

Revenue REVIEW

A Quarterly Publication of the Alabama Department of Revenue

4th
Quarter
FY 2001

(July, August,
September 2001)

Scrap Tire Law Amended

Certain amendments to the state's scrap tire disposal law were made during the 3rd Special Session of the Alabama Legislature. Act No. 2001-976, effective Sept. 28, 2001, lowered the previous \$500 delinquent penalty amount and provided for a refund to those individuals or businesses that paid the penalty. In October, the Alabama Department of Revenue mailed refund procedure notices to all known license holders who paid the \$500 delinquent penalty.

To receive reimbursement, application for refund must be made by Nov. 27, 2001. Applications cannot be accepted after this date.

Any individual or business that paid the \$500 penalty, but did not receive the refund procedure notice

should immediately contact the Alabama Department of Revenue, Sales, Use and Business Tax Division at P. O. Box 327550, Montgomery, AL 36132-7550, or telephone (334) 353-7827.

Other provisions include:

Lowers the previous \$500 penalty to a \$25 penalty for 35 days or less of non-compliance (failure to purchase license); and \$150 penalty for more than 35 days of non-compliance;

Reduces the cost of additional transporter decals from \$15 to \$1.50. Cost of basic license (which includes the first vehicle decal) remains at \$37.50;

Requires only one license fee for each business location. If a business operates as both a receiver and a transporter from the

same location, only one \$37.50 license fee is charged; the license must reflect that the business operates as both a receiver and a transporter of scrap tires;

Eliminates the need for transporters to provide certain vehicle information cited under Section 22-40-2 (g) (6) (vehicle description, VIN, vehicle license no., name of licensed vehicle owner);

Designates the Alabama Department of Public Health as a determiner of bonding requirements; specifies minimum bonding amount to equal at least \$10,000.

For more information about license renewal procedures, contact the appropriate county license-issuing authority or the Alabama Department of Revenue, Sales, Use and Business Tax Division (334) 353-7827, Web site www.ador.state.al.us.

Tax Practitioner Seminars 2001

The Outreach Program Office of Auburn University will host its annual tax practitioner seminars during November and December. Presented by the Alabama Department of Revenue and the Internal Revenue Service, the seminars provide a wealth of information on current state and federal tax laws. Tax practitioners, public accountants, certified public accountants, attorneys and enrolled agents in the Southeast can keep abreast of recent developments in tax law.

Program cost is \$85 per participant for the two-day seminars. Approval has been requested for CPE's, CLE's, and CEU's. For

more information, call the AU Outreach Program Office at (334) 844-5100 or (334) 844-3107, or contact [www.auburn.edu/out-](http://www.auburn.edu/outreach/tax)

reach/tax. Questions may be E-mailed to Program Developer Scott Greenwood at greens1@auburn.edu.

Seminar Dates and Locations

Florence	Nov. 13 & 14	University of North Alabama
Huntsville	Nov. 15 & 16	University of Alabama, Huntsville
Birmingham	Nov. 19 & 20	Jefferson State Community College
Bessemer	Nov. 27 & 28	Bessemer Civic Center
Auburn	Nov. 29 & 30	AU Hotel and Dixon Conference Center
Montgomery	Dec. 4 & 5	Auburn University at Montgomery
Dothan	Dec. 6 & 7	Dothan Conference Center
Mobile	Dec. 12 & 13	Mobile Convention Center

2001 Legislation

The following synopses highlight significant revenue-related legislation passed during the 3rd Special Session 2001 of the Alabama Legislature.

Local Legislation

Act 2001-912 (H. 146) Clay County Additional Motor Vehicle License Fee

Authorizes the Clay County Commission to levy an additional fee up to \$10 on license plates and decals for motor vehicles, motorcycles, mobile homes, or manufactured homes, unless specifically exempt from this fee. *Effective Dec. 1, 2001.*

Act 2001-913 (H. 150) Choctaw County Tobacco Tax

Authorizes the Choctaw County Commission to levy and collect an additional ten cents (\$0.10) per pack/unit on ciga-

rettes and tobacco products. To be collected by the Alabama Department of Revenue. *Effective Dec. 1, 2001.*

Act 2001-914 (H. 151) Washington County Additional Motor Vehicle Fee

Authorizes the Washington County Commission to levy and collect a motor vehicle license fee up to \$24 per tag on motor vehicles, trucks, trailers, etc. *Effective Sept. 19, 2001.*

General Legislation

Act 2001-965 (H. 9) State Business Tax

Credits Further Authorized and Defined
Amends Sect. 40-18-190 and 40-18-193, **Code of Alabama 1975**, relating to state tax credits for projects of new busi-

ness expansions, to add criteria covering certain qualifying expansions/investments by businesses into Favored Geographic Areas (e.g., less developed economically) in Alabama. *Effective Dec. 1, 2001.*

