

# Revenue REVIEW

A Quarterly Publication of the Alabama Department of Revenue

2<sup>nd</sup>  
Quarter  
FY 2005

(January, February,  
March, 2005)

## ADOR Tackles Tax Preparer Fraud

The Alabama Department of Revenue is partnering with the Internal Revenue Service to combat a segment of the tax preparer population which prepares fraudulent income tax returns.



Richard Henninger, Director, ADOR Individual and Corporate Tax Division

Department representatives estimate that some 170 unscrupulous tax preparers indulge in tax schemes, claiming inflated business or personal expenses, false deductions and excessive exemptions. Around 90 percent of the preparers are seasonal, capitalizing on taxpayers' interest in receiving large refunds.

According to State Revenue Commis-



Louis Mills, Assistant Director, Tax Administration, ADOR Individual and Corporate Tax Division

sioner Tom Surtees, "In many of the fraud cases we have discovered so far, the taxpayer was unaware of the dishonest preparer's actions and trustingly signed the returns. Unfortunately, in such situations when the fraud is discovered, it is the taxpayer and not the dishonest preparer who is liable for the refund overpayments, penalties and interest."



(Shown left) Madie Branch, IRS, Criminal Investigations Division, Mobile; Voncile Catledge, ADOR Individual and Corporate Tax Division, Special Audit and Compliance

In February, ADOR's Individual and Corporate Tax Division mailed letters to questionable preparers, reminding them of the State of Alabama tax law which does provide criminal penalties for preparer fraud. **Section 40-29-115** reads:

**"(a) Any person who:**

(2) AID or ASSISTANCE. Willfully aids or assists in, or procures, counsels, or advises the preparation



(Shown left) Wanda Jones, IRS, State Liaison, Jackson, MS; Mel Winburn, IRS Disclosure Office, Atlanta, GA

or presentation under, or in connection with any matter arising under, the state revenue laws, of a return, affidavit, claim, or other document, which is fraudulent or is false as to any material matter, whether or not such falsity or fraud is with the knowledge or consent of the person authorized or required to present such return, affidavit, claim or document; or

(4) . . . shall be guilty of a felony and, upon conviction thereof, shall be fined not more than \$100,000 (\$500,000 in the case of a corporation), or imprisoned not more than three years, or both.”

As Alabama currently has no civil penalties for such abuse, the department is seeking passage of legislation which would provide the state revenue commissioner with the authority to obtain court-ordered injunctions.

Alabama Department of Revenue representatives met March 31 with Internal Revenue Service representatives to discuss the sharing of resources. ADOR Investigations Director Charles Crumbley explains.

“Much of the tax preparer fraud is directed at IRS issues, such as the false dependent exemptions to qualify for the earned income credit. But it has a secondary, yet significant, impact on ADOR because of the unjustified refund aberration caused by the fraudulent returns. Both agencies can pursue criminal prosecutions as long-term remedies, but the short-term ability to stop bad preparers can be more effective during tax filing season. This ADOR/IRS partnership will endeavor to take corrective action for bad preparers encountered during the 2005 tax filing season and plan for a more united effort in 2006.”

(Shown left) Cynthia Underwood, Assistant Commissioner, ADOR; Deborah Harris, ADOR Investigations Division, Special Agent; Amanda Pierce, ADOR Special Audit and Compliance



(Shown left) James Lucy, ADOR Individual and Corporate Tax Division, Manager, Individual Audit; Charles Crumbley, ADOR, Director, Investigations Division



(Shown left) Ed Cutter, ADOR Individual and Corporate Tax Division, Assistant Director, Field Operations; Anne Glenn, ADOR Individual and Corporate Tax Division, Manager, Field Activities



# Economic Crime Alliance Enters Second Year

The proliferation of white collar crimes such as corporate fraud, tax preparer fraud, and identity theft calls for formidable prevention tactics. Chief among these is the pooling of agency expertise and talent to combat sophisticated economic crimes.

