

**ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES**  
**Code of Alabama 1975, Sections 40-23-31 and 40-23-83**

**810-6-2-.36.05. Lay-away Sales.**

(1) The Sales Tax Law defines a sale as follows: "installment and credit sales and the exchange of properties as well as the sale thereof for money, every closed transaction constituting a sale." It has been held that Alabama sales tax applies only to sales that are "closed" within the state and that, for tax purposes, sales are closed when title to the goods are passed to the purchaser.

(2) The time that title to the goods passes as designated by the layaway contract is determinative of the time that sales tax is due. If there is no layaway contract or the contract is silent as to the time title transfers, amounts received in payment of the sales price of property held by the seller until the total amount of the sales price is paid to him are not taxable until the total sales price, including the service charge, has been paid and the property delivered to the purchaser.

(3) If the customer fails to complete payments under the layaway agreement and obtains from the retail merchant a refund of those payments, excluding the service charge, and title has not passed, the retail merchant is entitled to a credit for any sales tax previously paid to the Department upon the transaction regardless of the amount refunded to the customer. In an incompleated layaway transaction there can be no "return" since the customer never obtains delivery of the goods. (Adopted October 1, 1959, readopted through APA October 1, 1982, amended January 10, 1985)