Act 2001-968 (H. 56) State Lodgings Tax Exemptions; Includes Motion Picture Production

The state lodgings tax shall not apply to any rooms, lodgings, or accommodations which are engaged for a period of 180 continuous days or more (increased from 30 days), the effect of which is to apply tax to any lodgings rental of less than 180 days. In addition, this tax shall not be applied to any motion picture projects/activities that have been registered and certified by the Alabama Film Office. *Effective Dec. 1, 2001.*

Act 2001-975 (S. 21) State Sales, Use and Lodgings Tax Exemptions and Incentives for Film Projects

Makes available certain incentives for qualifying motion picture production activities in the state, with regard to sales, use and lodgings taxes. All projects and related costs must first meet qualification standards of the Alabama Film Office. The Alabama Department of Revenue shall approve, administer, and monitor eligibility for these tax incentives. *Effective Dec. 1, 2001. Provisions of this act shall sunset effective Sept. 30, 2005, unless continued by an act of the legislature.*

Act 2001-976 (S. 105) Scrap Tire Law Amended

Amends certain statutes in the state's scrap tire disposal law, to, inter alia: provide for graduated penalties for noncompliance with scrap tire licensing requirements; specify bonding requirements; eliminate provisions for multiple categories of licenses at the same locations; repeal penalty provisions for failure to display a decal in a motor vehicle used to transport scrap tires; provide for the refund of certain penalties. *Effective Sept. 28, 2001.*

Rules and Regulations

Effective Aug. 16, 2001:

Adopted:

- 810-5-8-.10 Random Sampling, Questionnaire Form, Notice of Suspension and Procedures to be Followed
- 810-5-8-.11 Administratively Removing Suspensions

Effective Aug. 30, 2001:

Amended:

- 810-6-5-.23 Temporary Storage and the Use Tax Law

Effective Oct. 4, 2001:

Adopted:

- 810-1-6-.02 Scope of the Rules
- 810-1-6-.03 Definitions
- 810-1-6-.04 Internet-based Electronic Filing and Payment of Taxes to be Provided through Electronic Return Originators
- 810-1-6-.05 Tax Types Covered and Requirements for Tax Returns
- 810-1-6-.06 Electronic Payment Requirements and Determining Timely Payments

810-1-6-.07 Determining Timely Filing of Electronic Returns

810-1-6-.08 Acceptance of Electronic Return Originators into Program and Revocation of Acceptance into the Program

810-1-6-.09 Requirements for Filing Declaration

810-1-6-.10 Requirements for Submitting Tax Returns

810-1-6-.11 Requirement for Testing Prior to Department Approval

Amended:

810-6-4-.03 Discounts Allowed on Payments of Sales Tax Made Before Delinquency

810-6-5-.03.01 Discounts Allowed on Payments of Contractors Gross Receipts Tax Made Before Delinquency

810-6-5-.19.01 State Use Tax Returns

Repealed:

Chapter 810-6-7 Internet-based Electronic Tax Filing and Payment Program for Certain Taxes Administered by the Alabama Department of Revenue

From The IRS

Federal Payment Levy Program

As part of its tax compliance efforts, the IRS encourages federal employees with long-term unpaid federal tax bills to resolve their tax debts now, or face having their federal salaries subject to a 15 percent continuous levy. The levy, authorized by Congress' approval of the Taxpayer Relief Act of 1997, is applied as part of the Federal Payment Levy Program.

The IRS applies the levy only after attempts at tax delinquency resolution have failed. Before the levies are placed, delinquent taxpayers receive a final notice with details regarding their tax bill, explanation of their rights to appeal, and a telephone number for assistance inquiries. If the delinquent taxpayer makes payment arrangements within 30 days after a final notice is sent, the IRS will not issue the levy.

If the taxpayer does not respond, the IRS electronically transmits the levy to the Financial Management Service, a bureau of the Treasury Department, which reduces the employee's salary subject to the levy by 15 percent and sends it to the IRS. The balance of the salary is sent to the employee.

Those federal employees desiring to resolve their unpaid federal tax bills may contact the IRS at 1-800-829-7650.

Closing Agreement Program for Tax-Exempt Bonds

The IRS Tax Exempt Bonds Office of the Tax-Exempt and Government Entities (TE/GE) Division has developed a new voluntary closing agreement program for tax-exempt bonds. The Tax-Exempt Bonds Voluntary Closing Agreement Program, or TEB VCAP, will allow bond issuers and conduit borrowers to correct violations of the tax law and regulations on tax-exempt bonds

when current regulations and existing tax-exempt bond closing agreement programs do not provide a remedy.