Alabama's Economic Crime Alliance, formed in February 2004, is an organization of 12 government bodies which jointly investigate crimes that are economic in nature. Four categories are represented: law enforcement agencies, audit agencies, state regulatory agencies with investigative



(Shown left to right) Tom Surtees, Commissioner, Alabama Department of Revenue; Ron Jones, Chief Examiner, Alabama Examiners of Public Accounts; and Charles Crumbley, Director, Investigations Division, Alabama Department of Revenue, listen to professors from UAB's new Forensic Science Institute.



John Sloan (right), Acting Director, Forensic Science Institute, explains the anticipated synergy to be used in combating economic crime in Alabama. Looking on are John Mulligan (left), Investigator, Office of the Attorney General, and Dr. Anthony Skjellum.

authority, and state and local prosecution offices with jurisdiction within the State of Alabama.

At last month's meeting, held April 11 at the Office of the Examiners of Public Accounts, representatives of the newly-formed Forensic Sciences Institute at the University of Alabama at Birmingham presented an overview and a timeline for institute completion to alliance members.

FSI Acting Director John Sloan, Dr. Tommie Singleton, Dr. Kathryn Morgan and Dr. Anthony Skjellum shared their respective expertise in the fields of forensic accounting, criminal justice and computer forensics.

Dr. Singleton, in defining the FSI's mission, said, "Our main goal is the provision of world-class, cutting-edge research into the various areas of forensic sciences, including forensic accounting. For forensic

*"The mission of the Economic Crime Alliance of Alabama is to provide a statewide support system for the prevention, investigation and prosecution of financial, economic and high technology crime, and to partner with other appropriate entities in initiatives addressing the protection of public funds and the financial resources of the citizens we represent."*

accounting, that would include research into best practices, new software and tools, new or better techniques, all backed by quality empirical research and evidence.

"UAB has become the model for cutting-edge medical skills and knowledge, not just in the medical field, but specifically for leading-edge medical issues such as HIV, obesity and cancer. We are attempting to copy that model for forensic science."

Alabama Revenue Department's Charles Crumbley, Director of the Investigations Division, explains the institute's contribution to the Economic Crime Alliance.

"UAB's Forensic Science Institute is a unique and innovative concept that will combine all of the major forensic sciences in one building and program with a sharing of resources and knowledge across the



Professors Dr. Kathryn Morgan (left) and Dr. Tommie Singleton, UAB Forensic Science Institute, bring their expertise in the respective fields of criminal justice and forensic accounting to the Alliance meeting.

many forensic disciplines—criminal justice, biology, chemistry, medicine, accounting, computer analysis, etc. It will provide a source for the recruitment of auditors, analysts, and investigators for the Alliance, since the students there will be knowledgeable about the particular mix of disciplines needed for good financial investigators or fraud auditors.

“It is difficult to find employees who have both accounting and criminal justice backgrounds. An accountant is not necessarily familiar with the intricacies of the

legal issues involving search and seizures of evidence, preservation of evidence, or the constitutional safeguards required by the criminal justice system. Similarly, the average law enforcement officer is not familiar with accounting and finance in a complex business world. It is even more difficult to find employees with the computer science and criminal justice background needed for today’s high technology/financial investigations.

“I believe the excitement of this new institute will be contagious with other law

enforcement and government agencies around Alabama and the Southeast.”

Those government bodies comprising Alabama’s Economic Crime Alliance include:

- Alabama Securities Commission
- Alabama Department of Revenue, Investigations Division
- Office of the Attorney General
- Department of Examiners of Public Accounts
- Office of Prosecution Services, District Attorneys
- Alabama Department of Public Safety, Alabama Bureau of Investigations
- Alabama Insurance Department
- Alabama Criminal Justice Information Center
- Alabama Department of Industrial Relations
- Forensic Sciences
- Administrative Office of Courts
- Mobile District Attorney

## Notice: ADOR New Web Address

**A**DOR has a new Web site address, [www.revenue.alabama.gov](http://www.revenue.alabama.gov).

The old address, [www.ador.state.al.us](http://www.ador.state.al.us), will continue to direct visitors to the department’s site until the new address transition is complete. At that time, visitors using the old domain address will be redirected to the department’s new site address.

