

# Alabama Department of Revenue

News Release

Jan. 28, 2014

## Alabama Tax Filing Tips for 2014

*Montgomery*—As W-2s, 1099s, and other financial statements are being distributed to taxpayers this month, the Alabama Department of Revenue offers the following tax-filing tips and reminders for the 2014 tax filing season.

### **E-file Officially Opens Jan. 31**

Alabama's e-file season will officially open Jan. 31, following the Internal Revenue Service's official opening date. The Internal Revenue Service (IRS) announced plans in December to move forward the opening date for acceptance of electronically-filed returns to allow adequate time for programing and testing of its tax processing systems.

Alabama tax forms and instructions are available on ADOR's Web site at <http://revenue.alabama.gov/incometax/2013itforms.cfm>.

### **What's New for 2014?**

New tax credits, new refund donation check-offs, and additional tax return security features headline the list as to what is new this filing season for Alabama taxpayers.

### **New Tax Credit for 2013**

#### **Alabama Accountability Act Tax Credits**

The 2013 Alabama Accountability Act provides a parent-taxpayer refundable tax credit available to eligible individual income taxpayers, limited to \$3,563 for the 2013 tax year. In addition, a scholarship granting organization (SGO) contribution tax credit is available to both individual taxpayers and corporate taxpayers. The maximum eligible amount for individuals is \$7,500, but is limited to one half of the taxpayer's tax liability amount for the year. Corporate taxpayers are limited to one half of the corporation's tax liability amount, beginning with the corporation's 2013 tax year. The *Alabama Schedule AATC-Alabama Accountability Tax Credit* will be used to claim the credits. Full details of these tax credits are available at <http://www.revenue.alabama.gov/accountability/>.

#### **New Check-offs**

Alabama taxpayers have four new refund donation check-offs from which to choose this year, bringing the total number of available refund donation check-offs on the 2013 return to sixteen. The new offerings include: the Alabama State Historic Preservation Fund, Archives Services Fund, Alabama Firefighters Annuity and Benefit Fund, and the Victims of Violence Assistance (Reference: Acts 2011-620; 2011-552, and 2012-259, respectively).

## **Driver's License/Non-driver's Number, Date of Birth Requirements Added to Return Filings**

Taxpayers who electronically file 2013 Alabama Forms 40, 40-A or 40 NR should include their driver's license or non-driver's license number, as well as their date of birth, on their Alabama returns. This is the department's latest effort to combat the growing threat of identity theft and fraudulent tax return filings. The department will use this information to validate filers' names and dates of birth information shown on the Alabama returns against names and dates of birth information shown on individuals' driver's licenses or non-driver's licenses. If a match does not occur, then the return will be flagged and will be reviewed by an examiner. No other personal information shown on an individual's driver's license or non-driver's license record will be available to the ADOR for use, such as photo identification, physical description, driving restrictions or gender.

## **Getting Ready to File: Consider E-file**

The ADOR encourages taxpayers to review their filing options and consider electronically filing their tax returns. Last year, over 1.5 million tax returns were electronically filed, totaling 78 percent of the total 1.9 million returns filed through the end of 2013. E-file is a safe, secure method of filing one's tax return and guarantees a quicker turnaround time on refund processing than traditional paper returns.

The Alabama Department of Revenue (ADOR) offers a free electronic filing option to all Alabama taxpayers filing a state income tax return. No income limitations or other qualifications must be met to take advantage of the department's free online filing system. See [e-Services](#) for more information regarding Alabama electronic filing options.

## **Alabama Tax Refund Card**

Last year, the ADOR introduced taxpayers to a new refund payment choice. Taxpayers, filing a refund return, can receive their 2013 individual income tax refund in the form of a refund debit card, the [Alabama Tax Refund Card](#). The Alabama Tax Refund Card is a prepaid VISA debit card and can be used just like cash at retail locations. Free teller-assisted cash withdrawals can be made at banks and credit unions that accept VISA. To receive the card, taxpayers must check the box on their 2013 Alabama tax return, indicating they wish to receive their refund in the form of a refund debit card.

## **Direct Deposit**

In addition to the Alabama Tax Refund Card as a refund option, taxpayers can choose to receive their refunds by traditional paper check or by direct deposit. Last year, approximately two-thirds of Alabama taxpayers opted to have their state income tax refunds direct-deposited into their bank accounts. Direct deposit is safe, secure, and provides taxpayers with quick access to their refunds. Be sure to check out the benefits of direct deposit.

