

## HOW TO CLOSE A BUSINESS FOR BUSINESS PRIVILEGE TAX PURPOSES

[Section 10A-1-7.05](#) states that the registration of a foreign entity is effective when the application filed under Article 4 takes effect. The registration remains in effect until the registration terminates, is withdrawn, or is revoked.

Under [section 10A-1-3.01](#), the existence of an entity begins upon the filing of the certificate of formation. Unless stated otherwise, the duration is perpetual.

If an entity closes its doors, does not begin operations, or cease operations, it must legally dissolve or withdraw from the State of Alabama. Any delinquent tax or accrued liability with the Department of Revenue as of that date must be paid.

The entity will be liable for any accrued business privileged tax liability up until the time of dissolution or withdrawal.

The entity can be dissolved by

- a. the incorporators or initial directors
- b. the board of directors and shareholder
- c. revocation by the corporation
- d. Circuit Court

According to [section 40-14A-22\(a\)](#) the business privilege tax accrues at the beginning of each year until the entity is withdrawn or dissolved. If an entity ceases operations but does not withdraw or dissolve the entity, it will owe the business privilege tax for each year until the entity legally submits the articles to withdraw or dissolve the entity. Failure to file the business privilege tax return and pay the tax can result in the department issuing assessments consisting of the estimated tax, late file penalty, late pay penalty and interest for each year that the entity legally remains in existence. These assessments, if not paid, can be pursued through the Collection Services Division. Action taken by the division can result in a lien being filed against the entity

Example. If an entity ceased operation in 2009, was current in its filing, but did not dissolve or withdraw the entity until 2013, it will owe the business privilege tax for tax years 2010 through 2013.

The steps for withdrawals and dissolutions are outline below.

### **Withdrawals**

1. Complete a Request for Certificate of Compliance from ADOR.
2. Provide returns and payments as determined by ADOR to be in compliance
3. Receive Certificate of Compliance from ADOR
4. Complete Certificate of Withdrawal:  
<http://sos.alabama.gov/downloads/dl3.aspx?trgturl=business/sosff-5.pdf&trgtfile=sosff-5.Pdf>
5. Submit two (2) signed completed Certificate of Withdrawals with Certificate of Compliance (from ADOR) and filing fee to Secretary of State's address on the form.
  - a. Certificate of Compliance cannot be more than 6 months old to be accepted by SOS

### **Dissolutions**

1. Complete Articles of Dissolutions:  
<http://sos.alabama.gov/downloads/dl3.aspx?trgturl=business/sosdf-4.pdf&trgtfile=sosdf-4.pdf>
2. Mail or take the following to the Office of the Judge of Probate in the county where the corporation's Certificate of Formation/Organization was recorded
  - a. One signed original and two (2) copies of the completed form
  - b. The appropriate county filing fees
  - c. The State's filing fee of \$100.00 (check or money order) order payable to Secretary of State. Fee can also be paid by credit card in some counties.
  - d. County certifies a copy and transmits to SOS with check within 10 days after filing is recorded.