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Don't Forget to Include the Tax on Online Purchases

MONTGOMERY, Jan. 22, 2016— The Alabama Department of Revenue reminds Alabamians who shop the Internet, TV home-shopping networks or catalog sales to report and pay use tax on their purchases if no tax has been collected by the online or catalog retailer.

Items subject to use tax are the same items that would be subject to sales tax if purchased in Alabama, such as: computers, books, electronic equipment, toys, games, furniture, jewelry, clothing, etc. Alabama taxpayers can pay their use tax at the time they file their Alabama individual income tax return by entering the amount of use tax owed on a line item included on the Alabama individual income tax return. By doing this, the taxpayer simply either increases their balance due or decreases their income tax refund by the amount of the use tax owed.

Shoppers owe a four percent state use tax on their out-of-state purchases if no tax has been collected by the out-of-state seller. Local taxes also apply if they live in a city or county that levies a local sales or use tax; however, only the four percent state use tax may be reported on their Alabama individual income tax return. The taxpayer should contact the local office for information on how to pay the local use tax. If their purchase receipt shows that they have paid a sales tax to another state equal to the Alabama tax rate, they will not be taxed again.

The state use tax rate is four percent, the same as the state sales tax rate. Like the sales tax, the four percent use tax is primarily earmarked for the state's Education Trust Fund. The use tax is not a new tax; it has been a part of the Alabama tax system as long as the state sales tax. The use tax is a complementary tax to the state sales tax and prevents Alabama merchants from being placed at an unfair competitive disadvantage to out-of-state online or catalog merchants who may not be required to collect tax on sales to Alabama residents.

For more information concerning Alabama's consumer use tax reporting requirements, contact the Alabama Department of Revenue Sales and Use Tax Division at 334-242-1490, or visit the department's website at <http://www.ador.alabama.gov/>.

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