## Administrative Rules

**Effective June 2, 2005:  
Amended:**

810-6-3-.41 Exemption for Municipal Special Health Care Facilities

810-6-3-.41.01 Exemption for Certain Health Care Authorities

810-6-3-.41.02 Exemption for Improvement Districts

## Phone Assistance Successful

**R**evenue’s new after-hours telephone assistance this filing season was a success. From March 10 through April 15, department representatives were available during designated hours to take telephone calls related to individual income tax filing. On Tuesdays and Thursdays, 6:00 p.m. to 9:00 p.m., and on Saturdays from 9:00 a.m. until 12:00 noon, representatives answered questions and provided assistance to over 500 taxpayers.

In continuing its tradition of helping taxpayers complete their returns, the department extended the after-hours phone assistance during the week of April 11 through April 15 to include every evening.

“Reception from the taxpaying public was overwhelmingly positive,” said State Revenue Commissioner Tom Surtees. “As the April 15 income tax filing date approached, the majority of taxpayers worked on their returns during evenings and weekends. With after-hours assistance, our staff was able to help more taxpayers and make their tax preparation a little easier.”

## ADOR New Assignments

On April 28, Commissioner Tom Surtees announced several key personnel changes within the department.

**Henry Mixon**, manager of the Individual and Corporate Tax Division's Business Tax Section, was appointed ADOR's new Taxpayer Advocate. Mixon is a career Revenue employee and brings to the Taxpayer Advocate post over 31 years of experience. He will report directly to Assistant Commissioner Cynthia Underwood. Mixon replaces **Bill Morrison**, who was named director of the department's Economic Development Office.

In addition to the duties of Economic Development Director, Morrison will continue to direct the efforts of the department's local liaison program—a program tailored to meet the assistance needs of local officials and their staffs involving matters falling within the department's jurisdiction. Morrison will report directly to Department Secretary Lewis Easterly.

**George Howell**, ADOR's former Economic Development director, takes on a new role as director of Special Projects, and reports directly to Assistant Commissioner Cynthia Underwood. Howell's duties will primarily involve managing the proposal, analysis, and implementation phases of a new integrated tax system designed to replace the department's current system, the Automated Revenue Information System (ARIS).

*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](mailto: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.

## Office Relocations

The department's Administrative Law Division, formerly located in Room 4118 of the Gordon Persons Building, is now located in the Business Center of Alabama, at 2 North Jackson St., Ste 301, Montgomery, AL 36104. The post office box has not changed; the mailing address remains at P.O. Box 320001, Montgomery, AL 36132-0001.

The new phone number is 334-954-7195; the fax number is 334-954-7199.

The Office of Taxpayer Advocacy has moved into Room 4118. The new phone number is 334-242-1055; the fax number is 334-242-0814.

## TSCs Offer New IRP/IFTA Payment Procedures

Alabama Department of Revenue taxpayer service centers now allow in-person payment of International Registration Plan (IRP) vehicle registration and International Fuel Tax Agreement (IFTA) fuel registration fees, thus eliminating the necessity of traveling to the central office in Montgomery.

"All of the service centers now have the online capability to access IRP and IFTA records and post carriers' fee payments to the department's computerized payment system," said State Revenue Commissioner Tom Surtees. "Once the payments are processed, the carriers may be issued temporary 60-day IRP vehicle registrations and temporary 30-day IFTA decals for their use until their new license plates and decals are mailed to them from the central office in Montgomery."

The new payment procedures make it more convenient for carriers wishing to handle their payment transactions in person to transfer license plates from vehicle to vehicle, increase the registered weight of their vehicles, request additional IFTA decals, or add any new vehicles to a carrier's existing fleet of vehicles. Upon receiving notification of the billing invoice amount from the department's Motor Carrier Services Office, the carrier can make payment at the nearest Taxpayer Service Center.

The department advises that payments for IRP and IFTA license renewals may also be processed at the service centers; however, temporaries may not be issued for renewal transactions.