### **Choose Your Preparer Carefully**

The ADOR cautions taxpayers to be wary of claims by preparers offering larger refunds than other preparers. Take time to check out the preparer's credentials.

While most preparers provide excellent service to their clients, it is important to be aware that even if someone else prepares the return, the taxpayer is ultimately responsible for all of the information reported on his or her return. The department urges taxpayers never to sign a blank return and always review the return before signing/filing it. Question any item shown on the return that you do not understand.

### **Protect Your Personal Information**

Be on the alert for tax scams. During the tax-filing season, various tax scams are reported. If you receive an e-mail from someone claiming to represent the ADOR and seeking personal or financial information, do not reply. The Alabama Department of Revenue does not initiate taxpayer communications through e-mail.

### **Other Important Reminders**

#### **Alabama Gross Income Calculation**

Resident individual taxpayers who are partners or members of a partnership, limited liability company or S-Corporation must include in calculations of their Alabama gross income their proportionate share of income from such entities, regardless of whether the income is earned within or outside of Alabama. Resident individuals are also allowed an income tax credit for a portion of the tax paid by the entity to another state (Reference: Act 2012-427).

#### **Irrigation Equipment/Reservoir Tax Credit**

Alabama allows an income tax credit for the purchase and installation of irrigation equipment or for the purchase and installation of a qualified reservoir. The credit is equal to 20 percent of the cost of purchase and installation of the irrigation equipment or the qualified reservoir, but cannot exceed \$10,000. Taxpayers are allowed to claim a credit for either the irrigation equipment or reservoir, but not both. The credit is available for all tax years beginning after Dec. 31, 2011, and may be carried forward for five years. (Reference: Act 2012-391).

#### **Windstorm Catastrophe Savings Account Deduction**

Residential property owners may establish and designate a catastrophe savings account to provide for reimbursements for insurance deductible amounts and other uninsured losses. Taxpayers are allowed a limited deduction against the income earned on deposits into a catastrophe savings account. The deduction is limited, based on the taxpayer's insurance deductible. The deduction is available beginning with the 2012 tax year (Reference Act 2012-413).

#### **Heroes for Hire Credit**

First available for tax year 2012, the "Heroes for Hire Credit" provides an additional \$1,000 tax credit for job creation to employers who hire recently deployed, and now discharged, unemployed veterans. Additionally, any recently deployed, and now

discharged, unemployed veteran who holds at least 50 percent interest in a start-up business is eligible for a one-time \$2,000 income tax credit for expenses associated with the start-up business (Reference Act 2012-168).

### **Jason Barfield Act**

The 2012 Jason Barfield Act allows an Alabama income tax exemption for any payment made by the U.S. Department of Defense for any taxpayer killed in action in a combat zone, in the year he/she is declared deceased. The exemption also applies to any income earned by the spouse of the deceased, in the same year. The exemption is retroactive to Jan. 1, 2011. No statute of limitations regarding a refund petition applies to this exemption (Reference Act 2012-486).

### **Alabama Injured Spouse Provisions**

Alabama's tax laws follow federal law provisions in *Title 26 U.S.C. §6015* which address "injured spouse." A taxpayer requesting this relief must complete and attach [Alabama Form AL 8379, Injured Spouse Allocation](#) to his or her tax return (Reference: Act 2012-474).

### **Roth IRA Treated as Qualified Trust**

Alabama's code section relating to qualified trusts was amended in 2012 to include ROTH IRAs as a qualified trust (Reference: Act 2012-381).

### **Homeowners Insurance Retrofitting Deduction**

Homeowners who retrofit or upgrade their homes to make their residences more resistant to losses due to hurricane, tornado, or other natural disasters may claim an income tax deduction on their annual income tax returns. The deduction is limited to the lesser amount of either 50 percent of the retrofit cost or \$3,000. This deduction is available to taxpayers who itemize their deductions, as well as to those who claim the standard deduction.

### **Disaster Relief Payments**

Alabama's tax treatment of disaster relief payments follows that of the Internal Revenue Service (IRS) treatment of qualified disaster relief payments under the Internal Revenue Code §139. Generally, such payments are not taxable as long as they are not payments received in lieu of income. *Note:* Unemployment compensation is not taxable for Alabama purposes.