The Tax-Exempt Bonds Office will administer the requests for TEB VCAP closing agreements. The IRS, in an effort to encourage issuers and other parties to bond transactions to volunteer problems resolution with the federal agency, will permit an issuer or issuer's representative to anonymously initiate preliminary discussions of a closing agreement.

Internal Revenue Bulletin 2001-40, dated Oct. 1, 2001, contains Notice 2001-60, which describes the new formal closing

State Tax Relief Available for Disaster Victims

Taxpayers facing difficulty in meeting their federal and state tax obligations due to the terrorist attacks of Sept. 11, 2001, may apply for relief.

Those affected taxpayers with Alabama tax liabilities may apply for relief by contacting the following Alabama Revenue Department offices:

- Individual and Corporate Tax Division, Corporate Income Tax, (334) 242-1000
- Individual and Corporate Tax Division, Withholding Tax, (334) 242-1200
- Individual and Corporate Tax Division, Business Privilege Tax (334) 242-1300
- Sales, Use and Business Tax Division, (334) 242-1490

Relief measures for Alabama taxpayers will be handled on a case-by-case basis. Taxpayers entitled to the relief should write in red ink at the top of the Alabama returns filed: September 11, 2001—Terrorist Attack.

For questions relating to federal tax obligations, contact the IRS Web site at www.irs.gov.

agreement program.

The IRS is seeking public input on the effectiveness of existing remedial action provisions and closing agreement programs. Comments may be submitted directly to the IRS at www.irs.gov/prod/tax_regs/comments.html, or by e-mail to notice.comments@m1.irs.counsel.gov. For further information about the program, contact Clifford J. Gannett, Tax-Exempt Bonds Office of Outreach, Planning and Review at (202) 283-2999 (not a toll-free number.)

Montgomery Dentist Convicted on Tax Charges

A former Montgomery County dentist pleaded guilty July 30, 2001, in Montgomery County District Court to failure to file 1994, 1995, and 1996 Alabama income tax returns.

Dr. Marvin L. West, currently a resident in Fayetteville, Ga., was ordered by Montgomery County District Judge Lucie McLemore to pay all outstanding state income taxes, penalties, and interest due the State of Alabama within 180 days, after sentencing. Taxes totaled approximately \$12,000, plus penalties and interest.

West's conviction carried concurrent one-year jail terms, suspended, with one year of probation, conditional upon timely payment of all outstanding income taxes due. Judge McLemore also ordered West to complete 200 hours of community service.

In 1998, the Alabama Department of Revenue began an investigation of Dr. West, a former employee of Correctional Medical Services, Inc., because he had not filed state income tax returns for multiple years. Criminal charges resulted from Dr. West's willful failure to file and pay subsequent years' taxes, after repeated notices from the department.

State Revenue Commissioner Cynthia Underwood commended Revenue Special Agents Madeline Lewis and Examiner John Davis for their work with the tax investigation and subsequent conviction.

Checklist for Business Privilege Taxpayers

According to State Revenue Commissioner Cynthia Underwood, a "tax checkup" offers a new business owner the opportunity to effectively begin tax planning for the future. "Effective tax planning should play a major role in formulating any business plan, regardless of the business structure chosen by the new owner," advises Underwood.

To assist new business taxpayers in meeting business privilege tax filing requirements, the Alabama Department of Revenue offers these helpful reminders to first-time filers:

- Initial returns are filed using the Alabama Form PSA. Forms may be downloaded from the department's Web site at www.ador.state.al.us or may be obtained from the local judge of probate's office.

- Initial returns are due within 30 days of incorporation or qualification to transact business in Alabama. The initial return is due within the 30-day timeframe, regardless of whether the business entity has actually begun to conduct business in the state.

- Do NOT delay in filing; do NOT wait for notification from the Alabama Department of Revenue to file the initial return.

- If your business has made application, but has not been assigned a federal employer identification number (FEIN) at the time of filing the initial PSA return, indicate in the FEIN space on the Form PSA that application has been made.

- Please verify with your tax attorney or tax practitioner that all first-time filing requirements have been met. (Attorneys filing incorporation documents on behalf of their clients are reminded to inform clients of the initial Business Privilege Tax filing requirement.)

- Note that after calendar year 2001, the Alabama Corporate Shares Tax is repealed.

- Most important—if the return is filed on a delinquent basis, the return will be subject to delinquent penalty and interest provisions.

For more information concerning a business taxpayer's filing requirements, contact the Alabama Department of Revenue, Individual and Corporate Tax Division at (334) 353-7923. Taxpayers having Internet access may download business privilege tax information and forms from the department's Web site at

www.ador.state.al.us.