Business hours for all ADOR Taxpayer Service Centers are from 8 a.m. until 5 p.m., Monday through Friday. Addresses and telephone numbers are listed below:

Auburn	3300 Skyway Drive	(334) 887-9549
Birmingham	2024 3rd Avenue North	(205) 323-6387
Dothan	344 North Oates Street	(334) 793-5803
Gadsden	235 College Street	(256) 547-0554
Huntsville	994 Explorer Boulevard	(256) 922-1082
Mobile	857 Downtowner Boulevard, Suite E	(251) 344-4737
Montgomery	1021 Madison Avenue	(334) 242-2677
Muscle Shoals	3005 South Wilson Dam Highway	(256) 383-4631
Tuscaloosa	518 19th Avenue	(205) 759-2571

For more information concerning IRP or IFTA registration requirements, motor carriers should contact the Motor Vehicle Division, Motor Carrier Services Section at (334) 242-2999.

# ADOR Receives Pioneer Award

The Sales, Use and Business Tax Division's online reporting system was selected as one of 13 projects for the national Pioneer awards presented by E-Gov Institute. Alabama was the only state to receive the honor for an eGovernment service award from among 200 nominations.

Following is a news release from Alabama Interactive, the official eGovernment solutions provider for the State of Alabama.

Contact: Erin Hutchins  
Alabama Interactive  
(866) 353-EGOV  
erin@alabamainteractive.org

Alabama Wins National Award for Online Local Government Reporting Service

## Alabama Department of Revenue Receives a Pioneer Award from the E-Gov Institute

MONTGOMERY, Ala. – April 29, 2005 – Alabama's innovative online Local Government Reporting system is now an award winner. The Alabama Department of Revenue was recently named one of 13 Pioneer Award recipients by the E-Gov Institute's Government Solutions Center, which serves as an educational resource for online government providers.

In December 2004, the Alabama Department of Revenue began providing city and county governments with an online alternative to cumbersome and costly paper tax revenue reports. The Web-based solution allows users to view reports, charts, and graphs electronically. More than 200 Alabama local governments are now using the service. The online reports require no special hardware or software and are accessible through a basic Internet connection.

The E-Gov institute selected 13 projects for Pioneer awards from a field of more than 200 nominations. Alabama was the only state to receive the honor for an eGovernment service.

"We are honored that the E-Gov Institute has recognized our local government reporting program," said Tom Surtees, Ala-

bama Commissioner of Revenue. "Our goal is to maintain customer satisfaction, while establishing convenient and cost-effective services. This recognition, along with the positive feedback from our participating localities, reinforces our goals."

The system was developed as a result of a unique public-private partnership between the Alabama Department of Revenue and Alabama Interactive, the Montgomery-based subsidiary of eGovernment firm NIC (Nasdaq: EGOV) that manages the state's official Web portal at [www.alabama.gov](http://www.alabama.gov).

"We congratulate our partners in the Alabama Department of Revenue on this well-deserved honor," said Winn McInnis, General Manager of Alabama Interactive. Alabama has provided a valuable service by using technology to help local governments and the constituents they serve

operate more efficiently."

More information about this and other Alabama eGovernment initiatives is available at [www.alabama.gov](http://www.alabama.gov).

### About the Alabama Department of Revenue

The major goals of the Alabama Department of Revenue are to efficiently and effectively administer the revenue laws in an equitable, courteous and professional manner in order to fund governmental services for the citizens of Alabama.

### About Alabama Interactive

Alabama Interactive is the official eGovernment solutions provider for the state of Alabama. The company builds and manages interactive government services on behalf of the state and is a wholly owned subsidiary of eGovernment firm NIC.

## Statement of Gross Tax Collections

Through End of 2nd Quarter  
(January, February, March 2005)

	FYTD 2004-2005	FYTD 2003-2004	% Change
Business Privilege Tax	\$ 36,264,527.77	\$ 42,140,513.77	(13.94)
Gasoline	200,962,338.22	197,703,380.36	1.65
Income Tax – Corporate	175,510,586.09	137,328,238.81	27.80
Income Tax – Individual	1,351,352,215.53	1,226,179,741.84	10.21
Income Tax (Total)	1,526,862,801.62	1,363,507,980.65	11.98
Motor Fuels	73,369,151.77	63,759,983.22	15.07
Oil & Gas privilege (8%)	48,119,212.77	32,978,540.11	45.91
Oil & Gas production (2%)	17,579,616.16	13,234,967.37	32.83
Sales	881,918,321.37	838,324,789.37	5.20
Use Tax	113,600,268.67	102,777,994.18	10.53
Utility Gross Receipts	175,825,174.40	174,941,276.96	0.51
<b>SUBTOTAL</b>	<b>\$3,074,501,412.75</b>	<b>\$2,829,369,425.99</b>	<b>8.66</b>
<b>SUBTOTAL (OTHER TAXES)</b>	<b>616,840,693.52</b>	<b>528,252,110.40</b>	<b>16.77</b>
<b>TOTAL (ALL TAXES)</b>	<b>\$3,691,342,106.27</b>	<b>\$3,357,621,536.39</b>	<b>9.94</b>



