

Alabama Department of Revenue

News Release
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Don't Forget to Ring Up the Tax on Online Holiday Purchases

Montgomery— If you're one of the many shoppers who will be using your computer to "click" your way through your holiday gift list this year, don't forget the tax.

The Alabama Department of Revenue reminds Alabamians shopping 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.

Shoppers owe a 4 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 you live in a city or county that levies a local sales or use tax. If your purchase receipt shows that you have paid a sales tax to another state equal to the Alabama tax rate, you will not be taxed again.

The state use tax rate is 4 percent, the same as the state sales tax rate. Like the sales tax, the 4-percent use tax is specifically 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.

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.

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 Web site at www.revenue.alabama.gov.

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