810-14-1-.07 Maintenance of Records.

(1) Taxpayers subject to a tax or determination of value must keep and maintain an accurate and complete set of permanent books of accounts and records, including inventories, that are sufficient to establish the correct amount of tax or value, deductions, credits, exemptions, and other matters required to be shown for any tax or determination of value. Taxpayers must keep all documentation that proves the amounts shown on a tax return or for the determination of value. Copies of tax returns or determinations of value, schedules, and statements should be retained as part of the taxpayer's records. In the absence of sufficient records, the burden of proof shall remain with the taxpayer to verify amounts shown on a tax return or for the determination of value.

(2) Such records and books shall be made available to the Department at a reasonable time and location. "Reasonable time" shall be considered to be during normal business hours of the Department. "Reasonable location" shall be considered to be the taxpayer's place of business or the offices of the taxpayer's authorized representative. Failing or refusing to maintain such records and books may be punishable as contempt, as provided in cases of contempt in circuit court. Also possible are the penalties for negligence, fraud, intentional disregard of rules and regulations, or failure to file a return.

(3) The required books or records must be kept available at all times for inspection by the Department and must be retained as long as the Department has legal authority to assess tax to which the books or records pertain. Generally, books and records that support an item of tax, value, deduction, credit, or exemption on a tax return should be kept for at least the period of limitations for that return. Usually this is three years from the date the return was due or three years from the date on which the return was paid, whichever is later. Exceptions to this period of limitations include, but are not limited to the following:

(a) taxes may be assessed at any time if the taxpayer fails to file a return or files a false return with the intent to evade tax;

(b) taxes may be assessed within six years on all tax returns from which more than 25 percent of the taxable base, as stated in the return, is omitted; and

(c) if a taxpayer appeals an audit/denial/revocation, which is under examination, or currently in litigation for a period beyond three years after, records for all periods in question should be maintained.

Author: George Mingledorff, Charla Doucet
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