

Revenue REVIEW

2nd Quarter
FY 2011
(January, February,
March 2011)

A Quarterly Publication of the Alabama Department of Revenue

ADOR Training Initiatives

FOPS Division and Processing Division Training and Information Seminar

Revenue's upper management attended an informative seminar presented in December by the Financial Operations Division and the Processing Division.

Representatives included Grace McDuffie (FOP), who explained the certification process, Erin Hughes (PD), who explained C21 payment processing, and Jo Wood and Erin Wilson (FOP), who prepared instructional slides.

Financial Operations' goal was defined as such: The certification process is to make the tax payments collected available, in a timely and accurate manner, to the Treasury for allocation to various state functions."

Handouts included a description of C21 payment processing, which is a more efficient way of processing money. It was implemented at the start of the department's new contract with Sourcecorp, the processing vendor.

Individual and Corporate Tax Seminar

Ann Winborne, Administrative Support Unit Manager, Individual and Corporate Tax



Grace McDuffie explains the difference between a "sweep-out" and a "sweep-in."

Division, and Tamera Warren, Training Coordinator, recently held an informational seminar for employees in their division. They gave a comprehensive overview of 2010 tax-related legislation, the department's My Alabama Taxes site, regulations, "Where's My Refund?" features, reporting requirements, and other income tax-related topics.

Basic Audit Training

The Sales, Use and Business Tax Division conducted Basic Audit Training in March for agency revenue examiners.

"The Sales, Use and Business Tax Division administers an on-going comprehensive training program," said Sales Tax Field Operations Manager Pettus Strong. "The objective is consistent uniform high standards for all revenue examiners in all areas of responsibility throughout the state and Foreign Audit.

"Through proper and continuous training, this division is able to boost public image, compliance influence and the individual employee appreciation of the value of the revenue examiner position.

"Many of our classes are taught in



Left to right: Michelle Fielding-Hendrix, Changlan Li, Gwen Branson, Meagan Jackson, Dan Bass, Victoria Oakley, Pettus Strong, Tawanna Small, Laura Phillips, Jessie Harris, Eve Harman, ADOR Commissioner Julie Magee.

Montgomery in order to easily include some upper management presence and constant upper management influence.

“The class pictured is Basic Audit Train-

ing III and it is the final installment of a series that covers the fundamentals of auditing, character of the examiner, effective communication, and the law. This class in-

cluded examiners from the Montgomery area with experience levels from two to five years.”

MV Reps Host Conference

ADOR was well-represented at this year's Alabama Licensing Officials' Conference, held January 12 in Prattville. Employees from the Motor Vehicle Division, Sales, Business and Use Tax Division, and Property Tax Division provided training on titles, registration, mandatory liability insurance, international registration plan, sales tax issues and motor vehicle property tax over a two-day period.

According to MV Assistant Director Mike Gamble, employees from more than 30 county offices attended.

"This two-day conference sponsored by the Alabama Association of Tax Administrators allows officials and employees from county license issuing offices to receive important updates on laws, rules and procedures for motor vehicles," said Gamble.



(Left to right): Tommy Praytor, Lawrence County Revenue Commissioner; Brenda Coone, Motor Vehicle Division Director, ADOR; Vince Arnold, Sales, Use and Business Tax Division, ADOR; Sherry Helms, Amy Bright, Motor Vehicle Division, ADOR.



(Left to right): Amy Bright, Jay Starling, Monica Vaughn, Motor Vehicle Division, ADOR; Greg Tucker, Limestone County License Commissioner; Mike Gamble, Motor Vehicle Division Assistant Director, ADOR.

IRS News

Issue Number: IR-2011-14

IRS Opens Second Special Voluntary Disclosure Initiative; Those Hiding Assets Offshore Face Aug. 31 deadline

The Internal Revenue Service announces a special voluntary disclosure initiative designed to bring offshore money back into the U.S. tax system and help people with undisclosed income from hidden offshore accounts get current with their taxes. The new voluntary disclosure initiative will be available through Aug. 31, 2011.

"As we continue to amass more information and pursue more people internationally, the risk to individuals hiding assets offshore is increasing," said IRS Commissioner Doug Shulman. "This new effort gives those hiding money in foreign accounts a tough, fair way to resolve their tax problems once and for all. And it gives people a chance to come in before we find them."

