

# Alabama Department of Revenue

News Release

Oct. 13, 2000

## What's New for 2001? Alabama Individual Income Tax Filing Update

Montgomery—With the 2001 filing season in the not-too-distant future, the Alabama Department of Revenue offers some helpful updates to taxpayers.

According to State Revenue Commissioner Michael L. Patterson, there are not any new state tax law changes affecting individuals for the upcoming filing season, but there are several significant changes in the format of the 2000 Alabama return.

### **Consumer Use Tax Reporting Line Item**

“This year, the Alabama return will include a line item for taxpayers to report any consumer use tax that is owed the state. This is the first time Alabama has included this reporting option on the state income tax return. Previously, individuals reported and paid any consumer use tax due by filing a separate consumer's use tax return. Now, taxpayers who purchase items online or through catalog or mail-order sales and do not pay any sales or use tax to the out-of-state retailer will be able to report and pay the Alabama consumer use tax due when filing their 2000 tax year return,” said Patterson.

Consumer use tax is paid on items purchased for use or consumption in Alabama on which no sales or use tax has been paid. Sales transactions subject to consumer use tax would include items purchased tax-free through mail-order catalog sales and Internet sales transactions. For example: computers, books, electronic equipment, furniture, jewelry, and clothing.

Alabama use tax is not a new tax; it is similar to the sales tax and applies to purchases from out-of-state retailers on which sales tax is not collected. The use tax rate is the same as the sales tax rate. Items subject to use tax are the same items that would be subject to sales tax if purchased in Alabama.

—MORE—

What's New for 2001?  
Add One  
Oct. 13, 2000

## **Federal Income Tax Liability Line Item Deduction**

### **Federal Income Tax Paid in 2000 Line Item Deduction**

Other new items on the return involve two new line item deductions related to an individual's federal tax liability and the amount of federal income tax paid during 2000 for the previous tax year. Alabama taxpayers will not report the amount of federal income tax withheld during 2000 or report the amount of federal estimated tax paid during 2000 on their 2000 Alabama return. Instead, beginning with the 2000 Alabama return, Alabama residents will report the federal income tax liability amount shown on their 2000 federal income tax return as a deduction. Alabama residents will be required to report any prior year's federal refund received in 2000 and deduct any federal income tax paid for prior years during 2000. **The deduction for federal income tax paid in 2000 is not the amount of federal tax that has been withheld from an individual's wages or salaries or paid through federal estimated income tax during the 2000 tax year, but rather is the amount of federal tax that was paid on any prior year's liability during 2000.**

What will this reporting change mean to taxpayers? "Simplification," says Patterson. "After 2000, taxpayers will no longer need prior year's federal return to complete their current-year Alabama return. For some taxpayers, this requirement caused delays in preparing their returns, especially if they misplaced or lost last year's copy of their federal return."

"On the flip side, this reporting change will improve compliance. Some taxpayers do not report their federal refunds because many times they simply forget they received a refund. Others mistakenly report the Earned Income Credit, which is exempt from Alabama tax, as a federal tax refund. Overall, we anticipate benefits for both the taxpayer and the department," said Patterson.

"The net revenue effect of the reporting change will be nominal. Alabama taxpayers who normally receive a federal income tax refund will see a comparable increase in the amount of their state tax liability. Alabama taxpayers who normally pay additional federal tax when filing their federal tax return will see a comparable decrease

What's New for 2001?  
Add Two  
Oct. 13, 2000

in the amount of their state tax liability for 2000. The net effect will be zero for the 2001 tax year. The reporting change, in effect, accelerates the payment of state tax on federal refunds and accelerates the deduction of additional federal tax paid when calculating one's Alabama taxable income," explained Patterson.

### **Senior Services Trust Fund Refund Check-off Donation**

The final change Alabamians will notice in preparing their 2000 return involves a name change for one of the income tax refund check-off donations. The Alabama Aging Fund has been replaced by the Senior Services Trust Fund. Act 2000-717 provided for this change.

### **E-Filing Update**

During mid-January, the department will kick-off its electronic filing season. "2001 will mark our fourth season for electronic filing," said Patterson. "Last year over 367,165 Alabamians took advantage of Alabama's electronic filing option, comprising 20 percent of the total individual income tax returns filed during the 2000 filing season. We're very optimistic in our projections for the 2001 electronic filing program. Filing trends in other states have shown that as more individuals become accustomed to using electronic filing options, more state tax returns are filed electronically," said Patterson.

### **Contact for more information:**

ADOR Media Affairs Office: Carla A. Snellgrove or Carolyn Blackstock:  
(334) 242-1390; FAX: (334) 242-0550