State Revenue Commissioner Tom Surtees receives a token of appreciation from Carol Magee, President of the Montgomery Chapter of the Association of Government Accountants (AGA), for his speech at the April meeting. Since then, the AGA voted Commissioner Surtees as the Favorite Speaker of the Year.

**Quarterly/Annual Tax Activity** (Continued from Page 8)

- Motor vehicle dealers, reconditioners, rebuilders and wholesalers license tax due.
  - Store and chain store license tax due.
  - Utility license (2.2%) return and first quarterly payment due.
- 14
- Annual wholesale oil license return and payment due.
- 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.
- 31
- Quarterly withholding return and payment due from employer.
  - Quarterly IFTA tax return and payment due.
  - Annual business privilege licenses delinquent after this date.
  - Store and chain store licenses delinquent after this date.

## IRS Interest Rate Increases to 6% for Quarter Beginning April 1, 2005

The interest rate for the calendar quarter beginning April 1, 2005, increased to six percent (6% APR) for underpayments, according to the Internal Revenue Service's "News Room" webpage, citing Revenue Ruling 2005-15.

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 (6%), 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.)

### 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
<b>1982</b>	20%	20%	20%	20%
<b>1983</b>	16%	16%	11%	11%
<b>1984</b>	11%	11%	11%	11%
<b>1985</b>	13%	13%	11%	11%
<b>1986</b>	10%	10%	9%	9%
<b>1987</b>	9%	9%	9%	10%
<b>1988</b>	11%	10%	10%	11%
<b>1989</b>	11%	12%	12%	11%
<b>1990</b>	11%	11%	11%	11%
<b>1991</b>	11%	10%	10%	10%
<b>1992</b>	9%	8%	8%	7%
<b>1993</b>	7%	7%	7%	7%
<b>1994</b>	7%	7%	8%	9%
<b>1995</b>	9%	10%	9%	9%
<b>1996</b>	9%	8%	9%	9%
<b>1997</b>	9%	9%	9%	9%
<b>1998</b>	9%	8%	8%	8%
<b>1999</b>	7%	8%	8%	8%
<b>2000</b>	8%	9%	9%	9%
<b>2001</b>	9%	8%	7%	7%
<b>2002</b>	6%	6%	6%	6%
<b>2003</b>	5%	5%	5%	4%
<b>2004</b>	4%	5%	4%	5%
<b>2005</b>	5%	6%		

## Required Monthly Returns Tax Activity

- 10<sup>th</sup>**
- Medicaid-related tax return and payment due for nursing facilities.
  - Tobacco use tax return and payment due.

- 15<sup>th</sup>**
- 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.

- 20<sup>th</sup>**
- 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.

- 30<sup>th</sup>**
- Hazardous waste fee return and payment due.

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

## Quarterly/Annual Tax Activity

(June-----October 2005)

### June

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

### July

- 1**
- Quarterly Dry Cleaning Trust Fund fee return and payment due.
  - Utility license (2.2%) fourth quarterly payment due.

- 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.

- 31**
- Quarterly withholding return and payment due from employer.
  - Quarterly IFTA tax return and payment due.

### Sept.

- 15**
- Third installment of estimated corporate income tax due (for calendar-year taxpayers).
  - Third installment of estimated personal income tax due.

- 25**
- Hydroelectric gross receipts' return and payment due.

### Oct.

- 1**
- Property tax on real and personal property due.
  - Automotive dismantlers and parts recyclers' license due.
  - Business privilege license fee due.
  - Quarterly Dry Cleaning Trust Fund Fee return and payment due.
  - Manufactured home registration and fee due.
  - Motor fuel identification markers issued.

*(Continued on Page 7)*