The IRS decision to open a second special disclosure initiative follows continuing interest from taxpayers with foreign accounts. The first special voluntary disclosure program closed with 15,000 voluntary disclosures on Oct. 15, 2009. Since that time, more than 3,000 taxpayers have come forward to the IRS with bank accounts from around the world. These taxpayers will also be eligible to take advantage of the special provisions of the new initiative.

"As I've said all along, the goal is to get people back into the U.S. tax system," Shulman said. "Combating international tax evasion is a top priority for the IRS. We have additional cases and banks under review. The situation will just get worse in the months ahead for those hiding assets and income offshore. This new disclosure initia-

tive is the last, best chance for people to get back into the system."

The new initiative announced in February — called the 2011 Offshore Voluntary Disclosure Initiative (OVDI) — includes several changes from the 2009 Offshore Voluntary Disclosure Program (OVDP). The overall penalty structure for 2011 is higher, meaning that people who did not come in through the 2009 voluntary disclosure program will not be rewarded for waiting. However, the 2011 initiative does add new features.

For the 2011 initiative, there is a new penalty framework that requires individuals to pay a penalty of 25 percent of the amount in the foreign bank accounts in the year with the highest aggregate account balance covering the 2003 to 2010 time period. Some taxpayers will be eligible for 5 or 12.5 percent penalties. Participants also must pay back-taxes and interest for up to eight years as well as paying accuracy-related and/or delinquency penalties.

Taxpayers participating in the new initiative must file all original and amended tax returns and include payment for taxes, interest and accuracy-related penalties by the Aug. 31 deadline.

The IRS is also making other modifications to the 2011 disclosure initiative.

Participants face a 25 percent penalty, but taxpayers in limited situations can qualify for a 5 percent penalty.

The IRS also created a new penalty category of 12.5 percent for treating smaller offshore accounts. People whose offshore accounts or assets did not surpass \$75,000 in any calendar year covered by the 2011 initiative will qualify for this lower rate.

The 2011 initiative offers clear benefits to encourage taxpayers to come in now rather than risk IRS detection. Taxpayers hiding assets offshore who do not come forward will face far higher penalty scenarios as well as the possibility of criminal prosecution.

"This is a fair offer for people with offshore accounts who want to get right with the nation's taxpayers," Shulman said. "This initiative offers them the chance to get certainty about how their case will be handled. Just as importantly, those who truly come in

voluntarily can avoid criminal prosecution as well."

The IRS is handling processing of the voluntary disclosures in centralized units to more efficiently process the applications.

The IRS will also launch a new section on www.irs.gov that includes the full terms and conditions on the 2011 Offshore Voluntary Disclosure Initiative, including an extensive set of questions and answers to help taxpayers and tax professionals. The web site also includes details on how people can make a voluntary disclosure.

In the first voluntary disclosure program in 2009, taxpayers faced up to a 20 percent penalty covering up to a six-year period. Taxpayers came forward with about 15,000 voluntary disclosures in that effort covering banks in more than 60 countries.

Shulman said IRS efforts in the international arena will only increase as time goes on.

"Tax secrecy continues to erode," Shulman said. "We are not letting up on international tax issues, and more is in the works. For those hiding cash or assets offshore, the time to come in is now. The risk of being caught will only increase."

Administrative Rules

Effective March 30, 2011:

Adopted:

810-2-8-.09 Business Privilege Tax Filing Requirements for Disregarded Entities and Owners of Disregarded Entities

810-2-8-.10 Business Privilege Tax Filing Requirements, Clarifications and Explanations

810-8-1-.12.01 Electronic Filing of Scrap Tire Environmental Fee Returns

810-8-1-.53 Internet-based Electronic Filing of Tax Returns and Schedules



JULIE P. MAGEE
Commissioner

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February 28, 2011

CYNTHIA UNDERWOOD
Assistant Commissioner

MICHAEL E. MASON
Deputy Commissioner

LEWIS A. EASTERLY
Secretary

ANNUAL REPORT OF QUALIFYING PROJECTS FOR CAPITAL CREDIT

In accordance with Section 40-18-196, Code of Alabama 1975, this report shall serve as the report required to be issued annually to the Alabama Legislature and the public by the Alabama Department of Revenue, before the fifth Legislative day of each regular session, as to the qualifying projects with respect to which capital credits are claimed during the year.

