicle Division at (334) 242-9999 or visit the department's Web site at www.revenue.alabama.gov.

NOTICE State-Administered County Tobacco Tax Stamps

Beginning Feb. 1, 2006, all cigarettes distributed into state-administered counties must have the appropriate county tobacco stamp affixed to the cigarette pack. ADOR sent notices in November 2005 and again in January 2006 to all tobacco distributors reminding them of the local stamping requirement. The department currently administers the following county tobacco taxes: Barbour, Chambers, Cherokee, Coosa, Crenshaw, Franklin, Geneva, Henry, Houston, Limestone, Marion, Mobile, Randolph, Talladega, and Washington.

Consumer Use Tax Line Item

The consumer use tax line item first appeared on the Alabama 2000 individual income tax return as an educational tool to raise awareness of use tax liability for those individuals purchasing items through online or catalog sales.

The proliferation of Internet sales has led to an awareness of the reporting of consumer use tax, due on any item purchased outside the state via online or catalog sales, and upon which no sales tax has been assessed by the out-of-state retailer.

The line item on the Alabama individual income tax return is a companion reporting method to the consumer's use tax return, which is filed with the department's Sales, Use and Business Tax Division.

Taxpayers completing the line item may use the consumer use tax calculator, available on the ADOR Web site at <http://www.revenue.alabama.gov/incometax/icindex.cfm>.

Tax Year	Calendar Year	No. Returns	\$ Amount Reported
2000	2001	6,320	\$203,344
2001	2002	6,540	\$219,276
2002	2003	6,157	\$242,783
2003	2004	6,447	\$271,348
2004	2005	6,349	\$295,083

Taxpayer Service Centers

Auburn/Opelika Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
3300 Skyway Drive Auburn, AL 36830	Auburn-Opelika Taxpayer Service Center P.O. Box 2929 Auburn, AL 36831-2929	(334) 887-9549 Fax (334) 887-9885	Chambers, Clay, Coosa, Lee, Randolph, Russell, Talladega, and Tallapoosa

Birmingham Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
2024 3rd Avenue North Birmingham, AL 35203	Birmingham Taxpayer Service Center P. O. Box 10128 Birmingham, AL 35202	(205) 323-6387 Fax (205) 324-0410	Jefferson, Shelby

Dothan Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
344 North Oates Street Dothan, AL 36303	Dothan Taxpayer Service Center P. O. Box 5739 Dothan, AL 36302-5739	(334) 793-5803 Fax (334) 793-1488	Barbour, Coffee, Covington, Dale, Geneva, Henry, Houston

Gadsden Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
235 College Street Gadsden, AL 35901	Gadsden Taxpayer Service Center P.O. Drawer 1190 Gadsden, AL 35902-1190	(256) 547-0554 Fax (256) 547-6922	Blount, Calhoun, Cherokee, Cleburne, DeKalb, Etowah, Marshall, St. Clair

Huntsville Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
994 Explorer Boulevard Huntsville, AL 35806	Huntsville Taxpayer Service Center P.O. Box 11487 Huntsville, AL 35814	(256) 922-1082 Fax (256) 922-9372	Cullman, Jackson, Lawrence, Limestone, Madison, Morgan

Mobile Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
857 Downtowner Blvd., Suite I Mobile, AL 36609	Mobile Taxpayer Service Center P.O. Drawer 160406 Mobile, AL 36616-1406	(251) 344-4737 Fax (251) 342-2054	Baldwin, Choctaw, Clarke, Conecuh, Escambia, Mobile, Monroe, Washington, Wilcox

Montgomery Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
1021 Madison Avenue Montgomery, AL 36104	Montgomery Taxpayer Service Center P.O. Box 327490 Montgomery, AL 36132-7490	(334) 242-2677 Fax (334) 265-9887	Autauga, Bullock, Butler, Chilton, Crenshaw, Dallas, Elmore, Lowndes, Macon, Montgomery, Pike

Muscle Shoals Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
874 Reservation Road Muscle Shoals, AL 35662	Muscle Shoals Office P.O. Box 3148 Muscle Shoals, AL 35662	(256) 383-4631 Fax (256) 381-7200	Colbert, Franklin, Lauderdale

Tuscaloosa Taxpayer Service Center

Physical Address	Mailing Address	Phone	Counties Served
518 - 19th Avenue Tuscaloosa, AL 35401	Tuscaloosa Taxpayer Service Center P.O. Box 2467 Tuscaloosa, AL 35403-2467	(205) 759-2571 Fax (205) 349-3780	Bibb, Fayette, Greene, Hale, Lamar, Marengo, Marion, Perry, Pickens, Sumter, Tuscaloosa, Walker, Winston

Tax Calendar

Required Monthly Returns Tax Activity

10th • Medicaid-related tax return and payment due for nursing facilities.