### **Tax Relief, Unemployment Insurance Reauthorization & Jobs Creation Act of 2010**

Alabama will follow the increased deduction allowed under the federal Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010, pertaining to Section 168(k) of the *Internal Revenue Code*. Section 168(k) provides that qualifying assets acquired after Sept. 8, 2010, through Dec. 31, 2011, will have a 100 percent bonus depreciation.

### **Small Business Jobs Act of 2010**

Alabama follows the increased deductions allowed by the federal Small Business Jobs Act of 2010, which amended Section 179 and Section 168 of the *Internal Revenue Code*.

### **Small Business Health Insurance Premiums**

Qualifying employers can deduct an additional 100 percent of the amount paid as health insurance premiums on qualifying employees in connection with an employer-provided health insurance plan. Qualifying employers have less than 25 employees. Qualified employees are Alabama residents who earn no more than \$50,000 of wages and report no more than \$75,000 in adjusted gross income. Income threshold is limited to \$150,000, if married filing jointly. Sole proprietors claim this deduction on the Form Schedule C under “other expenses.” Pass-through-entities claim this deduction on the Alabama partnership return Schedule K. The amount is then distributed to the partners or shareholders on the Schedule K-1. More information on the Small Business Health Insurance Premiums deduction is available at [www.revenue.alabama.gov](http://www.revenue.alabama.gov). See [Current Issues](#) under the Practitioner’s Corner. The Small Business Health Care deduction is available for all tax years after Dec. 31, 2010.

### **Full Employment Act of 2011**

The Full Employment Act of 2011 provides small business employers, having 50 or fewer employees, with a \$1,000 tax credit for each newly-created job, with a set hourly wage of \$10 or more. The credit is available to the employer after the employee has completed 12 months of consecutive employment in the new job. It is effective for tax years beginning after Jan. 1, 2011.

### **Don’t Forget the Consumer Use Tax**

Taxpayers who purchased items online or through catalog or telephone mail-order sales during 2013 and did not pay any sales or use tax to the out-of-state retailer should report and pay the Alabama consumer use tax due when filing their 2013 Alabama returns.

### **Review your return**

Before mailing or electronically filing, be sure to review all the information on your return one more time. Errors will delay the processing of your return.

### **Owe Additional Taxes?**

The ADOR offers taxpayers a variety of electronic payment options—from E-check to credit card payment options. See “e-Services” at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) for more information.

### **Where’s My Refund?**

If you file an accurate 2013 refund return, the ADOR advises that you can expect to have your refund approved by the ADOR and issued by the state within 15 weeks from the date the return is received.

To check on the processing status of your refund return, go to [“Where’s My Refund”](#) at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) or download [ADOR’s free iPhone app](#).

Please allow at least four weeks after you electronically file or mail your Alabama refund return before checking on the status of your refund.

Last year the ADOR processed over 1.9 million individual income tax returns and approved over 1.2 million individual income tax refunds for issuance to taxpayers, totaling over \$550 million.

### **Estimated Tax Reminder**

April 15, 2014, also marks another important date on the tax calendar for individuals—the start of the 2014 tax-filing period for individuals who are required to file quarterly estimated income tax reports and payments. Self-employed individuals are required to report and pay estimated income tax on a quarterly basis, based on the current maximum individual rate of five percent. In addition, individuals who receive taxable income from income sources other than wages or salaries on which no tax has been withheld are also required to report and pay estimated tax on a quarterly basis, if the taxable income received exceeds certain amounts. The estimated tax filing and payment threshold for individuals is set at \$500 in tax liability annually. Examples of such taxable income would include interest income or capital gains distributions. The reporting and payment dates for individuals are April 15, June 15, Sept. 15, and Jan. 15 of the following year.

### **Alabama Tax Assistance**

The ADOR is committed to providing quality customer service to taxpayers. Assistance is available at taxpayers' convenience through the department's Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) or by calling 334.242.1000. The ADOR also operates nine Taxpayer Service Centers located across the state for walk-in assistance. For a listing of ADOR Taxpayer Service Center locations, visit [www.revenue.alabama.gov](http://www.revenue.alabama.gov). See [About Us](#).

Alabama tax returns are available at selected Alabama public libraries and all ADOR taxpayer service centers. Returns are also available from the department's Web site at <http://revenue.alabama.gov/incometax/2013itforms.cfm>.