New business owners are also encouraged to attend one of the department's free "Going into Business Workshops." Information concerning workshop dates, locations, and times may be obtained from the department's Web site or by calling (334) 242-1055.

Refund Checkoff Donations and Voluntary Contributions

FY 2001 (Oct. 1, 2000-Sept. 30, 2001)

Below are totals for FY 2001 donations and number of Alabama individual income tax returns designating checkoff amounts.

	FY 2001	No. of Returns
Alabama Aging Fund	\$ 21,499.00	2,496
Alabama Arts Development Fund	\$ 15,055.00	1,845
Alabama Nongame Wildlife Fund	\$ 25,854.23	2,661
Child Abuse Trust Fund	\$ 61,668.00	5,598
Alabama Veterans Program	\$ 25,487.00	2,677
Alabama Indian Children's Scholarship Fund	\$ 13,138.00	1,695
Penny Trust Fund	\$ 8,475.00	1,237
Foster Care Trust Fund	\$ 20,329.00	2,597
*Mental Health	\$ 15,234.00	2,115
Neighbors Helping Neighbors	\$ 15,402.32	1,758
TOTAL	\$222,141.55	24,679

*Note the Mental Health Fund is not a refund checkoff donation. It is a voluntary contribution fund that is shown on the face on the Alabama return. Contributions to this fund increase an individual's tax liability amount.

Statement of Gross Tax Collections

FY 2001
(Oct. 1, 2000 - Sept. 30, 2001)

	FY '00-01	FY '99-'00	% Change
Business Privilege Tax	\$ 69,693,867.11	\$ 65,766,707.99	5.97
Corporation Shares Tax	72,171,912.93	113,402,352.74	(36.36)
Gasoline	383,169,025.82	384,976,106.98	(0.47)
Income Tax (Corporate)	180,392,397.44	258,258,344.86	(30.15)
Income Tax (Ind.)	2,437,639,868.54	2,409,067,979.67	1.19
Motor Fuels (Diesel)	118,751,693.49	120,873,767.04	(1.76)
Oil & Gas Privilege	77,444,667.85	50,305,392.56	53.95
Oil & Gas Production	29,579,034.64	18,035,660.11	64.00
Sales	1,513,061,037.78	1,530,050,362.87	(1.11)
Use	199,577,587.88	187,079,975.94	6.68
Utility Gross Receipts	321,319,193.02	294,468,857.10	9.12
Subtotal (Listed Taxes)	5,402,800,286.50	5,432,285,507.86	(0.54)
Subtotal (Other Taxes)	602,483,450.72	616,917,398.91	(2.34)
Total All Taxes	\$6,005,283,737.22	\$6,049,202,906.77	(0.73)

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.
 - Cellular telecommunication services 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.
 - 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.
 - 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.
 - 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 mo.
- State horse wagering fee return and payment due.

QUARTERLY/ANNUAL TAX ACTIVITY

**(November and December 2001/
January and February 2002)**

November

- 1**
- Scrap tire handler's license delinquent on Nov. 1.
 - Store and chain store licenses delinquent after this date.

- 30**
- Last day to register and pay fee for manufactured homes without penalty.

December

- 15**
- Fourth installment of estimated corporate income tax due (for calendar-year taxpayers).
- 31**
- Ad valorem tax on real and personal property delinquent after this date.
 - Expiration of the previous calendar year's motor fuel identification markers.

January

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

- 15**
- Fourth installment of estimated personal income tax due.

- 20**
- Quarterly sales tax return and payment due.
 - Annual sales tax return and payment due.
 - Quarterly use tax return and payment due.
 - Annual use tax return and payment due.
 - Quarterly rental or leasing tax return and payment due.
 - Annual 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.

February

- 28**
- Annual withholding return due.

IRS Interest Rate to Remain at 7% for Quarter Beginning Oct. 1, 2001

The quarterly interest rate for the calendar quarter beginning Oct. 1, 2001, will remain at seven percent (7%) for underpayments, according to Internal Revenue Service News Release No. 2001-80.

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

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%

Revenue Review is published quarterly by the Alabama Department of Revenue Media Affairs Section. Comments or suggestions should be sent to: *Revenue Review*, Alabama Department of Revenue, P. O. Box 327001, Montgomery, AL 36132-7001; telephone (334) 242-1390 or (334) 242-1175. Cynthia Underwood, Commissioner; Lewis A. Easterly, Department Secretary; Carla A. Snellgrove, Public Information Manager; Carolyn Blackstock, Editor; and Mickey Godwin, layout and design.

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Alabama Department of Revenue
Office of the Commissioner
Media Affairs Section
P. O. Box 327001
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