- Tobacco use tax return and payment due.

15th • Gasoline information return due from carriers, transporters, and warehouses.

- Lubricating oils information return due from carriers, transporters, and warehouses.
- Motor carrier mileage tax return and payment due.
- Oil and gas production tax and privilege tax return and payment due two months following month of production.
- Withholding return and payment due from those employers required to remit on a monthly basis.

20th • Aviation fuel tax return and payment due.

- Coal severance tax return and payment due.
- Coal transporters' and purchasers' returns due.
- Contractors' gross receipts tax return and payment due.
- Gasoline tax return and payment due.
- Iron ore severance tax return and payment due.
- Local solid minerals tax returns and payments due.
- Lodgings tax return and payment due.
- Lubricating oils tax return and payment due.
- Medicaid tax return and payment due from pharmaceutical service providers.
- Mobile telecommunications tax return and payment due.
- Motor fuel tax return and payment due.
- Natural minerals severance tax return and payment due.
- Pari-mutuel pool tax return and payment due.
- Rental or leasing tax return and payment due.
- Sales tax (state and local) return and payment due.
- Scrap Tire Environmental Fee due.
- Tobacco tax (state and county) return and payment due.
- Underground and aboveground storage tank trust fund charge due.
- Use tax return and payment due.
- Utility gross receipts tax return and payment due.

30th • Hazardous waste fee return and payment due.

Last day of month • State horse wagering fee return and payment due.

Quarterly/Annual Tax Activity (March through June 2006)

March

- 1** • Freight line equipment return due.
- Public utility property tax return delinquent after this date.

- 15** • Corporate income tax return and information return due (for calendar-year taxpayers).
- Business privilege tax return (Form PSA) due for corporations.

April

- 1** • Annual Dry Cleaning Trust Fund Fee return and payment due by wholesalers of dry cleaning agents.
- Quarterly Dry Cleaning Trust Fund Fee return and payment due.
 - Utility license (2.2%) third quarterly payment due.

- 15** • Declaration of estimated personal income tax and first installment due.
- Financial institutions' excise tax return and payment due.
 - Business privilege tax return (Form PSA) due for limited liability entities.
 - First installment of estimated corporate income tax due (for calendar-year taxpayers).

NOTE: Other fiscal-year taxpayers pay their corporate estimated tax on the 15th day of the fourth, sixth, ninth and twelfth months of their tax year and file their return on the 15th day of the third month following the

close of their tax year.

- Partnership income tax return due.
- Personal income tax return and payment due. (Deadline falls on Mon., April 17.)

20 • Quarterly sales tax return and payment due.

- Quarterly use tax return and payment due.
- Quarterly rental or leasing tax return and payment due.

30 • Forest products' severance tax return and payment due.

- Quarterly withholding return and payment due from employer.
- Quarterly IFTA tax return and payment due.

June

15 • Second installment of estimated corporate income tax due (for calendar-year taxpayers).

- Second installment of estimated personal income tax due.

IRS Interest Rate Remains at 7% for Quarter Beginning Jan. 1, 2006

The interest rate for the calendar quarter beginning Jan. 1, 2006, remains at seven percent (7% APR) for underpayments, according to the Internal Revenue Service's "News Room" webpage, (News Release: IR-2005-140, citing Rev. Rul. 2005-78).

According to §40-1-44, *Code of Alabama 1975*, the Alabama Department of Revenue will calculate interest on underpayments and overpayments (where applicable) at this same annual rate (7%), with the exception of land sold by the state for taxes, which shall be calculated at 12% in accordance with Sec. 40-5-9. (Historical rates shown below.)

Statement of Gross Tax Collections

Through End of 1st Quarter
(October, November, December 2005)

	FYTD 2005-2006	FYTD 2004-2005	% Change
Business Privilege Tax	\$ 8,642,394.25	\$ 8,274,950.96	4.44
Gasoline	100,693,584.50	101,992,006.03	(1.27)
Income Tax-Corporate	109,774,526.46	103,873,855.70	5.68
Income Tax-Individual	654,176,635.76	623,108,936.25	4.99
Income Tax (Total)	763,951,162.22	726,982,791.95	5.09
Motor Fuels	39,828,567.38	33,989,201.47	17.18
Oil & Gas Privilege (8%)	34,700,029.39	20,885,962.79	66.14
Oil & Gas Production (2%)	14,151,179.11	7,648,493.74	85.02
Sales	494,713,683.25	436,299,948.69	13.39
Use Tax	61,705,358.79	53,837,130.52	14.61
Utility Gross Receipts	94,988,999.99	80,881,664.63	17.44
SUBTOTAL	1,613,374,958.88	1,470,792,150.78	9.69
SUBTOTAL (OTHER TAXES)	302,240,395.41	290,494,353.16	4.04
TOTAL (ALL TAXES)	\$1,915,615,354.29	\$1,761,286,503.94	8.76