Since enactment, there have been a total of 404 capital credit projects that have been placed in service with a total of \$14,840,908,947 in actual investment costs and at least 51,260 actual jobs created. Currently, the department is holding several additional notices pending receipt of requested additional information.

To date, approximately \$454,718,706 in capital credits has been claimed against the income tax liability of projects that have been placed in service.

Data Based on Notices of Projects Placed In Service Received in Reporting Year					
Reporting Year	1995-2007	2008	2009	2010	Total For All Years
Notices of Projects Placed In Service	327	35	30	12	404
Actual Jobs Created Based on Notices of Projects Placed In Service	40,687	4,647	4,757	1,169	51,260
Actual Project Costs Based on Notices of Projects Placed In Service	\$10,888,212,749	\$959,599,028	\$2,219,192,929	\$773,904,241	\$14,840,908,947
Data Based on Income Tax Credits Claimed In Reporting Year					
Reporting Year	1995-2007	2008	2009	2010	Total For All Years
Capital Credits Claimed in Reporting Year	\$294,184,830	\$63,249,598	\$47,599,172	\$49,685,106	\$454,718,706

Submitted by:

Julie P. Magee
Commissioner of Revenue

C: Lieutenant Governor Kay Ivey
Mike Hubbard, Speaker of the House
Members of the Alabama Legislature

Interest Rates Increase for the Second Quarter of 2011

Interest rates for the calendar quarter beginning April 1, 2011, increased to four (4) percent for underpayments, according to Internal Revenue Bulletin No. 2011-17, dated Feb. 17, 2011.

Under Sect. 40-1-44, Code of Alabama 1975, the Department of Revenue will calculate interest on underpayments and overpayments (where applicable) at this same annual rate (4%); however, land sold by the state for taxes, shall be calculated at 12% in accordance with Sect. 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
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%	7%	8%	8%
2007	8%	8%	8%	8%
2008	7%	6%	5%	6%
2009	5%	4%	4%	4%
2010	4%	4%	4%	4%
2011	3%	4%		

Political Party Contributions FY 2010

	Amount	Number
Republican	\$8,979	17,241
Democrat	\$7,126	18,538

Tax Calendar

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Aug.

10 • Quarterly NPM certification and bank verification due.

Statement of Gross Tax Collections

Through End of 2nd Quarter FY 2011 (Jan., Feb., March 2011)

	FYTD 2010-11	FYTD 2009-10	% Change
Business Privilege Tax	10,730,667.59	10,773,345.70	(0.40)
Gasoline	101,477,258.57	98,870,747.75	2.64
Income Tax-Corporate	83,450,561.32	116,271,479.30	(28.23)
Income Tax-Individual	743,321,733.84	726,615,924.48	2.30
Income Tax (Total)	826,772,295.16	842,887,403.78	(1.91)
Motor Fuels	32,705,874.12	29,844,204.53	9.59
Oil & Gas Privilege (8%)	19,676,495.61	14,758,249.37	33.33
Oil & Gas Production (2%)	8,287,375.49	4,866,294.10	70.30
Sales	473,700,801.37	453,321,472.84	4.50
Use Tax	64,832,104.61	57,865,408.65	12.04
Utility Gross Receipts	99,539,142.50	120,149,374.78	(17.15)
SUBTOTAL	1,637,722,015.02	1,633,336,501.50	0.27
SUBTOTAL (OTHER TAXES)	422,644,056.32	353,884,200.95	19.43
TOTAL (ALL TAXES)	\$2,060,366,071.34	\$1,987,220,702.45	3.68

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.
- 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.
- Uniform Natural Minerals tax return and payment 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

(June, July and August 2011)

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.
 - Quarterly Hospital Assessment for Medicaid Tax 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.

- Quarterly Solid Waste Disposal Fee return and payment due.

30

- Quarterly forest products severance tax return and payment due.

31

- Quarterly NPM payment due into escrow.
- Quarterly withholding return and payment due from employer.
- Quarterly Construction Employer Fee due.
- Quarterly IFTA tax return and payment due.

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