Interest Rates By Calendar Quarter

(Established by: 26 USCA §6621; §40-1-44, *Code of Alabama 1975*)

	1ST QTR	2ND QTR	3RD QTR	4TH QTR
1982	20%	20%	20%	20%
1983	16%	16%	11%	11%
1984	11%	11%	11%	11%
1985	13%	13%	11%	11%
1986	10%	10%	9%	9%
1987	9%	9%	9%	10%
1988	11%	10%	10%	11%
1989	11%	12%	12%	11%
1990	11%	11%	11%	11%
1991	11%	10%	10%	10%
1992	9%	8%	8%	7%
1993	7%	7%	7%	7%
1994	7%	7%	8%	9%
1995	9%	10%	9%	9%
1996	9%	8%	9%	9%
1997	9%	9%	9%	9%
1998	9%	8%	8%	8%
1999	7%	8%	8%	8%
2000	8%	9%	9%	9%
2001	9%	8%	7%	7%
2002	6%	6%	6%	6%
2003	5%	5%	5%	4%
2004	4%	5%	4%	5%
2005	5%	6%	6%	7%
2006	7%			

Alabama Corporate E-filing

Alabama is pleased to announce that it will be participating in the Fed/State 1120 e-file project for the electronic filing of corporate income returns for tax year 2005. This project is a joint effort of the IRS, numerous states, software vendors and other private businesses who have joined together under the umbrella of the Federation of Tax Administrators (FTA). Returns for the IRS and participating states can be transmitted to a single point (the IRS). The IRS will forward the Alabama returns to Alabama for processing. Alabama will return acknowledgements back to the IRS, where they can be picked up by transmitters.

The Fed/State program includes:

- State Super schema which pools all data elements from participating states
- State specific schemas draw from super schema pool of elements
- Web services hosted by IRS are used to transmit returns and retrieve acknowledgements
- Single point User Authentication will be provided by IRS
- Each return will be acknowledged separately
- Submissions and acknowledgements will be in XML format

- PDF attachments are supported
- The Federal and various state returns may be zipped together in a single submission

The Alabama program includes:

- Forms 20C and most major supporting schedules. (See [Alabama Handbook for Electronic Filers](#).)

Corporations electing to electronically file their Alabama Form 20C must also pay the tax liability due with the return electronically. Alabama has four electronic payment options: [Electronic Funds Transfer \(2 methods EFT Debit, EFT Credit\)](#), [E-Check](#) and [Credit Card](#).

Administrative Rules

Effective Dec. 2, 2005:

Adopted:

810-5-1-.210.01

Motor Vehicle Registration Expiration Dates and Registration Periods

Amended:

810-5-1-.201

Exemption from Privilege or License Tax and Registration Fee at Time of Registration or Reregistration

810-5-1-.206

Military Exemptions and the United States Armed Forces Reserve Distinctive License Plates

810-5-1-.208

Military Exemptions and the National Guard Distinctive License Plates

810-14-1-.23

Refunds of Motor Vehicle Registration Fees

Effective Dec. 12, 2005:

Amended:

810-3-27-.03

Extension of Time for Filing of Individual Taxpayer's Return

810-3-27-.09

Alabama Requirements for Mandatory E-File of Original Individual Income Tax Returns

Effective Jan. 19, 2006:

Amended:

810-7-1-.09ER

Procedure for Reporting and Payment of County Tobacco Taxes for Cigarettes

Effective Feb. 23, 2006:

Amended:

810-3-27-.02

Preparation and Filing of Individual Taxpayer's Return

810-6-3-.37.02

Exemption for Lodgings Tax by Film Production Companies Approved by the Alabama Film Office

810-6-3-48.05

Exemption for Certain Purchases by Film Production Companies Approved by the Alabama Film Office

810-6-5-.03

Contractors Gross Receipts Tax

810-6-5-.13

Persons, Firms and Corporations Subject to Lodgings Tax

NOTICE

The ADOR Muscle Shoals Taxpayer Service Center, formerly located at 3005 South Wilson Dam Highway, relocated to 874 Reservation Road, Muscle Shoals, effective Nov. 15, 2005. Telephone and fax numbers, along with the mailing address, P.O. Box 3148, Muscle Shoals, AL 35662-3148, remain the same.

Revenue Review is published quarterly by the Alabama Department of Revenue Media Affairs Section. Comments or suggestions should be sent to: carolyn.blackstock@revenue.alabama.gov, telephone (334) 242-1390 or (334) 242-1175. Tom Surtees, Commissioner; Cynthia Underwood, Assistant Commissioner; Lewis A. Easterly, Department Secretary; Carla A. Snellgrove, Public Information Manager; Carolyn Blackstock, Editor; and Mickey Godwin, layout and design.